Milan, 04 July 2023

Italian Equity Research – 1H23 Preview

TOD'S

NEUTRAL

Sector: Consumers

Price: Eu38.70 - **Target: Eu42.60**

Raising Our Estimates Ahead of 1H23 Results

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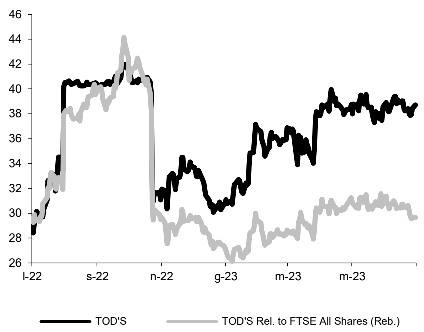
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 41.70 to 42.60
	2023E	**2024E**	**2025E**
Chg in Adj EPS	8.3%	-0.4%	2.8%

Next Event 1H23 results
Results Out 6 September 2023

TOD'S - 12M Performance



Stock Data			
Reuters code:			TOD.MI
Bloomberg code:			TOD IM
Performance	**1M**	**3M**	**12M**
Absolute	0.4%	2.3%	30.3%
Relative	-4.1%	-1.5%	-0.2%
12M (H/L)			41.98/28.42
3M Average Volume (th):			46.16

Shareholder Data	
No. of Ord shares (mn):	33
Total no. of shares (mn):	33
Mkt Cap Ord (Eu mn):	1,281
Total Mkt Cap (Eu mn):	1,281
Mkt Float - Ord (Eu mn):	270
Mkt Float (in %):	21.1%
Main Shareholder:	
Della Valle Family	63.6%

Balance Sheet Data	
Book Value (Eu mn):	1,086
BVPS (Eu):	32.82
P/BV:	1.2
Net Financial Position (Eu mn):	-559
Enterprise Value (Eu mn):	1,356

- **2Q23 revenues foreseen up 21% YoY.** In 2Q23 we expect group revenues to have reached Eu299.4mn thanks to a Eu239.9mn contribution from the retail channel (up 24.6% YoY) and a Eu59.5mn contribution from the wholesale channel (up 7.3% YoY, some deliveries were brought forward to 1Q23). We expect all geographical regions to have generated positive growth, with Greater China (+49.5% YoY) making the most notable progress, thanks not only to a strong performance in Mainland China (favoured, in April and May, by very easy comps) but also even stronger rebounds in Hong Kong and Macau, benefitting from the return of Chinese travellers. The rest of the world region should have combined a very good performance in Japan with a contraction in South Korea. Europe and Italy are expected to have continued to show good domestic demand coupled with stronger tourist purchases, with revenue growth set to remain double digit, lower than in 1Q due to a tougher comparison. Finally, Americas is expected to reflect less brilliant demand, but the region represents just 7% of quarterly sales.
- **EBIT margin to double in 1H23, favoured by operating leverage.** In terms of margins, in 1H23 we expect the gross margin to have grown 100bp to 82.1%, thanks to channel and geographical mix and lower discounts. Below this line, we expect OpEx to have grown 16% YoY (less than revenues, expected up 21.9% YoY) taking EBIT to Eu48.9mn, up 177% YoY with an 8.6% margin on sales.
- **Current consensus appears too conservative**. Consensus forecasts for 2023 have recently been raised (revenues up 12.2% YoY, EBIT margin 7.3%) but in our opinion are still too conservative, implying (based on our 1H23 forecasts) a mere 3.8% YoY growth in 2H23 even bearing in mind that 1H23 sales benefitted from a 10% price hike applied to the S/S 23 collection, while no further rise is planned for A/W 23/24.
- **Change in estimates**. In this report we are raising our 2023-2024 revenue estimates by 3.1% and 2.5%, assuming +15.3%/+7.8% YoY growth. Our new revenue forecasts are 2.8% / 4.1% above most recent consensus. In detail, we are moving our 2023/24 retail revenue forecast up by 3.9% / 3.1%, mainly to account for stronger performances in China and Europe, where the Tod's and Roger Vivier brands are gaining traction. In terms of margins, we are lifting our estimates slightly (bringing the 2023 EBIT margin to 7.5%), but remaining close to consensus as we expect the company to accelerate spending on communications and marketing. At bottom line, the EPS revision is partly dented by our assumption of higher financial charges.
- **NEUTRAL confirmed; target from Eu41.7 to Eu42.6.** Our target is the combination of a fundamental fair value of Eu40.4 (from Eu39.6) calculated on a DCF model that reflects improved estimates, and a speculative scenario to which we assign a 20% likelihood assuming a theoretical takeover price of Eu51.4 (calculated at 1.5x 2023 EV/sales). In conclusion, we appreciate the improving momentum and expect a positive stock reaction in the short term, but confirm our NEUTRAL stance pending a clearer understanding of management's strategy to strengthen and sustain brand positioning and distribution that could arrive in September or October.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	884	1,007	1,161	1,252	1,351
EBITDA Adj (Eu mn)	161	207	245	275	300
Net Profit Adj (Eu mn)	-6	23	45	65	83
EPS New Adj (Eu)	-0.179	0.697	1.352	1.952	2.511
EPS Old Adj (Eu)	-0.179	0.697	1.249	1.960	2.442
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.3	6.4	5.5	4.8	4.2
EV/EBIT Adj	nm	22.6	15.6	11.7	9.3
P/E Adj	nm	55.5	28.6	19.8	15.4
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.2	2.7	2.3	1.9	1.6