

TOD'S

Sector: Consumers

NEUTRAL

Price: Eu33.60 - Target: Eu36.60

3Q23 Revenue Performance Hit By Industry Slowdown

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Stock Rating

Rating: Unchanged

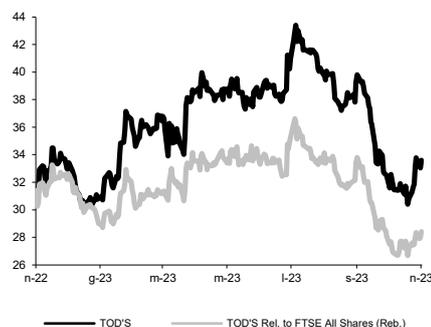
Target Price (Eu): from 40.10 to 36.60

	2023E	2024E	2025E
Chg in Adj EPS	-5.6%	-5.7%	-4.9%

Next Event FY23 revenues

Results Out January 2024

TOD'S - 12M Performance



Stock Data

Reuters code: TOD.MI

Bloomberg code: TOD IM

Performance	1M	3M	12M
Absolute	3.4%	-15.7%	6.9%
Relative	1.2%	-17.0%	-11.3%
12M (H/L)	43.40/30.08		
3M Average Volume (th):	55.41		

Shareholder Data

No. of Ord shares (mn): 33

Total no. of shares (mn): 33

Mkt Cap Ord (Eu mn): 1,112

Total Mkt Cap (Eu mn): 1,112

Mkt Float - Ord (Eu mn): 234

Mkt Float (in %): 21.1%

Main Shareholder:

Della Valle Family 63.6%

Balance Sheet Data

Book Value (Eu mn): 1,082

BVPS (Eu): 32.70

P/BV: 1.0

Net Financial Position (Eu mn): -541

Enterprise Value (Eu mn): 1,169

■ **3Q23 revenues up just 0.8% at current ForEx, in line with our estimates.** After an excellent 1H23 performance (+21.7% YoY), top line growth slowed in 3Q23 (+0.8% YoY to Eu259.3mn) reflecting ongoing industry normalisation in all regions and a much more negative ForEx effect (-4.2% 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, revenues from DOS came in at Eu177.2mn, down 2.5% or +3.1% at constant ForEx. On the other hand, revenues from the wholesale channel rose 8.7% YoY to Eu82.1mn. Geographically, Italy remained positive, but lower than expected (Eu67.7mn, +1.5% YoY), while the rest of Europe (Eu64.1mn, +11.5% YoY) witnessed a better performance despite particularly volatile macro trends in areas such as Germany and the UK. Americas slightly improved compared to 1H23, up 6% at constant ForEx. Mainland China recorded a slightly positive trend at constant ForEx, sustained by improving trends in Hong Kong and Macau. In the rest of the world, Japan remained positive but with Korea still weak, taking the overall contribution to Eu38.5mn, up 7.2% at constant ForEx.

■ **Management indication.** During the call management suggested current FY23 consensus (revenues Eu1,138mn, EBIT Eu93mn) is “a bit challenging but achievable” (the consensus revenue forecast is about mid-range of management’s internal projections). In October and the first week of November, sales trends remained similar to 3Q23. For the replacement of Walter Chiapponi, two candidates have been shortlisted; a new Director will be hired in the near future but the company is in no rush. Management ruled out any inventory disruption risk associated with the appointment of a new Creative Director, as there will be continuity in the evolution of brand style.

■ **Change in estimates.** In this report we are trimming our 2023/2024 revenue estimates by 1.1%, to take into account softer industry trends. Our new forecasts imply 3.4% growth in 4Q23 (+7.1% at constant ForEx). In terms of margins, we are shaving our estimates by 40bp, bringing the 2023 EBIT margin from 8.0% to 7.6%, assuming the 2H23 gross margin remains flatish YoY at 81.4% but the 2H23 EBIT margin declines from 7.5% to 4.6%, due in part to higher communications costs. At bottom line, the EPS revision is -5.6%/ -5.7% for 2023/24.

■ **NEUTRAL confirmed; target from Eu40.1 to Eu36.6.** 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 Eu33.26 (from Eu37.55 mainly because of the change in estimates and because we factor in a 50bp higher risk-free rate), and a speculative scenario priced at Eu50.1 (from Eu50.6) to which we assign a 20% likelihood.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	884	1,007	1,120	1,202	1,296
EBITDA Adj (Eu mn)	161	207	247	272	295
Net Profit Adj (Eu mn)	-6	23	41	58	74
EPS New Adj (Eu)	-0.179	0.697	1.227	1.738	2.231
EPS Old Adj (Eu)	-0.179	0.697	1.299	1.843	2.347
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.3	6.4	4.7	4.2	3.7
EV/EBIT Adj	nm	22.6	13.7	10.8	8.7
P/E Adj	nm	48.2	27.4	19.3	15.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.2	2.7	2.2	1.9	1.6