

# TOD'S

Sector: Consumers

# TENDER

Price: Eu43.02 - Target: Eu43.00

## No Option but to Tender the Shares

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### Stock Rating

**Rating:** from NEUTRAL to TENDER

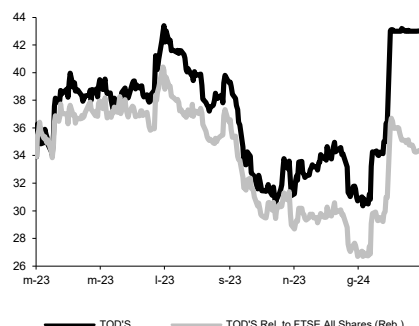
**Target Price (Eu):** from 35.80 to 43.00

	2024E	2025E	2026E
Chg in Adj EPS	6.6%	3.5%	

### Next Event 1Q24 revenues

Results Out 15 May 2024

### TOD'S - 12M Performance



### Stock Data

Reuters code: TOD.MI

Bloomberg code: TOD IM

Performance	1M	3M	12M
Absolute	18.3%	27.3%	20.2%
Relative	11.8%	18.0%	0.0%
12M (H/L)		43.40/30.36	
3M Average Volume (th):		134.53	

### Shareholder Data

No. of Ord shares (mn):	33
Total no. of shares (mn):	33
Mkt Cap Ord (Eu mn):	1,424
Total Mkt Cap (Eu mn):	1,424
Mkt Float - Ord (Eu mn):	300
Mkt Float (in %):	21.1%
Main Shareholder:	
Della Valle Family	63.6%

### Balance Sheet Data

Book Value (Eu mn):	1,147
BVPS (Eu):	34.66
P/BV:	1.2
Net Financial Position (Eu mn):	-535
Enterprise Value (Eu mn):	1,475

■ **Margins well above our estimates and consensus.** FY23 revenues, out on 24 January, came in at Eu1126.7mn, up 11.9% YoY, mainly thanks to DTC revenues that were up 13.2% YoY to Eu841.8mn. Looking at 2H23 margins, gross profit came to Eu462mn, 1.8% better than expected, with the margin on sales at 82.8%, up 100bp YoY; 2H23 EBIT was Eu34mn, down 15% YoY but well above our Eu26mn forecast. According to the company, margins were favoured by the fact that some marketing initiatives, initially planned for 4Q23, were delayed. In general, we were pleased by the gross margin, by the strong control on rental costs (down 70bp YoY on sales, having adjusted for IFRS16) and the fact that marketing costs were up 100bp to 10% on sales in FY23. Below the EBIT line, net financial charges were also lower than expected, taking FY23 net profit to Eu50mn, Eu9mn better than expected. On the other hand, net debt as at YE23 was Eu90mn (excluding IFRS16), Eu12mn higher than expected because of higher NWC absorption.

■ **Management indications.** During the call, management said January 2024 sales had been quite volatile, also due to the Chinese new year calendar effect, which helped February performance (monthly sales were commented as up YoY). In terms of geographical areas, in the first two months of the year sales in Greater China were said to be slightly down YoY, while business trends have been fairly positive elsewhere. Management did not provide outlook for 2024 but confirmed the indications commented in January, saying mid-single digit growth and a stable EBIT margin were reasonable.

■ **Voluntary tender offer.** On 10 February 2024, L Catterton, in concert with the Della Valle family, launched a voluntary takeover bid at Eu43 per share (17.59% premium to the last closing price) aimed at delisting. The Della Valle family has committed to tendering 3.46mn shares (10.45% of capital), while the remaining 17.87mn shares it holds will not be tendered (54.0% of capital); Delphine (LVMH) will not deliver its shares (3.31mn, 10% of capital). Thus, on conclusion of the delisting, the Della Valle family will retain control with 54%, L Catterton will have 36% and Delphine 10%. If, following the offer, the bidder and shareholders acting in concert do not hold either 90% (sell-out threshold) or 95% (squeeze-out threshold) the delisting will take place via a merger of Tod's and the bidder, an unlisted vehicle. As of yesterday, L Catterton had already reached a 7.424% stake by purchasing shares on the market.

■ **Change in estimates.** In this report we confirm our 2024-2025 revenue forecasts and we are implementing only minor changes to the EBIT margin.

■ **We recommend to TENDER; target aligned to takeover price of Eu43.** Margins provided a positive surprise, driven by a good sales mix and by effective control on personnel and rental costs. In any case, we move our view to Tender because the offer launched by L Catterton will be successful and the stock will be delisted.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,007	1,127	1,180	1,265	1,340
EBITDA Adj (Eu mn)	207	254	266	286	310
Net Profit Adj (Eu mn)	23	50	56	70	81
EPS New Adj (Eu)	0.697	1.511	1.704	2.113	2.435
EPS Old Adj (Eu)	0.697	1.236	1.597	2.042	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	6.4	5.1	5.5	5.1	4.5
EV/EBIT Adj	22.6	13.6	14.7	12.3	10.6
P/E Adj	61.7	28.5	25.3	20.4	17.7
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.7	2.3	2.0	1.8	1.5

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 31 December 2023 Intermonte's Research Department covered 117 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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