

EQUITY - SPAIN

Sector: Textiles, Apparel & Luxury Goods

 Closing price: EUR 4.92 (17 Jan 2024)
 Report date: 18 Jan 2024 (16:15h)

 9m Results 2023
 Independent Equity Research

9m Results 2023

 Opinion ⁽¹⁾: In line

 Impact ⁽¹⁾: We will maintain our estimates

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Adolfo Domínguez (ADZ) is a small designer fashion textile group, based in Ourense (Spain), specialising (c. 40 years) in the design and sale (both retail and wholesale) of fashion items. With international presence (>35% o/revenues), it is managed by the founding family (31% of the capital), which prevails in the Board.

9M23 earnings: sustained double-digit growth in revenue

Market Data

Market Cap (Mn EUR and USD)	45.6	49.5
EV (Mn EUR and USD) ⁽²⁾	83.1	90.2
Shares Outstanding (Mn)	9.3	
-12m (Max/Med/Min EUR)	6.86 / 5.64 / 4.00	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation ⁽³⁾	11.6	
Factset / Bloomberg	ADZ-ES / ADZ SM	
Close fiscal year	28-Feb	

Shareholders Structure (%) ⁽⁷⁾

Adolfo Domínguez	31.5
Puig, S.A.	14.8
Libertas 7	10.3
Indumenta Pueri	9.1
Free Float	22.6

Financials (Mn EUR)	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	9.3	9.3	9.3	9.3
Total Revenues	115.3	130.7	141.2	152.7
Rec. EBITDA	10.9	14.2	17.2	19.2
% growth	142.9	29.9	21.2	11.5
% Rec. EBITDA/Rev.	9.5	10.9	12.2	12.6
% Inc. EBITDA sector ⁽⁴⁾	9.0	0.7	14.6	12.1
Net Profit	0.2	-0.6	1.3	2.1
EPS (EUR)	0.02	-0.07	0.14	0.23
% growth	101.7	-487.8	303.8	69.9
Ord. EPS (EUR)	-0.12	-0.07	0.14	0.23
% growth	80.6	46.9	304.2	69.9
Rec. Free Cash Flow ⁽⁵⁾	-8.3	-4.0	-1.4	-0.1
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	8.1	13.0	15.4	16.6
ND/Rec. EBITDA (x)	0.7	0.9	0.9	0.9
ROE (%)	1.0	n.a.	7.3	11.3
ROCE (%) ⁽⁵⁾	17.3	5.5	10.0	12.1

Ratios & Multiples (x) ⁽⁶⁾

P/E	n.a.	n.a.	36.4	21.4
Ord. P/E	n.a.	n.a.	36.4	21.4
P/BV	2.7	2.7	2.6	2.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	0.72	0.64	0.59	0.54
EV/Rec. EBITDA	7.6	5.8	4.8	4.3
EV/EBIT	28.1	n.a.	22.8	16.8
FCF Yield (%) ⁽⁵⁾	n.a.	n.a.	n.a.	n.a.

SOLID GROWTH IN REVENUE (+13.2% VS 9M23)... ADZ sustained the pace of growth seen in previous quarters of >10% and we estimate that it continued to do so through to the end of 2023. Revenue in 9M23 amounted to EUR 83.8Mn (vs EUR 74Mn in 9M22). There were good performances in both same-store sales (+8.4%) and international sales (+20%), which nearly doubled the growth achieved in Europe.

...AND EBITDA 9M23, WITH NO SURPRISES. Gross margin for 9M23 held broadly steady at 62.1% (in line with 9M22), thereby tempering the impact of discounts (e.g. Black Friday). Meanwhile, growth in revenue counterbalanced the operating cost of the company's international expansion, enabling ADZ to deliver recurring EBITDA of EUR 7.4Mn (vs EUR 6Mn in 2022) and improve the EBITDA margin by 1p.p. (vs 9M22).

HOWEVER, THE COST OF OPENINGS AFFECTED THE BOTTOM LINE. ADZ had 17 (net) openings by the end of the period which, coupled with updates to rents, pushed up the depreciation and amortisation charge (including the impact of IFRS 16) by 33% (vs 9M22). This caused EBIT 9M23 to fall to below break-even (EUR -0.7Mn vs. EUR 0.4Mn in 9M22).

NET PROFIT IN 2Q (AND 3Q). This reinforces the thesis that with an EBITDA margin of c.10%, ADZ could deliver a net profit (NP 3Q23: EUR 0.6Mn).

WE ARE REITERATING OUR EBITDA ESTIMATES. However, we are revising up our revenue estimates for 2023e (by 7.2% vs our previous estimate) and cutting our EBIT estimates (to EUR 1.3Mn vs EUR 3Mn previously). We expect the company to show a net loss for 2023.

THE INTERNATIONALISATION STRATEGY IS PROVING TO BE EFFECTIVE. ADZ has embarked on a strategy regarding new openings (+17 YTD) in less mature markets. This was reflected by the double-digit growth in revenue seen in the set of 9M23 earnings. While the required investment for expansion in 1Q23 undermined "accounting" earnings (EBIT, NP), the efficiency gains are evident (EBITDA). Our scenario points to revenue in 2023e of around EUR 130.7Mn and EBITDA of 14.2Mn. ADZ is currently trading at an EV/revenue multiple of 0.64x (vs 1.4x for its comps), while outpacing average growth for peers by +1.3 p.p. (CAGR 2023e-2025e).

Relative performance (Base 100)


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	1.2	-5.4	23.0	-1.6	2.9	-27.2
vs Ibex 35	3.6	-10.8	10.8	0.7	-14.1	-34.3
vs Ibex Small Cap Index	1.2	-7.5	27.2	-1.1	7.7	-40.8
vs Eurostoxx 50	4.6	-10.8	16.6	1.0	-15.9	-49.3
vs Sector benchmark ⁽⁴⁾	16.3	-7.4	34.3	10.9	-11.5	-61.6

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 3.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) Sector: Europe Apparel & Footwear.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(6) Multiples and ratios calculated over prices at the date of this report.

(7) Others: La Previsión Mallorquina de Seguros 6.7%, Solventis 4.5%, Treasury shares 0.5%

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

9m Results 2023

9m23 Results

Any reference to the results 9M refers to the period between March 1 and November 30 of the corresponding year.

EUR Mn	9m23		9m23 Real vs 9m22	2023e	2023e vs		3Q23 vs 3Q22
	Real	9m22			2022	3Q23	
Total Revenues	83.8	74.0	13.2%	130.7	13.3%	27.1	11.1%
Gross Margin	51.3	45.3	13.0%	74.7	13.2%	18.3	14.5%
<i>Gross Margin/Revenues</i>	<i>61.2%</i>	<i>61.2%</i>	<i>-0.1 p.p.</i>	<i>57.2%</i>	<i>-0.1 p.p.</i>	<i>67.5%</i>	<i>2.0 p.p.</i>
Recurrent EBITDA	7.4	6.0	24.4%	14.2	29.9%	2.6	56.6%
<i>Rec. EBITDA/Revenues</i>	<i>8.8%</i>	<i>8.0%</i>	<i>0.8 p.p.</i>	<i>10.9%</i>	<i>1.4 p.p.</i>	<i>9.6%</i>	<i>2.8 p.p.</i>
EBITDA⁽¹⁾	9.7	8.3	17.5%	14.2	6.4%	4.9	23.6%
<i>EBITDA/Revenues</i>	<i>11.6%</i>	<i>11.2%</i>	<i>0.4 p.p.</i>	<i>10.9%</i>	<i>-0.7 p.p.</i>	<i>18.2%</i>	<i>1.9 p.p.</i>
EBIT	-0.7	0.4	-266.0%	1.3	-56.9%	1.3	13%
<i>EBIT/Revenues</i>	<i>-13.5%</i>	<i>0.6%</i>	<i>n.a.</i>	<i>1.0%</i>	<i>n.a.</i>	<i>-9.9%</i>	<i>n.a.</i>
PBT	-2.5	-1.1	-126.5%	-0.6	-148.4%	0.7	-37%
NP	-2.7	-2.2	-27.0%	-0.6	-487.8%	0.6	18%
Points of sale (Total)	356	343	3.8%				
Points of sale (International)	52.5%	50.1%	2.4 p.p.				

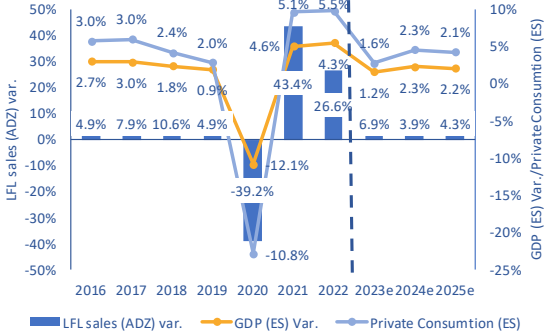
Note 1: Recurring EBITDA adjusted to exclude the impact of non recurrent revenues of EUR +2.4Mn in 2022.

Table 1. Estimates review

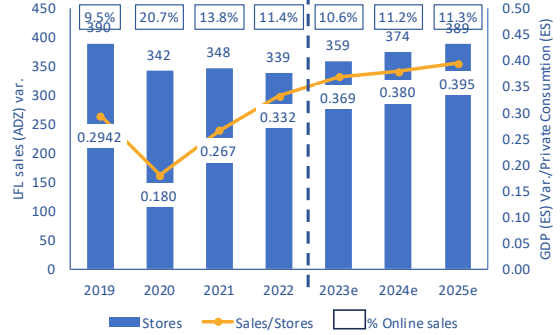
EUR Mn	2023e (New)	Review (%)	2024e (New)	Review (%)	2025e (New)	Review (%)
Total Revenues	130.7	7.2%	141.2	11.1%	152.7	15.0%
Recurrent EBITDA	14.2	2.4%	17.2	4.5%	19.2	8.9%
<i>Rec. EBITDA/Revenues</i>	<i>10.9%</i>	<i>-1 p.p.</i>	<i>12.2%</i>	<i>-1 p.p.</i>	<i>12.6%</i>	<i>-1 p.p.</i>
EBIT	1.3	-59.0%	3.6	-34.2%	5.0	-23.9%
Net Profit	-0.6	n.a.	1.3	-57.2%	2.1	-41.5%
Recurrent Free Cash Flow	-4.0	-18.4%	-1.4	-168.0%	-0.1	-132.1%
Net Debt	13.0	6.0%	15.4	12.2%	16.6	15.8%
<i>ND / EBITDA</i>	<i>0.9x</i>	<i>0.0x</i>	<i>0.9x</i>	<i>0.1x</i>	<i>0.9x</i>	<i>0.1x</i>

The company in 8 charts

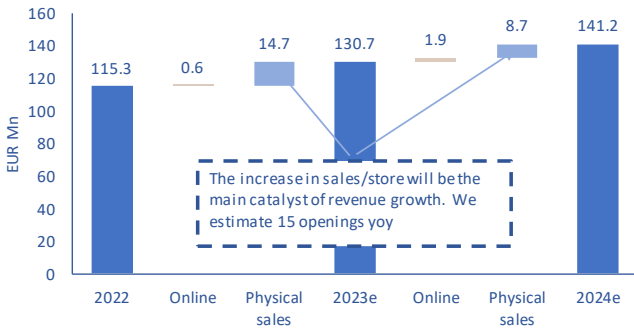
The sector in which ADZ operates is highly cyclical



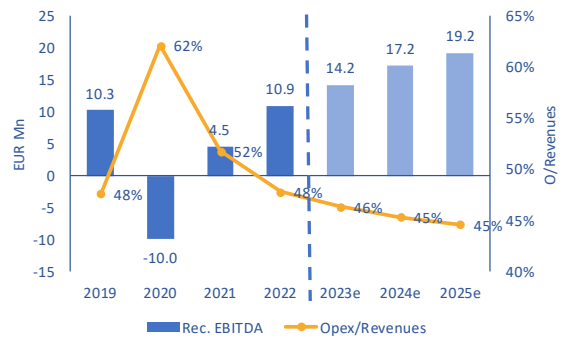
The re-sizing of the retail surface area has increased profitability per store (driven by the online business: 11.4% of 22 revenue)...



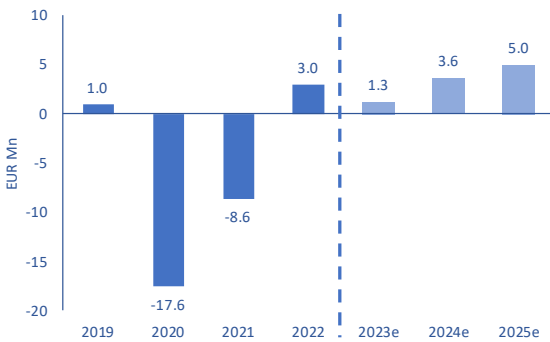
...the main driver on which we base our forecast for revenue growth in 2023e and 2024e (15 openings yoy)



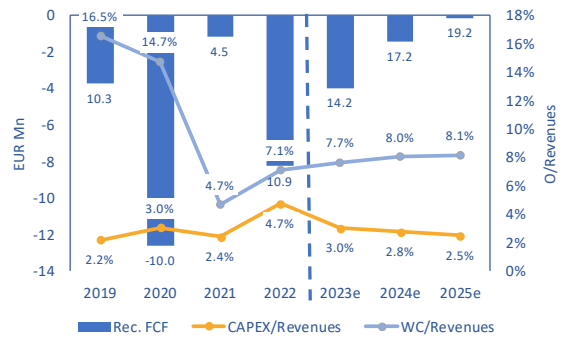
The focus on cost reduction will allow ADZ to lever on its structure



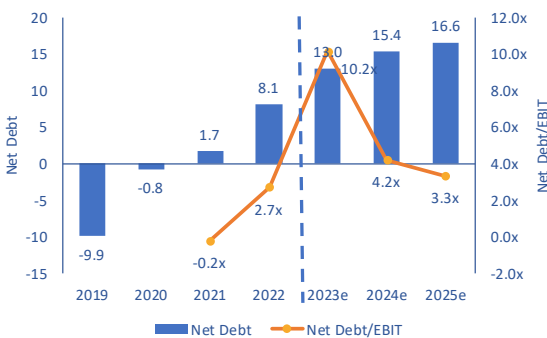
Revenue growth (+9.8% 22-25e CAGR) and cost control will drive 2025e EBIT to EUR 5.0Mn (vs EUR 1.0Mn in 2019)



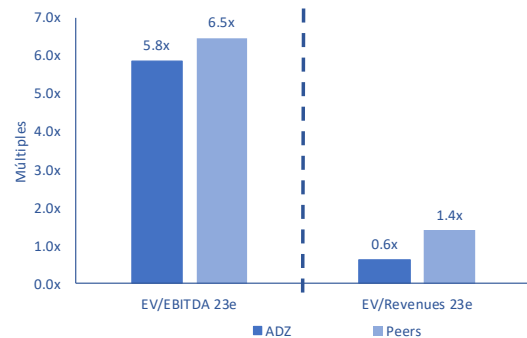
That will make it possible to achieve break-even in FCF 2025e, despite of CAPEX and working capital



Estimated cash consumption until 2024 will increase 2024e ND to EUR 16.6Mn (ND/EBIT 2025e 3.3x)



Trading at: EV/EBITDA 23e 5.8x and EV/Sales 22e 0.6x (vs EV/EBITDA 23e 6.5x y EV/Sales 23e 1.4x from sector)



Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(3.0)	(0.9)	0.4	n.a.		
Market Cap	45.6	At the date of this report				
Net financial debt	13.5	Debt net of Cash (6m Results 2023)				
					Best Case	Worst Case
Cost of Debt	6.5%	Net debt cost			6.3%	6.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	5.2%	Kd = Cost of Net Debt * (1-T)			5.0%	5.4%
Risk free rate (rf)	3.2%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.1	B (own estimate)			1.0	1.2
Cost of Equity	9.8%	Ke = Rf + (R * B)			8.7%	11.0%
Equity / (Equity + Net Debt)	77.1%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	22.9%	D			=	=
WACC	8.8%	WACC = Kd * D + Ke * E			7.9%	9.8%
G "Fair"	2.0%				2.5%	1.5%

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Burberry Group PLC	BRBY-GB	5,166.3	14.4	9.3%	6.4	5.2%	1.8	4.3%	27.3%	8.0%	17.5%
Hugo Boss AG	BOSS-DE	4,067.7	18.3	24.0%	6.6	15.2%	1.2	9.1%	18.5%	3.4%	81.8%
Salvatore Ferragamo SpA	SFER-IT	1,784.1	81.1	51.5%	9.3	9.8%	1.9	4.2%	20.6%	2.9%	25.0%
SMCP SA	SMCP-FR	209.4	6.3	23.8%	3.5	9.0%	0.7	5.1%	20.2%	9.1%	85.8%
Affordable Luxury players			30.0	27.1%	6.5	9.8%	1.4	5.7%	21.7%	5.9%	52.5%
Kering	KER-FR	42,715.9	15.4	8.2%	8.0	6.9%	2.6	5.9%	33.2%	5.1%	35.6%
Tapestry	TPR-US	7,570.9	9.1	7.0%	8.0	5.0%	1.6	2.4%	20.4%	9.6%	15.9%
Capri Holdings Ltd	CPRI-US	5,424.6	11.0	8.8%	11.3	9.8%	1.8	3.0%	15.7%	n.a.	18.6%
PVH Corp	PVH-US	6,414.2	11.2	12.6%	8.4	5.7%	1.1	2.8%	13.3%	9.4%	3.9%
Specialised Retail Holdings			11.7	9.2%	8.9	6.9%	1.8	3.5%	20.6%	8.0%	18.5%
ADZ	ADZ-ES	45.6	n.a.	n.a.	5.8	16.3%	0.6	8.1%	10.9%	n.a.	82.2%

Free Cash Flow sensitivity analysis (2024e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	13.4%	18.9	4.4x
Central	12.2%	17.2	4.8x
Min	11.0%	15.5	5.3x

B) Rec. FCF sensitivity to changes in EBITDA and CAPEX/sales

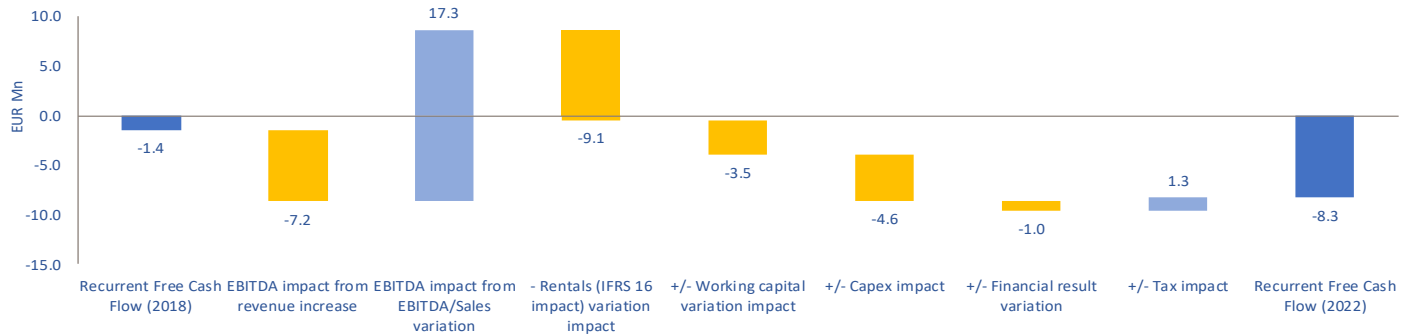
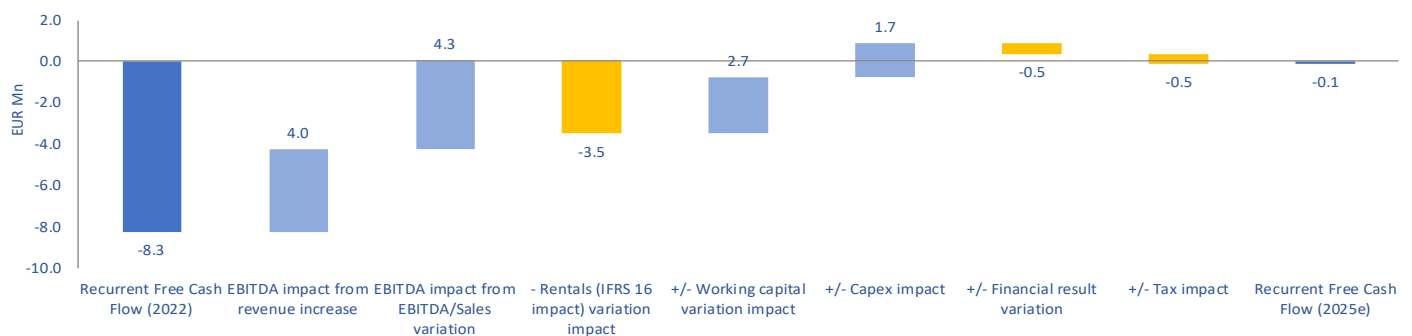
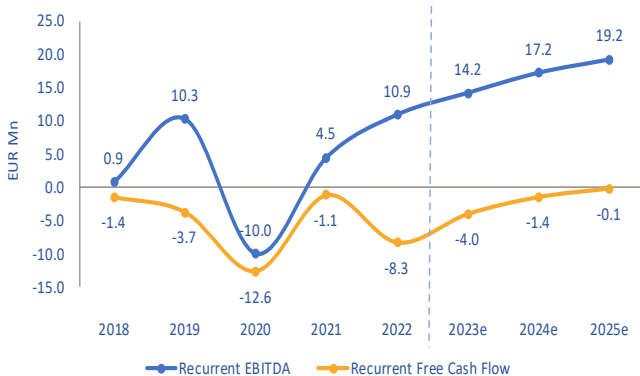
Rec. FCF EUR Mn	CAPEX/Sales 24e			Scenario	Rec. FCF/Yield 24e		
EBITDA 24e	2.5%	2.8%	3.1%		Max	1.5%	0.6%
18.9	0.7	0.3	(0.1)	Central	n.a.	n.a.	n.a.
17.2	(1.0)	(1.4)	(1.8)	Min	n.a.	n.a.	n.a.
15.5	(2.7)	(3.1)	(3.5)				

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	0.8	34.9	28.3	27.8	33.5	32.8	32.0	31.2		
Fixed assets	10.1	10.2	9.7	7.5	9.3	12.5	15.6	18.6		
Other Non Current Assets	8.1	0.7	1.2	2.4	2.7	2.7	2.7	2.7		
Financial Investments	5.7	5.9	4.7	5.7	5.6	5.6	5.6	5.6		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	36.2	38.0	30.6	26.5	35.6	40.0	42.5	45.9		
Total assets	60.8	89.6	74.5	69.8	86.7	93.6	98.5	104.0		
Equity	52.2	44.2	24.0	15.5	17.2	16.6	17.8	20.0		
Minority Interests	0.8	0.9	1.0	-	-	-	-	-		
Provisions & Other L/T Liabilities	1.0	1.5	1.4	1.5	1.4	1.4	1.4	1.4		
Other Non Current Liabilities	-	34.2	28.2	29.0	32.7	32.7	32.7	32.7		
Net financial debt	(12.0)	(9.9)	(0.8)	1.7	8.1	13.0	15.4	16.6		
Current Liabilities	18.9	18.8	20.7	22.1	27.4	29.9	31.2	33.4		
Equity & Total Liabilities	60.8	89.6	74.5	69.8	86.7	93.6	98.5	104.0		
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	113.4	116.2	66.8	93.2	115.3	130.7	141.2	152.7	0.4%	9.8%
Total Revenues growth	-3.0%	2.5%	-42.5%	39.5%	23.7%	13.3%	8.1%	8.1%		
COGS	(47.3)	(50.6)	(35.3)	(40.5)	(49.3)	(55.9)	(60.0)	(65.3)		
Gross Margin	66.1	65.6	31.5	52.7	66.0	74.7	81.3	87.3	0.0%	9.8%
Gross Margin/Revenues	58.3%	56.5%	47.2%	56.6%	57.3%	57.2%	57.5%	57.2%		
Personnel Expenses	(36.9)	(36.7)	(22.7)	(28.7)	(33.0)	(35.0)	(36.8)	(38.8)		
Other Operating Expenses	(28.4)	(18.7)	(18.8)	(19.5)	(22.1)	(25.6)	(27.3)	(29.4)		
Recurrent EBITDA	0.9	10.3	(10.0)	4.5	10.9	14.2	17.2	19.2	89.0%	20.7%
Recurrent EBITDA growth	139.0%	n.a.	-197.0%	145.2%	142.9%	29.9%	21.2%	11.5%		
Rec. EBITDA/Revenues	0.8%	8.8%	n.a.	4.8%	9.5%	10.9%	12.2%	12.6%		
Restructuring Expense & Other non-rec.	0.3	1.1	3.1	(4.1)	2.4	-	-	-		
EBITDA	1.2	11.3	(6.8)	0.4	13.4	14.2	17.2	19.2	83.8%	12.9%
Depreciation & Provisions	(1.8)	(1.5)	(2.1)	(1.2)	(1.3)	(1.5)	(1.5)	(1.6)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	(8.9)	(8.7)	(7.8)	(9.1)	(11.5)	(12.0)	(12.6)		
EBIT	(0.6)	1.0	(17.6)	(8.6)	3.0	1.3	3.6	5.0	62.3%	18.7%
EBIT growth	88.2%	259.0%	n.a.	50.9%	134.3%	-56.9%	185.5%	36.0%		
EBIT/Revenues	n.a.	0.8%	n.a.	n.a.	2.6%	1.0%	2.6%	3.2%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	0.5	(0.9)	(1.7)	(1.4)	(1.7)	(1.9)	(2.0)	(2.1)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	(0.1)	0.0	(19.3)	(10.0)	1.3	(0.6)	1.7	2.8	84.6%	30.8%
Ordinary Profit Growth	98.0%	105.5%	n.a.	47.9%	112.6%	-148.4%	372.2%	69.9%		
Extraordinary Results	1.3	-	-	-	-	-	-	-		
Profit Before Tax	1.2	0.0	(19.3)	(10.0)	1.3	(0.6)	1.7	2.8	2.4%	30.8%
Tax Expense	(1.5)	(8.2)	(0.0)	0.8	(1.1)	(0.0)	(0.4)	(0.7)		
Effective Tax Rate	n.a.	n.a.	n.a.	n.a.	87.5%	n.a.	25.0%	25.0%		
Minority Interests	(0.1)	(0.1)	(0.1)	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	(0.5)	(8.3)	(19.3)	(9.3)	0.2	(0.6)	1.3	2.1	23.4%	n.a.
Net Profit growth	92.7%	n.a.	-132.5%	52.1%	101.7%	-487.8%	303.8%	69.9%		
Ordinary Net Profit	(0.6)	(1.2)	(22.5)	(5.9)	(1.2)	(0.6)	1.3	2.1	-19.3%	56.6%
Ordinary Net Profit growth	91.6%	-106.4%	n.a.	73.7%	80.4%	46.9%	304.2%	69.9%		
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						14.2	17.2	19.2	89.0%	20.7%
Rentals (IFRS 16 impact)						(11.5)	(12.0)	(12.6)		
Working Capital Increase						(1.8)	(1.3)	(1.1)		
Recurrent Operating Cash Flow						0.9	3.9	5.5	-57.7%	67.8%
CAPEX						(3.9)	(3.9)	(3.8)		
Net Financial Result affecting the Cash Flow						(0.9)	(1.0)	(1.1)		
Tax Expense						(0.0)	(0.4)	(0.7)		
Recurrent Free Cash Flow						(4.0)	(1.4)	(0.1)	-55.2%	75.3%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(4.0)	(1.4)	(0.1)	n.a.	72.2%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						4.0	1.4	0.1		

Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	10.3	(10.0)	4.5	10.9	14.2	17.2	19.2	2.1%	20.7%
<i>Recurrent EBITDA growth</i>	<i>n.a.</i>	<i>-197.0%</i>	<i>145.2%</i>	<i>142.9%</i>	<i>29.9%</i>	<i>21.2%</i>	<i>11.5%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>8.8%</i>	<i>n.a.</i>	<i>4.8%</i>	<i>9.5%</i>	<i>10.9%</i>	<i>12.2%</i>	<i>12.6%</i>		
- Rentals (IFRS 16 impact)	(8.9)	(8.7)	(7.8)	(9.1)	(11.5)	(12.0)	(12.6)		
+/- Working Capital increase	(1.9)	9.4	5.5	(3.8)	(1.8)	(1.3)	(1.1)		
= Recurrent Operating Cash Flow	(0.5)	(9.2)	2.3	(2.0)	0.9	3.9	5.5	-60.2%	67.8%
<i>Rec. Operating Cash Flow growth</i>	<i>-201.8%</i>	<i>n.a.</i>	<i>124.4%</i>	<i>-188.9%</i>	<i>145.3%</i>	<i>326.4%</i>	<i>40.9%</i>		
<i>Rec. Operating Cash Flow / Sales</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.4%</i>	<i>n.a.</i>	<i>0.7%</i>	<i>2.7%</i>	<i>3.6%</i>		
- CAPEX	(2.6)	(2.0)	(2.2)	(5.5)	(3.9)	(3.9)	(3.8)		
- Net Financial Result affecting Cash Flow	(0.1)	(1.3)	(0.7)	(0.5)	(0.9)	(1.0)	(1.1)		
- Taxes	(0.6)	(0.0)	(0.4)	(0.2)	(0.0)	(0.4)	(0.7)		
= Recurrent Free Cash Flow	(3.7)	(12.6)	(1.1)	(8.3)	(4.0)	(1.4)	(0.1)	-30.6%	75.3%
<i>Rec. Free Cash Flow growth</i>	<i>-160.5%</i>	<i>-239.5%</i>	<i>91.0%</i>	<i>-628.3%</i>	<i>52.1%</i>	<i>64.3%</i>	<i>91.1%</i>		
<i>Rec. Free Cash Flow / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
- Restructuring expenses & others	1.1	3.1	(4.1)	2.4	-	-	-		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	(2.6)	(9.4)	(5.3)	(5.8)	(4.0)	(1.4)	(0.1)	-30.3%	72.2%
<i>Free Cash Flow growth</i>	<i>n.a.</i>	<i>-258.3%</i>	<i>44.3%</i>	<i>-10.8%</i>	<i>32.2%</i>	<i>64.3%</i>	<i>91.1%</i>		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e		
Recurrent FCF(FY - 1)	(1.4)	(3.7)	(12.6)	(1.1)	(8.3)	(4.0)	(1.4)		
EBITDA impact from revenue increase	0.0	(4.4)	(3.9)	1.1	1.5	1.1	1.4		
EBITDA impact from EBITDA/Sales variation	9.4	(15.9)	18.4	5.4	1.8	1.9	0.6		
= Recurrent EBITDA variation	9.4	(20.2)	14.5	6.4	3.3	3.0	2.0		
- Rentals (IFRS 16 impact) variation impact	(8.9)	0.2	0.9	(1.4)	(2.4)	(0.6)	(0.6)		
+/- Working capital variation impact	(1.5)	11.3	(3.9)	(9.3)	2.0	0.5	0.2		
= Recurrent Operating Cash Flow variation	(1.0)	(8.8)	11.5	(4.3)	2.9	3.0	1.6		
+/- CAPEX impact	(1.7)	0.5	(0.2)	(3.2)	1.6	0.0	0.1		
+/- Financial result variation	(0.6)	(1.2)	0.6	0.2	(0.4)	(0.0)	(0.1)		
+/- Tax impact	1.0	0.5	(0.4)	0.2	0.2	(0.4)	(0.3)		
= Recurrent Free Cash Flow variation	(2.3)	(8.9)	11.5	(7.1)	4.3	2.5	1.3		
Recurrent Free Cash Flow	(3.7)	(12.6)	(1.1)	(8.3)	(4.0)	(1.4)	(0.1)		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
EBIT	1.0	(17.6)	(8.6)	3.0	1.3	3.6	5.0	46.0%	18.7%
* Theoretical Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	-	-	-	-	-	(0.9)	(1.2)		
Recurrent EBITDA	10.3	(10.0)	4.5	10.9	14.2	17.2	19.2	2.1%	20.7%
- Rentals (IFRS 16 impact)	(8.9)	(8.7)	(7.8)	(9.1)	(11.5)	(12.0)	(12.6)		
+/- Working Capital increase	(1.9)	9.4	5.5	(3.8)	(1.8)	(1.3)	(1.1)		
= Recurrent Operating Cash Flow	(0.5)	(9.2)	2.3	(2.0)	0.9	3.9	5.5	-60.2%	67.8%
- CAPEX	(2.6)	(2.0)	(2.2)	(5.5)	(3.9)	(3.9)	(3.8)		
- Taxes (pre- Financial Result)	-	-	-	-	-	(0.9)	(1.2)		
= Recurrent Free Cash Flow (To the Firm)	(3.0)	(11.3)	0.0	(7.5)	(3.0)	(0.9)	0.4	-34.9%	27.1%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	<i>-742.0%</i>	<i>-270.2%</i>	<i>100.2%</i>	<i>n.a.</i>	<i>59.7%</i>	<i>69.4%</i>	<i>143.8%</i>		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.0%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.3%</i>		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	(3.0)	(11.3)	0.0	(7.5)	(3.0)	(0.9)	0.4	-34.9%	27.1%
<i>Free Cash Flow (To the Firm) growth</i>	<i>-235.9%</i>	<i>-270.2%</i>	<i>100.2%</i>	<i>n.a.</i>	<i>59.7%</i>	<i>69.4%</i>	<i>143.8%</i>		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.0%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.5%</i>		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.0%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.5%</i>		

Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)

Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)

Recurrent EBITDA vs Recurrent Free Cash Flow

Stock performance vs EBITDA 12m forward

Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	45.6	
+ Minority Interests	-	6m Results 2023
+ Provisions & Other L/T Liabilities	32.0	6m Results 2023
+ Net financial debt	13.5	6m Results 2023
- Financial Investments	8.1	6m Results 2023
+/- Others		
Enterprise Value (EV)	83.1	

Appendix 4. Historical performance (1)

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															12-22	22-25e
Total Revenues	156.1	134.9	124.3	108.4	113.2	117.0	113.4	116.2	66.8	93.2	115.3	130.7	141.2	152.7	-3.0%	9.8%
Total Revenues growth	-6.5%	-13.6%	-7.9%	-12.8%	4.4%	3.3%	-3.0%	2.5%	-42.5%	39.5%	23.7%	13.3%	8.1%	8.1%		
EBITDA	1.6	(2.7)	(1.1)	(17.7)	(9.0)	(2.2)	1.2	11.3	(6.8)	0.4	13.4	14.2	17.2	19.2	23.9%	12.9%
EBITDA growth	-84.7%	-269.0%	58.6%	n.a.	49.0%	75.6%	153.3%	868.1%	-160.1%	105.5%	n.a.	6.4%	21.2%	11.5%		
EBITDA/Sales	1.0%	n.a.	n.a.	n.a.	n.a.	n.a.	1.0%	9.8%	0.4%	11.6%	10.9%	12.2%	12.6%			
Net Profit	(9.3)	(10.3)	(11.0)	8.0	(22.7)	(6.9)	(0.5)	(8.3)	(19.3)	(9.3)	0.2	(0.6)	1.3	2.1	7.3%	n.a.
Net Profit growth	-106.1%	-10.7%	-7.5%	172.2%	-384.8%	69.8%	92.7%	n.a.	-132.5%	52.1%	101.7%	-487.8%	303.8%	69.9%		
Adjusted number shares (Mn)	9.1	9.1	9.1	9.1	9.1	9.1	9.0	9.2	9.2	9.2	9.3	9.3	9.3	9.3		
EPS (EUR)	-1.01	-1.12	-1.21	0.87	-2.48	-0.75	-0.06	-0.90	-2.10	-1.01	0.02	-0.07	0.14	0.23	7.3%	n.a.
EPS growth	n.a.	-10.7%	-7.5%	n.a.	n.a.	69.8%	92.6%	n.a.	n.a.	52.1%	n.a.	n.a.	n.a.	69.9%		
Ord. EPS (EUR)	-1.83	-1.15	-1.28	-2.14	-2.48	-0.80	-0.06	-0.13	-2.44	-0.64	-0.12	-0.07	0.14	0.23	23.6%	56.6%
Ord. EPS growth	n.a.	37.4%	-11.9%	-66.7%	-16.3%	67.8%	92.1%	n.a.	n.a.	73.7%	80.6%	46.9%	n.a.	69.9%		
CAPEX	(6.2)	(1.6)	(2.0)	(2.4)	(2.0)	(0.9)	(0.8)	(2.6)	(2.0)	(2.2)	(5.5)	(3.9)	(3.9)	(3.8)		
CAPEX/Sales %	4.0%	1.2%	1.6%	2.2%	1.8%	0.8%	0.7%	2.2%	3.0%	2.4%	4.7%	3.0%	2.8%	2.5%		
Free Cash Flow	(11.3)	5.3	(3.6)	20.4	(12.7)	4.3	0.1	(2.6)	(9.4)	(5.3)	(5.8)	(4.0)	(1.4)	(0.1)	6.4%	72.2%
ND/EBITDA (x) ⁽²⁾	14.0x	n.a.	n.a.	n.a.	n.a.	n.a.	-10.2x	-0.9x	n.a.	4.6x	0.6x	0.9x	0.9x	0.9x		
P/E (x)	n.a.	n.a.	n.a.	3.8x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	36.4x	21.4x		
EV/Sales (x)	0.38x	0.46x	0.41x	0.08x	0.29x	0.27x	0.48x	0.35x	0.54x	0.34x	0.56x	0.64x	0.59x	0.54x		
EV/EBITDA (x) ⁽²⁾	37.8x	n.a.	n.a.	n.a.	n.a.	n.a.	46.0x	3.6x	n.a.	n.a.	4.8x	5.8x	4.8x	4.3x		
Absolute performance	n.a.	44.8%	-12.4%	-30.4%	-4.9%	62.2%	29.7%	2.6%	-35.9%	-16.3%	6.1%	24.1%				
Relative performance vs Ibx35	n.a.	19.2%	-15.5%	-25.1%	-3.0%	51.0%	52.5%	-8.2%	-24.2%	-22.4%	12.3%	1.1%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Factset.

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2023e

		Affordable Luxury players					Specialised Retail Holdings					
		Burberry Group PLC	Hugo Boss AG	Salvatore Ferragamo SpA	SMCP SA	Average	Kering	Tapestry	Capri Holdings Ltd	PVH Corp	Average	ADZ
Market data	EUR Mn	BRBY-GB	BOSS-DE	SFER-IT	SMCP-FR		KER-FR	TPR-US	CPRI-US	PVH-US		ADZ-ES
	Country	UK	Germany	Italy	France		France	United States	UK	USA		Spain
	Market cap	5,166.3	4,067.7	1,784.1	209.4		42,715.9	7,570.9	5,424.6	6,414.2		45.6
	Enterprise value (EV)	6,179.1	5,085.8	2,217.9	902.2		51,806.6	9,975.0	8,694.8	9,457.7		83.1
Basic financial information	Total Revenues	3,507.4	4,197.0	1,151.8	1,255.6		19,621.5	6,139.4	4,926.2	8,448.5		130.7
	Total Revenues growth	-2.8%	14.9%	-8.0%	4.1%	2.1%	-3.6%	-0.4%	-4.9%	1.6%	-1.8%	13.3%
	2y CAGR (2023e - 2025e)	4.3%	9.1%	4.2%	5.1%	5.7%	5.9%	2.4%	3.0%	2.8%	3.5%	8.1%
	EBITDA	958.7	776.0	237.7	254.2		6,508.6	1,254.3	772.2	1,125.3		14.2
	EBITDA growth	-16.2%	12.2%	-17.2%	-4.9%	-6.5%	-10.3%	-3.7%	-14.6%	1.6%	-6.8%	6.4%
	2y CAGR (2023e - 2025e)	5.2%	15.2%	9.8%	9.0%	9.8%	6.9%	5.0%	9.8%	5.7%	6.9%	16.3%
	EBITDA/Revenues	27.3%	18.5%	20.6%	20.2%	21.7%	33.2%	20.4%	15.7%	13.3%	20.6%	10.9%
	EBIT	534.0	415.5	64.0	89.3		4,918.3	1,086.4	618.4	845.8		1.3
	EBIT growth	-28.5%	14.1%	-45.1%	-19.7%	-19.8%	-12.0%	-3.3%	-16.3%	1.9%	-7.4%	-56.9%
	2y CAGR (2023e - 2025e)	8.9%	20.7%	26.4%	19.8%	19.0%	7.4%	5.5%	9.9%	7.3%	7.5%	97.0%
	EBIT/Revenues	15.2%	9.9%	5.6%	7.1%	9.4%	25.1%	17.7%	12.6%	10.0%	16.3%	1.0%
	Net Profit	365.7	256.7	24.9	38.2		3,195.6	862.7	503.2	588.4		(0.6)
	Net Profit growth	-36.0%	22.5%	-64.2%	-25.5%	-25.8%	-11.6%	9.3%	-11.4%	218.6%	51.2%	-487.8%
2y CAGR (2023e - 2025e)	9.5%	24.2%	48.0%	28.7%	27.6%	8.2%	5.6%	11.5%	8.2%	8.4%	n.a.	
CAPEX/Sales %	7.3%	6.6%	8.1%	4.6%	6.6%	8.8%	2.8%	4.3%	3.8%	4.9%	3.0%	
Free Cash Flow	412.1	137.9	52.6	19.0		2,169.1	729.1	380.7	601.0		(4.0)	
Net financial debt	(394.3)	512.3	262.7	524.2		9,137.8	2,353.0	1,155.1	1,436.2		13.0	
ND/EBITDA (x)	n.a.	0.7	1.1	2.1	1.3	1.4	1.9	1.5	1.3	1.5	0.9	
Pay-out	67.4%	35.9%	69.0%	0.0%	43.1%	49.9%	27.8%	0.0%	1.4%	19.8%	0.0%	
Multiples and Ratios	P/E (x)	14.4	18.3	81.1	6.3	30.0	15.4	9.1	11.0	11.2	11.7	n.a.
	P/BV (x)	3.4	3.5	2.8	0.2	2.5	3.2	3.6	2.6	1.4	2.7	2.7
	EV/Revenues (x)	1.8	1.2	1.9	0.7	1.4	2.6	1.6	1.8	1.1	1.8	0.6
	EV/EBITDA (x)	6.4	6.6	9.3	3.5	6.5	8.0	8.0	11.3	8.4	8.9	5.8
	EV/EBIT (x)	11.6	12.2	34.7	10.1	17.1	10.5	9.2	14.1	11.2	11.2	n.a.
	ROE	23.7	19.3	3.5	3.4	12.5	20.7	41.0	24.0	12.9	24.6	n.a.
	FCF Yield (%)	8.0	3.4	2.9	9.1	5.9	5.1	9.6	7.0	9.4	7.8	n.a.
	DPS	0.64	1.34	0.10	0.00	0.52	12.94	1.01	0.00	0.12	3.52	0.00
Dvd Yield	4.4%	2.3%	1.0%	0.0%	1.9%	3.7%	3.1%	0.0%	0.1%	1.7%	0.0%	

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
18-Jan-2024	n.a.	4.92	n.a.	n.a.	9m Results 2023	Luis Esteban Arribas
10-Nov-2023	n.a.	5.00	n.a.	n.a.	6m Results 2023	Luis Esteban Arribas
14-Jul-2023	n.a.	6.35	n.a.	n.a.	3m Results 2023	Luis Esteban Arribas
12-Jun-2023	n.a.	5.40	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
28-Apr-2023	n.a.	6.00	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas
23-Jan-2023	n.a.	4.15	n.a.	n.a.	9m Results 2022	Luis Esteban Arribas
28-Nov-2022	n.a.	4.03	n.a.	n.a.	6m Results 2022 - Estimates upgrade	Luis Esteban Arribas
15-Jul-2022	n.a.	3.92	n.a.	n.a.	3m Results 2022	Alfredo Echevarría Otegui
28-Apr-2022	n.a.	3.80	n.a.	n.a.	12m Results 2021	Alfredo Echevarría Otegui
24-Jan-2022	n.a.	3.62	n.a.	n.a.	9m Results 2021	Alfredo Echevarría Otegui
02-Dec-2021	n.a.	3.77	n.a.	n.a.	6m Results 2021	Alfredo Echevarría Otegui
01-Sep-2021	n.a.	4.49	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
28-Jul-2021	n.a.	4.34	n.a.	n.a.	3m Results 2021	Ana Isabel González García, CIIA
14-Jun-2021	n.a.	4.28	n.a.	n.a.	Estimates upgrade	Ana Isabel González García, CIIA
29-Apr-2021	n.a.	4.50	n.a.	n.a.	12m Results 2020	Ana Isabel González García, CIIA
29-Mar-2021	n.a.	4.20	n.a.	n.a.	Important news	Ana Isabel González García, CIIA
18-Jan-2021	n.a.	4.78	n.a.	n.a.	9m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
02-Dec-2020	n.a.	4.60	n.a.	n.a.	6m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
17-Sep-2020	n.a.	3.90	n.a.	n.a.	3m Results 2020	Ana Isabel González García, CIIA
25-Jun-2020	n.a.	5.10	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
13-Jan-2020	n.a.	6.90	n.a.	n.a.	9m Results 2019	Ana Isabel González García, CIIA
03-Dec-2019	n.a.	7.36	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

