

TOD'S

Sector: Consumers

NEUTRAL

Price: Eu33.90 - Target: Eu35.00

Management Labels Current Consensus as Feasible

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Stock Rating

Rating: Unchanged

Target Price (Eu): from 34.50 to 35.00

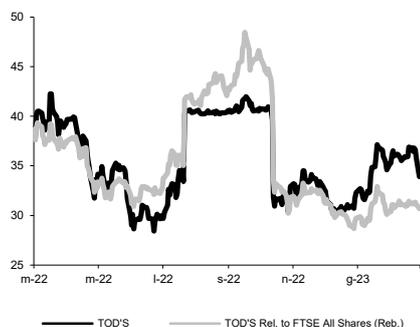
	2023E	2024E	2025E
Chg in Adj EPS	6.2%	-4.1%	

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Next Event 1Q23 revenues

Results Out 10 May 2023

TOD'S - 12M Performance



Stock Data

Reuters code: TOD.MI

Bloomberg code: TOD IM

Performance	1M	3M	12M
Absolute	-3.7%	3.9%	-13.7%
Relative	0.8%	-2.2%	-26.1%
12M (H/L)		42.26/28.42	
3M Average Volume (th):		77.88	

Shareholder Data

No. of Ord shares (mn):	33
Total no. of shares (mn):	33
Mkt Cap Ord (Eu mn):	1,122
Total Mkt Cap (Eu mn):	1,122
Mkt Float - Ord (Eu mn):	236
Mkt Float (in %):	21.1%
Main Shareholder:	
Della Valle Family	63.6%

Balance Sheet Data

Book Value (Eu mn):	1,078
BVPS (Eu):	32.58
P/BV:	1.0
Net Financial Position (Eu mn):	-555
Enterprise Value (Eu mn):	1,193

■ **2H22 EBIT at 7.5%, stronger than expected, higher net debt.** On 25 January, the group unveiled FY22 revenues, amounting to Eu1,007mn, up 13.9% YoY or +11.4% at constant ForEx. 2H22 margins were stronger than expected, with EBIT at Eu40.6mn, Eu12.5mn above our estimates, which were slightly below consensus. Notably, the EBIT margin was 7.5% in 2H22, well above 2H21 (5.5%), reflecting improved brand momentum. Net debt, excluding IFRS 16, came to Eu71.1mn as at YE22, Eu40mn higher than expected (due to higher inventories, which were commented as being related to new collections) and in line with the corresponding figure as at YE21. Net operating working capital amounted to Eu283.5mn as at YE, or 28.2% of sales, while as at YE21 the same ratio was 29.7%. The Board has decided to propose to the shareholders' meeting not to approve the distribution of dividends.

■ **Considerations looking at 2023.** During the call, management indicated current consensus forecasts for 2023 (revenues up 7% YoY, EBIT margin at about 7%) as feasible and achievable. Talking about trading in 2023, group sales in the last two months in Greater China have recorded a positive double-digit YoY performance even adjusting for calendar effects related to the Chinese new year, a remarkable trend considering that in 2022, January and February were the only months that performed well. Other markets are all doing quite well (Europe in particular) with Korea the only market where the performance has been more volatile. Regarding actions to relaunch the brand, management confirmed the focus will be on communication costs (mainly in the digital channel) and on reinforcing the distribution network which consisted of 333 DOS and 89 franchised stores as of 31 December 2022, compared to 318 DOS and 88 franchised stores as of 31 December 2021. Indications were not too precise: we understood that investments will be calibrated according to revenue momentum. New retail space should be in the region of 4%, with the focus mainly on China (50% of new openings) and on markets other than Europe and the US (30%). Hogan could be the brand with the highest number of new openings. In 2023, price revisions should be more limited compared to 2022.

■ **Change in estimates.** We have left our 2023-2024 revenue estimates unchanged, assuming +10.1%/+8.5% growth. We are slightly above consensus, but the industry picture has been quite supportive so far. In terms of margins, in light of FY22 results and management comments, we are raising 2023 and 2024 EBIT margins by 70bp and 20bp to 6.5% and 8.3% respectively, a touch more conservative than consensus forecasts. Below the EBIT line, we assume higher financial charges.

■ **NEUTRAL confirmed; target at Eu35.0 from Eu34.5.** Our new target is still the combination of a fundamental fair value of Eu31.2 (from Eu30.8) calculated on a DCF model (WACC 9.1%, terminal growth of 2.5%, unchanged assumptions) and of a speculative scenario, to which we assign a 20% likelihood, assuming a theoretical takeover price of Eu49.5 (calculated at 1.5x 2023 EV/Sales). In conclusion, we appreciate the improving momentum, but confirm a neutral stance pending a clearer understanding of management's strategy to strengthen and sustain brand positioning and distribution.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	884	1,007	1,108	1,202	1,297
EBITDA Adj (Eu mn)	161	207	225	257	279
Net Profit Adj (Eu mn)	-6	23	37	58	73
EPS New Adj (Eu)	-0.179	0.697	1.106	1.738	2.198
EPS Old Adj (Eu)	-0.179	0.545	1.041	1.812	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.3	6.4	5.3	4.6	4.1
EV/EBIT Adj	nm	22.6	16.4	11.7	9.5
P/E Adj	nm	48.6	30.6	19.5	15.4
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.2	2.7	2.5	2.1	1.8