

**EQUITY - SPAIN**

Sector: Textiles, Apparel &amp; Luxury Goods

 Proposed value/momentum indicators  
 Report without projections, valuation or recommendation  
 See explanation of this product on page 3 of this report

 Report date: 22 Jun 2023  
 Closing price: EUR 13.20 (21 Jun 2023)

Liwe (LIW) is a company that designs, makes and sells clothing, footwear and fashion accessories for young people. It markets its products under the INSIDE and INSIDE Shoes brand names through a network of 368 stores (vs 378 in 2021) in Spain (343), Italy (15), Portugal (7) and Greece (3) in addition to its own online store. Its core market is the local one (> 95% of 2021 revenue)."

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## What the numbers are saying today

**REVENUE STILL NOT BACK TO PRE-COVID LEVELS (-3.6% CAGR 2017-2022) AND MARGINS UNDER PRESSURE** mostly due to the downsizing of the sales network (368 stores in 2022; -69 vs 2017). Despite the apparent recovery in 2021 (+23.9% vs 2020), the pace of revenue growth slowed considerably in 2022 (+2.6% vs 2021). Meanwhile, gross margin narrowed (-9p.p. vs 2017) and tighter cost control was not enough to make up for this. LIW achieved an EBIT margin in 2022 of 4.9% (vs 10.2% in 2017).

**SHARP JUMP IN NET DEBT.** LIW ended 2022 with net debt of EUR 52.1Mn (vs EUR 30.5Mn in 2017; +71%; ND/equity 2022: 2x). The increase in net debt was mainly the result of: (i) consumption of working capital (inventories/sales 2022: 47.2% vs 33% in 2021 and 2017), (ii) higher finance costs (due to interest-rate hikes) and (iii) lofty CAPEX in 2017-2019 (EUR 23.2Mn).

**MOMENTUM (2H22). WHAT DO THE LATEST EARNINGS SHOW?** The company fared poorly in 2H22, justified in part by tough comps with 2H21, in part by the onset of the war in Ukraine and the current inflationary scenario. 2H22 revenue was down slightly (-2.6% vs 2021), but profitability was hit hardest, primarily at EBIT level (-68.2%; EBIT margin 2H22: 4.4%), which was still affected by the current situation (vs average -3y EBIT margin: 5.8%).

**IN CONCLUSION: CRUNCHING THE NUMBERS:** Slight drop in revenue (vs 2019 and 2017) but sharp fall in EBIT (-26.5% vs 2019), showing the company's margin erosion (EBIT margin 2022: 4.9% vs 5.9% in 2019 and 10.2% in 2017). Momentum indicators are hardly encouraging, but multiples are not demanding either: EV/sales 22 c. 0.56x and EV/EBIT 22 c.12x (vs EV/EBIT 2023e sector c. 13x), while the recovery in ROCE (9%) enabled LIW to show a positive ROCE-WACC spread again in 2022 (+2.7p.p. in 2017). Theoretical valuation exercises (over 2022 Results) point to a possible "reserve of value".

**Market Data**

Market Cap (Mn EUR and USD)	22.0	24.1
EV (Mn EUR and USD) <sup>(1)</sup>	72.7	79.6
	52.1	52.1
Shares Outstanding (Mn)	1.7	
-12m (Max/Med/Mín EUR)	15.00 / 13.32 / 8.00	
Daily Avg vol. (-12m Mn EUR)	n.m.	
Rotation (%) <sup>(2)</sup>	0.21	
Factset / Bloomberg	LIW-ES / LIW SM	
Close fiscal year	31 Dec	

**Shareholders Structure (%)**

Founding family	76.9
F.F. Bernabé (CEO)	7.6
Free Float	15.5

**Financials (Mn EUR)**

	2019	2020	2021	2022
Adj. nº shares (Mn)	1.7	1.7	1.7	1.7
Total Revenues	145.3	101.9	126.3	129.6
Rec. EBITDA	34.6	11.8	28.6	27.0
% growth	178.0	-65.8	141.5	-5.7
% Rec. EBITDA/Rev.	23.8	11.6	22.7	20.8
% Inc. EBITDA sector <sup>(3)</sup>	52.1	-8.4	33.0	-3.5
Net profit	0.2	-24.2	5.3	0.6
EPS (EUR)	0.12	n.a.	3.18	0.36
% growth	-96.9	n.a.	n.a.	-88.7
Ord. EPS (EUR)	n.a.	n.a.	2.64	0.25
% growth	-97.0	n.a.	n.a.	-90.4
Rec. Free Cash Flow <sup>(4)</sup>	-12.4	-9.5	19.6	-13.0
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	42.6	55.5	37.6	52.1
ND/Rec. EBITDA (x)	1.2	4.7	1.3	1.9
ROE (%)	0.4	n.a.	22.7	2.3
ROCE (%)	9.2	n.a.	9.6	9.0

**Ratios &**
**Multiples(x)<sup>(5)</sup>**

P/E	n.a.	n.a.	4.1	36.6
Ord. P/E	n.a.	n.a.	5.0	51.9
P/BV	0.5	1.1	0.8	0.8
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	0.50	0.71	0.58	0.56
EV/Rec. EBITDA	2.1	6.1	2.5	2.7
EV/EBIT	8.4	n.a.	8.7	11.5
FCF Yield (%) <sup>(4)</sup>	n.a.	n.a.	89.3	n.a.

(1) Please refer to page 8.

(2) Rotation represents the % of the capitalisation traded - 12m.

(3) Sector: Stoxx Europe 600 Retail.

(4) Based on recurrent FCF. Please refer to page 7.

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

**Half year Momentum: Growth -3y vs**

**Net Debt vs ND/Equity (2017-2022)**

**Relative performance -5y (Base 100)**

**Stock performance (%)**

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-8.3	-8.3	65.0	8.2	-30.5	5.6
vs Ibex 35	-10.1	-12.1	44.0	-5.6	-45.4	8.6
vs Ibex Small Cap Index	-10.8	-6.3	71.6	-2.5	-44.9	3.9
vs Eurostoxx 50	-6.8	-11.3	33.4	-5.0	-47.5	-16.9
vs sector Benchmark <sup>(3)</sup>	-9.9	-12.5	30.4	-10.4	-36.1	-4.2

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

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This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

## Contents

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### 1. Purpose of this report

An explanation of the goals of the report, its structure and what not to expect from it.

### 2. Conclusions

Main ideas arising from the analysis carried out, focusing on margin and revenue growth trends and on the company's valuation and momentum indicators.

### 3. The company in 6 charts

A quick look at the company's situation: growth in revenue and EBITDA, margins, past and current debt levels, etc.

### 4. Basic financial information

Historical financial statements model and breakdown of the main Balance sheet, P/L and Cash Flow items.

### 5. "All the numbers"

Analysis of multiples and ratios relating to what has occurred in the company in the last 5 years.

### 6. Valuation inputs

Valuation exercises on the basis of the latest results released by the company both relative to the sector and by DCF.

## 1. Purpose of this report

### What is this report? What is its goal?

This report is simply an orderly financial analysis of the company's "verifiable numbers". In other words, an analysis of the financial statements already published. The analysis is based solely on the financial statements for the last five years and the latest half-yearly results published, and on the performance of the share price in this period. At this point it is important to clarify what this report is and what it isn't.

#### A) What it is: objectives of the report

- 1) **A DESCRIPTION OF THE COMPANY FROM A FINANCIAL POINT OF VIEW:** An orderly presentation of the financial statements and their main items.
- 2) **A FINANCIAL ANALYSIS OF WHAT HAS OCCURRED IN THE LAST 5 YEARS:** Analysis of growth rates, margins, multiples and ratios. Identification of trends.
- 3) **VALUATION EXERCISES:** application of different valuation techniques to the results already obtained by the company with the sole objective that they act as purely theoretical indicators of a potential over- or under-valuation of the business:
  - ✓ Application of EV/Sales adjusted by the margin differential vs the sector and sensitivity analysis of the result.
  - ✓ Differential (premium/discount) vs the sector in terms of EV/EBITDA, EV/EBIT, P/E, P/BV and FCF yield.
  - ✓ Valuation exercised based on the last year closed (Net EBIT / (WACC - G)) and sensitivity analysis of the result.

Para facilitar la interpretación de los diferentes resultados se incluye el diferencial de crecimiento histórico de la compañía vs sector. Así como su evolución (¿se amplía? ¿se reduce? ¿es estable?).

- 4) **INDICATORS OF BUSINESS MOMENTUM.** Obtained through an analysis of the last half-yearly results by comparison with the company's historical performance (in absolute terms and relative to the sector).

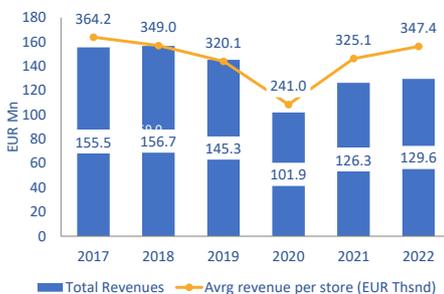
#### B) What it is not: what this report doesn't do nor is intended to do.

- 1) **IT IS NEITHER A FUNDAMENTAL ANALYSIS OF THE COMPANY.** Nor an initiation of coverage as it neither analyses the company's strategy nor the possible future business performance.
- 2) **IT IS NOT AN ESTIMATE OF FUTURE RESULTS.** No financial projections of any kind have been prepared (the analysis is carried out on historical financial statements).
- 3) **IT IS NOT A TRUE VALUATION OF THE COMPANY. NO TARGET PRICE IS SET.** A valuation requires an estimation of the future business performance (financial projections) and so is not possible in this report. All the valuation exercises are carried out on a theoretical basis and in the knowledge that, without an opinion on the future business performance, they are incomplete, and their sole use is to act as value indicators. They do not represent a true valuation of the company.
- 4) **IT IS NOT A RECOMMENDATION TO BUY OR SELL THE STOCK.** This report does not propose any kind of investment recommendation either explicitly or implicitly.

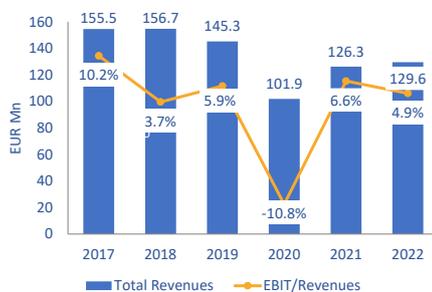
**IN CONCLUSION: this report is not a conventional fundamental analysis (financial projections, valuation, and recommendation). However, it does aim to be a useful tool for investors to get to know the company better by providing a systematic presentation of the available information so that, in the end, an initial judgement can be made about its potential interest.**

## 2. Conclusions

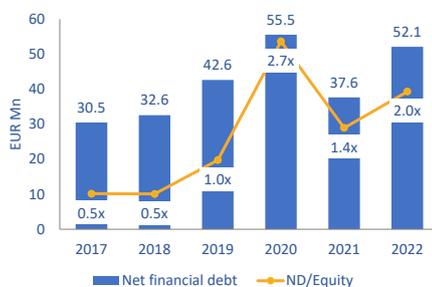
**Chart 1. Revenue and avg. revenue per store**



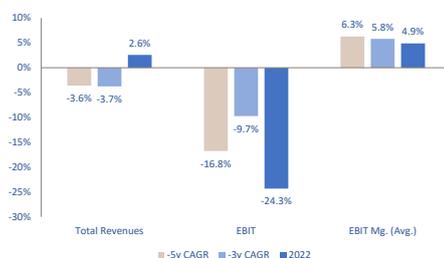
**Chart 2. Revenue and EBIT Mg. (2017-2022)**



**Chart 3. Net Debt vs ND/Equity (2017-2022)**



**Chart 4. Trends (-5y, -3y y 2022)**



From our analysis of certain of the company's actuals, based exclusively on the financial statements already published (2017-2022), we would highlight:

### A) Financial analysis of what has happened in the last five years: trends identified and business momentum

#### What happened in 2017-2022?

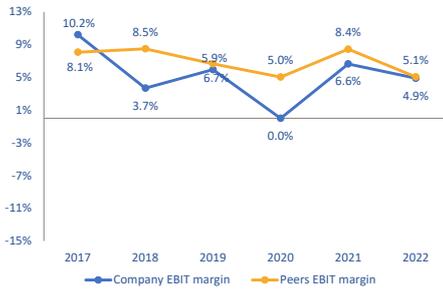
- **Falling revenue (-3.6% CAGR 2017-2022)...** with 2022 sales of EUR 129.6Mn (vs the company's all-time high of EUR 155.5Mn in 2017). The (negative) trend in revenue is basically caused by two reasons: (i) the smaller sales network (368 stores in 2022: -15.8% vs 2017), with the focus on the more profitable ones and (ii) a decrease in revenue per store (EUR 347k: -5% vs 2017).
- **...and narrower margins (-5.3p.p. in EBIT margin 2017-2022).** The smaller sales network reduced OPEX as a percentage of revenue (c.50% of 2022 revenue; -4p.p. vs 2017), but not enough to keep gross margin 2022 from falling to 59.3% (vs 67.9% in 2017). This resulted in a loss of profitability (EBIT margin 2022: 4.9% vs 10.2% in 2017).
- **High CAPEX, finance costs and working capital (limiting cash generation).** Specifically, over 2017-2022 (on average) LIW had: (i) high CAPEX (especially over the 2017-2019 period), (ii) high finance costs and (iii) a high average working capital/sales of c. 35%, which reached 40.3% in 2022 on the back of high inventory levels (inventories 2022: EUR 64.1Mn; 47.2% of revenue vs 32.7% in 2017).
- **And soaring debt,** with 2022 net debt of EUR 52.1Mn (vs 30.5Mn in 2017; +71%). The increase in net debt during the period is essentially explained by the consumption of cash for CAPEX, finance costs and working capital (cumulative impact in 2017-2022 of c. EUR 30Mn, EUR c. 30Mn and c. EUR 20Mn, respectively). Equity ended 2022 at EUR 26.5Mn (ND/equity of 2x), implying high leverage.

#### What has been the trend?

- **Return to growth after 2020 lows.** Recovery in growth post-Covid-19 (revenue: +12.7% CAGR 2020-2022). Despite the sales network downsizing (-31 stores vs 2020; -8%), LIW was able to achieve an increase in average revenue per store to EUR 347k (+44% vs 2020), above 2019 levels.
- **And in 2022?** Slowdown in growth in the year's second half after war broke out between Russia and Ukraine, which affected the situation in Spain (the company's core market). LIW reported revenue in 2022 of EUR 129.6Mn (+2.6% vs 2021), with a smaller number of stores (10 fewer than in 2021).

Meanwhile, profitability diminished in 2022 due above all to: (i) the end of Covid-19-related rent concessions (with a large impact due to the business model) and (ii) the increase in costs caused by inflation (especially affecting costs of transport and supplies). As a result, LIW ended 2022 with EBIT of EUR 6.3Mn (vs EUR 15.9Mn in 2017; c. -2p.p. with a lower EBIT Mg. than the 2017-2022 average of 6.6%; excluding 2020).

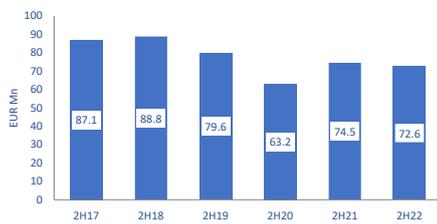
**Chart 5. Historically EBIT Mg. evolution**



**How does LIW's performance (and its trend) compare with its sector?**

- In terms of revenue:** In 2017-2022, the company maintained a negative revenue growth spread vs its main peers of 11.5p.p., which continued in 2022 after 13.8% revenue growth by main peers in 2022 (vs. 2.6% by LIW).
- In terms of margins:** The company's EBIT margin remained 1p.p. below that of its main peers in 2017-2022 (average for LIW of 6.3% vs 7% for its peers). However, this spread widened in 2021, when the loss of profitability of LIW's business fed through to an EBIT margin for 2021 of 6.6%, while sector peers achieved an improvement of 3.4p.p.

**Chart 6. Half-year: Revenues (2H Straight)**

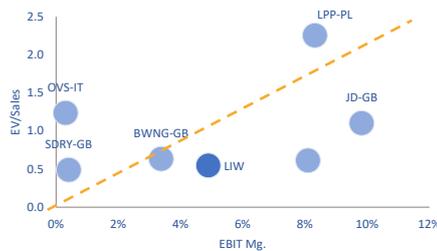


**Momentum (2H22): What do the latest earnings show?**

Second-half performance is the most important given the seasonality of sales, representing c. 60% of the annual total (on average). Figures for 2H22 (July-Dec) showed a slowdown in growth from 1H22. The war in Ukraine, coupled with inflation, affected the fashion industry, causing disruptions in the supply chain. Looking solely at the 2H22 performance, we draw the following conclusions:

- Nearly flat revenue (-2.6% vs 2H21) and still below 2019 levels.** After the uptick in sales in 1H22 (+10.1% vs 1H21), rising prices caused private consumption to wane in the second half of 2022. This, coupled with the closure of physical stores (10 fewer stores) led to lower growth in revenue in 2H22 to EUR 72.6Mn (-2.6% vs 2H21).
- The current situation is squeezing margins and putting downward pressure on EBIT (EUR 3.2Mn vs EUR 10Mn in 2H21).** The drop in profitability translated fully to EBIT in 2H22, which amounted to EUR 3.2Mn (-68.2% vs 2H21), hurt by the end of the Covid-19-related rent concessions available in 2020-2021 and the thinner gross margin.
- Debt remains high.** ND 2022 reached EUR 52.1Mn (+38% vs 2021; ND/equity 2022 of 2x). The balance increased by EUR 10Mn in 2H22, due to higher inventories (+46.5% vs 2021). Gross debt stood at EUR 62.4Mn (70% of which falls due in the short term; EUR 20.4Mn are ICO-backed credit facilities).

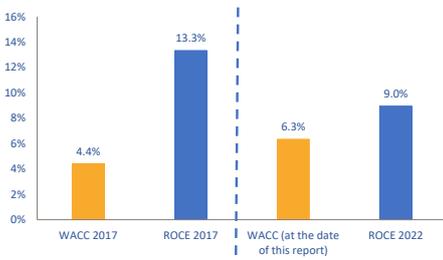
**Chart 7. LIW vs Peers**



**B) Theoretical valuation exercises**

**In relative terms (vs peers) the company is apparently trading at a 45.8% discount**, estimated on the basis of LIW's theoretical EV/sales ratio calculated as the EV/sales ratio of the sector adjusted by the EBIT margin spread between the company and the sector.

**Chart 8. Value generation: ROCE vs WACC**

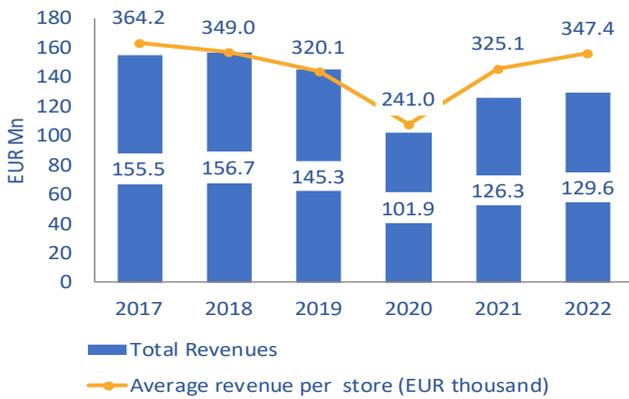


**In absolute terms (discounted cash flows 2022), the company is trading at an apparent discount of 45.6%**, calculated using 2022 EBIT (g: 2%; WACC: 6.3%). ROCE levels of 9.0% in 2022 (vs 9.6% in 2021) imply a positive ROCE-WACC spread of 2.7p.p., with profitability levels still below the sector average.

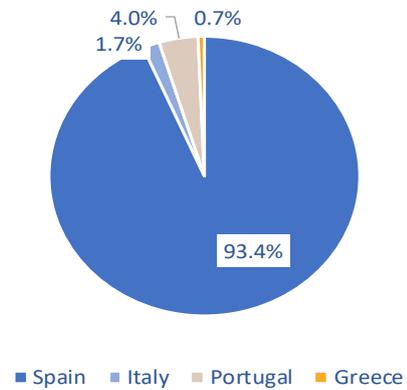
**In conclusion: crunching the numbers:** LIW's 2022 earnings show a company that is gradually recouping its ability to grow revenue. However, margins are still under pressure due to macro events, keeping profitability below 2019 levels (gross margin 2022: 59% vs 68% in 2019 and EBIT margin: 4.9% vs 5.9% in 2019). Even so, LIW's EBIT margin in 2022 was just 1p.p. below pre-pandemic levels. That today is trading at very low multiples: EV/sales c. 0.56x and EV/EBIT c.12x (2023e sector EV/EBIT c.13x). Theoretical valuation exercises point to a possible "reserve of value" that the lack of financial projections makes impossible to verify.

**3. The company in 6 charts**

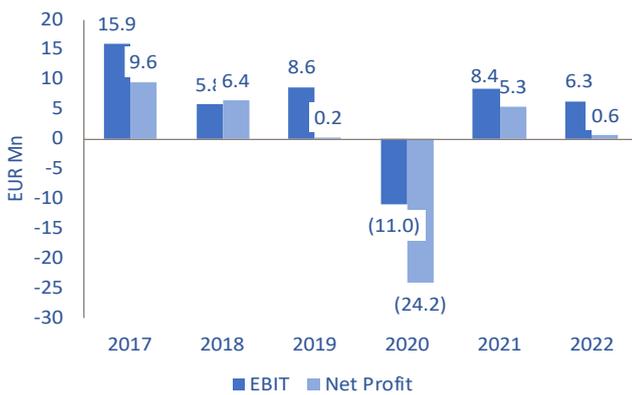
**Chart 1: Revenues (2017-2022)**



**Chart 2: Revenues by Geography (2022)**



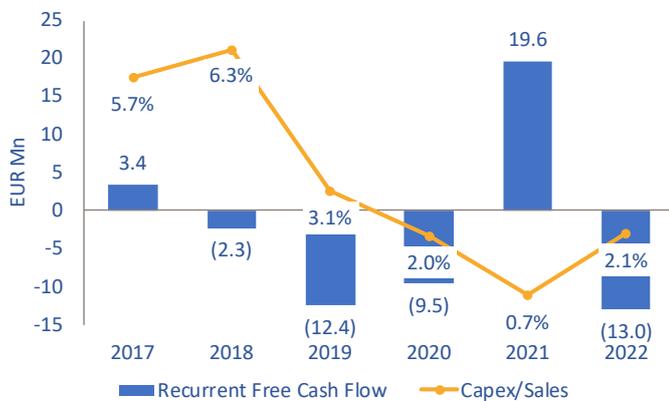
**Chart 3: EBIT and Net Profit 2014-2019**



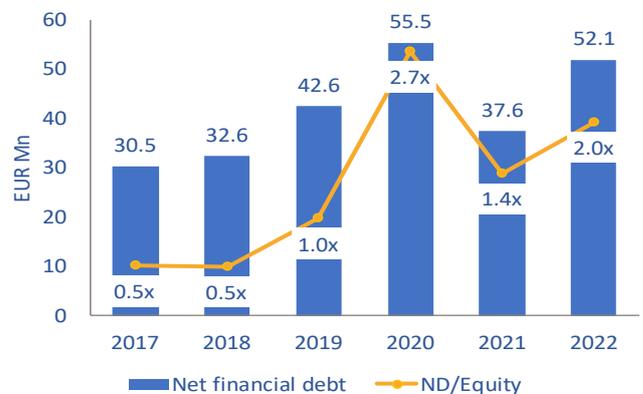
**Chart 4: Revenues growth (y/y)**



**Chart 5: Rec. Free Cash Flow vs (CAPEX + WC) / Sales**



**Chart 6: Net Debt vs ND/Equity**



## 4. Evolución de la cotización

**Historical behavior vs Ibex 35 (base 100)**



**Historical behavior vs Ibex 35 (base 100)**



**Historical behavior vs Ibex Small Cap (base 100)**



**Historical behavior vs Ibex Small Cap (base 100)**



**Historical behavior vs Sector<sup>(1)</sup> (base 100)**



**Historical behavior vs Sector<sup>(1)</sup> (base 100)**



(1) Sector: Stoxx Europe 600 Retail

Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
<b>Absolute</b>	-8.3	-8.3	65.0	8.2	-30.5	5.6
<b>vs Market</b>						
vs Ibex 35	-10.1	-12.1	44.0	-5.6	-45.4	8.6
vs Euro STOXX 50	-6.8	-11.3	33.4	-5.0	-47.5	-16.9
<b>vs Small Cap References</b>						
vs Ibex Small Cap Index	-10.8	-6.3	71.6	-2.5	-44.9	3.9
vs MSCI Europe Micro Cap	-7.1	-7.3	77.6	9.7	-41.3	12.4
<b>vs Sector</b>						
vs Stoxx Europe 600 Retail	-9.9	-12.5	30.4	-10.4	-36.1	-4.2

**5. Basic financial information**
**Historical Financial Statements (2017 - 2022)**

<b>Balance Sheet (EUR Mn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>		
Intangible Assets	1.3	1.2	97.9	72.1	63.8	63.5		
Fixed Assets	49.8	52.7	48.1	41.2	35.4	32.0		
Other Non Current Assets	5.4	5.5	12.0	10.0	9.1	8.9		
Financial Investments	1.0	0.8	1.8	0.7	1.2	2.9		
Goodwill & Other Intangibles	-	-	-	-	-	-		
Current Assets	53.5	55.1	64.4	63.5	45.5	64.1		
<b>Total assets</b>	<b>111.0</b>	<b>115.3</b>	<b>224.3</b>	<b>187.5</b>	<b>155.0</b>	<b>171.3</b>		
Equity	60.1	64.8	43.2	20.7	26.0	26.5		
Minority Interests	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	5.5	3.1	4.4	5.4	2.0	1.4		
Other Non Current Liabilities	-	-	123.2	91.9	80.6	79.4		
Net financial debt	30.5	32.6	42.6	55.5	37.6	52.1		
Current Liabilities	14.9	14.8	10.9	14.0	8.8	11.9		
<b>Equity &amp; Total Liabilities</b>	<b>111.0</b>	<b>115.3</b>	<b>224.3</b>	<b>187.5</b>	<b>155.0</b>	<b>171.3</b>		
							CAGR	
<b>P&amp;L (EUR Mn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>17-22</b>	<b>19-22</b>
<b>Total Revenues</b>	<b>155.5</b>	<b>156.7</b>	<b>145.3</b>	<b>101.9</b>	<b>126.3</b>	<b>129.6</b>	<b>-3.6%</b>	<b>-3.7%</b>
<i>Total Revenues growth</i>	<i>5.3%</i>	<i>0.7%</i>	<i>-7.3%</i>	<i>-29.9%</i>	<i>23.9%</i>	<i>2.6%</i>		
COGS	(49.9)	(53.7)	(47.0)	(44.0)	(53.2)	(52.8)		
<b>Gross Margin</b>	<b>105.7</b>	<b>103.0</b>	<b>98.3</b>	<b>57.9</b>	<b>73.1</b>	<b>76.8</b>	<b>-6.2%</b>	<b>-7.9%</b>
<i>Gross Margin (o/Revenues)</i>	<i>67.9%</i>	<i>65.7%</i>	<i>67.6%</i>	<i>56.8%</i>	<i>57.8%</i>	<i>59.3%</i>		
Personnel Expenses	(41.9)	(45.6)	(45.0)	(34.3)	(33.8)	(34.5)		
Other Operating Expenses	(41.9)	(45.0)	(18.7)	(11.8)	(10.6)	(15.3)		
<b>Recurrent EBITDA</b>	<b>21.9</b>	<b>12.5</b>	<b>34.6</b>	<b>11.8</b>	<b>28.6</b>	<b>27.0</b>	<b>4.3%</b>	<b>-8.0%</b>
<i>Recurrent EBITDA growth</i>	<i>36.3%</i>	<i>-43.0%</i>	<i>178.0%</i>	<i>-65.8%</i>	<i>141.5%</i>	<i>-5.7%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>14.1%</i>	<i>8.0%</i>	<i>23.8%</i>	<i>11.6%</i>	<i>22.7%</i>	<i>20.8%</i>		
Restructuring Expense & Others	-	-	-	-	1.1	0.1		
<b>Depreciation &amp; Provisions</b>	<b>21.9</b>	<b>12.5</b>	<b>34.6</b>	<b>11.8</b>	<b>29.7</b>	<b>27.1</b>	<b>4.4%</b>	<b>-7.9%</b>
Depreciation & Provisions	(6.0)	(6.7)	(7.0)	(6.5)	(6.1)	(5.8)		
Capitalized Expense	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	(19.0)	(16.3)	(15.2)	(14.9)		
<b>EBIT</b>	<b>15.9</b>	<b>5.8</b>	<b>8.6</b>	<b>(11.0)</b>	<b>8.4</b>	<b>6.3</b>	<b>-16.8%</b>	<b>-9.7%</b>
<i>EBIT growth</i>	<i>49.8%</i>	<i>-63.7%</i>	<i>49.7%</i>	<i>-227.5%</i>	<i>176.2%</i>	<i>-24.3%</i>		
<i>EBIT/Revenues</i>	<i>10.2%</i>	<i>3.7%</i>	<i>5.9%</i>	<i>n.a.</i>	<i>6.6%</i>	<i>4.9%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-		
Net Financial Result	(2.5)	3.1	(9.9)	(12.8)	(2.0)	(5.8)		
Income by the Equity Method	-	-	-	-	-	-		
<b>Ordinary profit</b>	<b>13.4</b>	<b>8.9</b>	<b>(1.3)</b>	<b>(23.8)</b>	<b>6.4</b>	<b>0.6</b>	<b>-47.1%</b>	<b>n.a.</b>
<i>Ordinary Profit Growth</i>	<i>61.6%</i>	<i>-33.8%</i>	<i>-114.6%</i>	<i>n.a.</i>	<i>126.8%</i>	<i>-91.3%</i>		
Extraordinary Results	(0.9)	(0.4)	1.8	-	-	-		
<b>Profit Before Tax</b>	<b>12.5</b>	<b>8.5</b>	<b>0.5</b>	<b>(23.8)</b>	<b>6.4</b>	<b>0.6</b>	<b>-46.3%</b>	<b>5.9%</b>
Tax Expense	(2.9)	(2.1)	(0.3)	(0.4)	(1.1)	0.0		
<i>Effective Tax Rate</i>	<i>23.4%</i>	<i>24.5%</i>	<i>57.7%</i>	<i>n.a.</i>	<i>16.8%</i>	<i>n.a.</i>		
Minority Interest	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-		
<b>Net Profit</b>	<b>9.6</b>	<b>6.4</b>	<b>0.2</b>	<b>(24.2)</b>	<b>5.3</b>	<b>0.6</b>	<b>-42.5%</b>	<b>44.8%</b>
<i>Net Profit growth</i>	<i>87.5%</i>	<i>-33.2%</i>	<i>-96.9%</i>	<i>n.a.</i>	<i>121.9%</i>	<i>-88.7%</i>		
<b>Ordinary Net Profit</b>	<b>10.3</b>	<b>6.7</b>	<b>(1.3)</b>	<b>(23.8)</b>	<b>4.4</b>	<b>0.4</b>	<b>-47.1%</b>	<b>n.a.</b>
<i>Ordinary Net Profit growth</i>	<i>67.5%</i>	<i>-34.7%</i>	<i>-119.3%</i>	<i>n.a.</i>	<i>118.5%</i>	<i>-90.4%</i>		
							CAGR	
<b>Cash Flow (EUR Mn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>17-22</b>	<b>19-22</b>
<b>Recurrent EBITDA</b>	<b>21.9</b>	<b>12.5</b>	<b>34.6</b>	<b>11.8</b>	<b>28.6</b>	<b>27.0</b>	<b>4.3%</b>	<b>-8.0%</b>
Rentals (IFRS 16 impact)	-	-	(19.0)	(16.3)	(15.2)	(14.9)		
Working Capital Increase	(5.7)	(1.6)	(13.3)	4.1	12.7	(15.4)		
<b>Recurrent Operating Cash Flow</b>	<b>16.2</b>	<b>10.9</b>	<b>2.4</b>	<b>-0.4</b>	<b>26.1</b>	<b>-3.4</b>	<b>n.a.</b>	<b>n.a.</b>
Capex	(8.8)	(9.9)	(4.5)	(2.1)	(0.8)	(2.7)		
Net Financial Result affecting the Cash Flow	(1.0)	(1.1)	(8.9)	(7.2)	(6.2)	(6.3)		
Taxes	(2.9)	(2.1)	(1.5)	0.2	0.7	(0.7)		
<b>Recurrent Free Cash Flow</b>	<b>3.4</b>	<b>(2.3)</b>	<b>(12.4)</b>	<b>(9.5)</b>	<b>19.6</b>	<b>(13.0)</b>	<b>n.a.</b>	<b>1.5%</b>
Variation of indebtedness	(2.9)	2.1	10.0	12.9	(17.9)	14.5		
Net debt / EBITDA (x)	1.4	2.6	1.2	4.7	1.3	1.9		

## Main Balance Sheet items breakdown

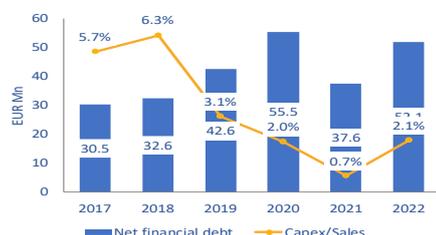
**Chart 1: Working Capital**

**Working Capital breakdown**

EUR Mn	2017	2018	2019	2020	2021	2022
Stocks	50.9	48.8	59.1	57.7	41.7	61.1
Clients	2.0	2.0	1.9	1.5	1.6	1.5
Suppliers	(3.6)	(4.6)	(3.2)	(5.1)	(3.3)	(5.5)
<b>Trade working capital</b>	<b>49.3</b>	<b>46.2</b>	<b>57.7</b>	<b>54.1</b>	<b>40.0</b>	<b>57.1</b>
Other Current Assets	0.7	4.3	3.4	4.3	2.2	1.5
Other Current liabilities	(11.3)	(10.2)	(7.7)	(8.9)	(5.4)	(6.4)
<b>Working Capital</b>	<b>38.7</b>	<b>40.3</b>	<b>53.5</b>	<b>49.5</b>	<b>36.8</b>	<b>52.2</b>
(Increase)/decre. In Inventories	(8.5)	2.0	(10.3)	1.4	16.0	(19.4)
(Increase)/decre. In Receivables	0.3	0.0	0.1	0.4	(0.1)	0.1
Increase/(decre.) In Payables	0.2	1.0	(1.4)	1.9	(1.7)	2.2
(Increase)/decre. In other ST assets	(0.5)	(3.6)	0.8	(0.9)	2.1	0.7
Increases/(decre.) In other ST liabilities	2.8	(1.1)	(2.6)	1.3	(3.5)	1.0
	<b>(5.7)</b>	<b>(1.6)</b>	<b>(13.3)</b>	<b>4.1</b>	<b>12.7</b>	<b>(15.4)</b>

**Working Capital o/Sales**

% s/Sales	2017	2018	2019	2020	2021	2022
Stocks	32.7%	31.2%	40.7%	56.6%	33.0%	47.2%
Clients	1.3%	1.3%	1.3%	1.4%	1.3%	1.1%
Suppliers	2.3%	2.9%	2.2%	5.0%	2.6%	4.2%
<b>Trade working capital</b>	<b>31.7%</b>	<b>29.5%</b>	<b>39.7%</b>	<b>53.1%</b>	<b>31.7%</b>	<b>44.1%</b>
Other Current Assets	0.4%	2.7%	2.4%	4.2%	1.8%	1.2%
Other Current liabilities	7.3%	6.5%	5.3%	8.8%	4.3%	4.9%
<b>Working Capital</b>	<b>24.9%</b>	<b>25.7%</b>	<b>36.8%</b>	<b>48.5%</b>	<b>29.1%</b>	<b>40.3%</b>

**Chart 2: Net Debt vs CAPEX/Sales**

**Net financial debt and liquidity breakdown**

EUR Mn	2017	2018	2019	2020	2021	2022
L/T debt	4.0	5.9	14.0	32.7	24.9	16.0
Corporate debt	0.0	0.0	0.0	0.0	0.0	0.0
S/T debt	31.6	24.1	25.6	21.9	17.9	33.5
Other financial liabilities	9.9	7.1	6.1	6.8	5.1	12.9
<b>Total financial debt</b>	<b>45.5</b>	<b>37.2</b>	<b>45.7</b>	<b>61.4</b>	<b>47.9</b>	<b>62.4</b>
Cash	14.5	4.2	3.0	5.8	10.1	10.1
S/T Investments	0.4	0.4	0.1	0.1	0.2	0.1
<b>Cash and equivalents</b>	<b>15.0</b>	<b>4.6</b>	<b>3.1</b>	<b>5.9</b>	<b>10.3</b>	<b>10.3</b>
<b>Net Debt</b>	<b>30.5</b>	<b>32.6</b>	<b>42.6</b>	<b>55.5</b>	<b>37.6</b>	<b>52.1</b>
ND/EBITDA (x)*	1.4x	2.6x	1.2x	4.7x	1.3x	1.9x
ND/BV (%)	50.8%	50.3%	98.6%	268.1%	144.7%	196.6%
<b>Debt maturities</b>						
< 1 year	31.6	24.1	25.6	21.9	17.9	33.5
>1 year < 5	13.9	13.0	20.1	39.5	30.0	28.9
> 5 year	0.0	0.0	0.0	0.0	0.0	0.0

**Chart 3: Market Cap. vs EV**

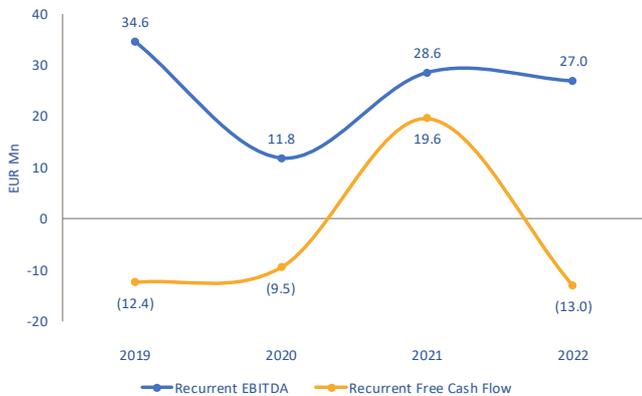
**Average Enterprise Value (2014-2019)**

Enterprise Value	2017	2018	2019	2020	2021	2022	Last Closing*
Price per share (yearly avg.)	12.40	11.20	15.17	16.37	5.67	9.91	13.20
<b>Market Cap (Avg.)</b>	<b>20.7</b>	<b>18.7</b>	<b>25.3</b>	<b>27.3</b>	<b>9.5</b>	<b>16.5</b>	<b>22.0</b>
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Provisions & Other L/T Liabilities	4.2	4.3	3.7	4.9	3.7	1.4	1.4
+ Net financial debt	31.9	31.5	37.6	49.1	46.6	52.1	52.1
- Financial Investments	-0.7	-0.9	-1.3	-1.3	-1.0	2.9	2.9
+/- Others EV adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Enterprise Value</b>	<b>56.1</b>	<b>53.6</b>	<b>65.3</b>	<b>79.9</b>	<b>58.7</b>	<b>72.9</b>	<b>78.4</b>

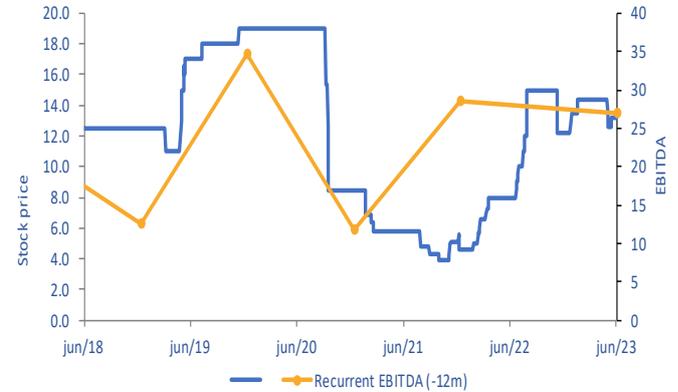
\* Current fiscal year according to the latest available data. Price per share and mkt. cap. at the date of this report.

## Recurrent Free Cash Flow analysis

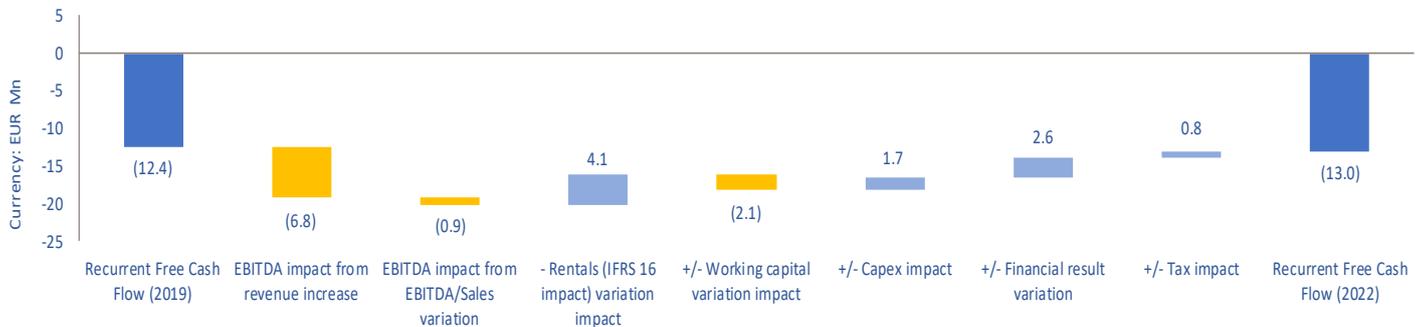
### Evolución del EBITDA recurrente vs Free Cash Flow recurrente



### Comportamiento del precio de la acción vs EBITDA (-12m)



### Análisis de la variación acumulada del Free Cash Flow Recurrente (2019 - 2022)



## Seasonality and trends

### Chart 4: Half-year: Revenues



### Half year P&L: Seasonality

Half year P&L (EUR Mn)	1H18	2H18	1H19	2H19	1H20	2H20	1H21	2H21	1H22	2H22
Total Revenues	67.8	88.8	65.7	79.6	38.7	63.2	51.7	74.5	57.0	72.6
Revenues growth (YoY)	n.a.	2.0%	-3.2%	-10.4%	-41.1%	-20.6%	33.6%	17.9%	10.1%	-2.6%
Recurrent EBITDA	4.4	8.1	17.5	17.1	-0.6	12.5	8.6	20.0	13.6	13.3
Rec. EBITDA growth (YoY)	n.a.	-49.8%	297.3%	112.7%	-103.5%	-27.3%	n.a.	60.6%	58.8%	-33.4%
Rec. EBITDA/Revenues	6.5%	9.1%	26.7%	21.5%	n.a.	19.7%	16.6%	26.8%	23.9%	18.4%
EBITDA	4.4	8.1	17.5	17.1	-0.6	12.5	8.6	21.1	13.6	13.5
EBITDA growth (YoY)	n.a.	-49.8%	297.3%	112.7%	-103.5%	-27.3%	n.a.	69.4%	58.8%	-36.3%
EBIT	1.0	4.4	4.0	4.6	-12.7	1.7	-1.6	10.0	3.2	3.2
EBIT growth (YoY)	n.a.	-64.2%	318.2%	4.9%	-415.1%	-63.3%	87.1%	492.7%	293.7%	-68.2%
EBIT/Revenues	1.4%	4.9%	6.1%	5.8%	n.a.	2.7%	n.a.	13.4%	5.5%	4.4%
Net Profit	1.8	4.6	1.4	-1.2	-12.7	-11.5	-1.1	6.4	1.2	-0.6
Net profit growth	n.a.	-35.9%	-22.8%	-126.5%	n.a.	-851.0%	91.2%	155.9%	204.5%	-108.9%

### Trend analysis

YoY Change	2017	2018	2019	2020	2021	2022	2H21	2H22
Total Revenues	5.3%	0.7%	-7.3%	-29.9%	23.9%	2.6%	17.9%	-2.6%
Gross Margin	11.7%	-2.5%	-4.6%	-41.1%	26.2%	5.1%		
Recurrent EBITDA	36.3%	-43.0%	178.0%	-65.8%	141.5%	-5.7%	60.6%	-33.4%
Rec. EBITDA/Revenues (p.p.)	3.2	(6.1)	15.9	(12.2)	11.0	(1.8)	7.1	(8.5)
EBIT	49.8%	-63.7%	49.7%	n.a.	176.2%	-24.3%	492.7%	-68.2%
EBIT/Revenues (p.p.)	3.0	(6.5)	2.3	n.a.	n.a.	(1.7)	10.8	(9.0)
Net Profit	87.5%	-33.2%	-96.9%	n.a.	121.9%	-88.7%	155.9%	-108.9%
Net financial debt	-8.6%	6.8%	30.8%	30.3%	-32.2%	38.4%		

**6. "All the numbers"**

	2017	2018	2019	2020	2021	2022	CAGR	
							17-22	19-22
<b>MARKET DATA</b>								
Price per share	12.00	11.00	19.00	8.40	4.60	12.20		
Market capitalisation (EUR Mn)	20.0	18.3	31.7	14.0	7.7	20.3		
Avg. Daily Traded Volume (EUR Mn)	0.00	0.00	2.67	0.00	0.15	0.00		
<b>Performance</b>								
Absolute	-0.8%	-1.7%	72.7%	-55.8%	-45.2%	165.2%	0.3%	-13.7%
vs Ibxex 35	-7.6%	15.6%	54.5%	-47.7%	-49.3%	180.8%		
vs Sector benchmark	2.2%	10.6%	29.3%	-59.6%	-51.3%	293.4%		
<b>PER SHARE DATA</b>								
Adj. nº shares (Mn)	1.67	1.67	1.67	1.67	1.67	1.67	0.0%	0.0%
EPS (EUR)	5.74	3.83	0.12	-14.51	3.18	0.36	-42.5%	44.8%
BVPS (reported)	36.04	38.90	25.92	12.43	15.61	15.90	-15.1%	-15.0%
Rec. FCF per share	2.05	-1.36	-7.46	-5.70	11.79	-7.80	n.a.	1.5%
DPS (EUR)	1.50	0.00	0.00	0.00	0.00	0.00	-100.0%	n.a.
% pay-out	26.1%	0.0%	0.0%	0.0%	0.0%	0.0%		
<b>ENTERPRISE VALUE (EUR Mn)</b>								
Market capitalisation (EUR Mn)	20.0	18.3	31.7	14.0	7.7	20.3	0.3%	-13.7%
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0		
+ Provisions & Other L/T Liabilities	5.5	3.1	4.4	5.4	2.0	1.4		
+ Net financial debt	30.5	32.6	42.6	55.5	37.6	52.1		
- Financial Investments	-1.0	-0.8	-1.8	-0.7	-1.2	-2.9		
(-) Enterprise value (year-end)	55.1	53.2	76.9	74.1	46.1	71.0	5.2%	-2.6%
<b>KEY FINANCIAL METRICS</b>								
<b>Year-on-year growth</b>								
Total Revenues	5.3%	0.7%	-7.3%	-29.9%	23.9%	2.6%		
Recurrent EBITDA	36.3%	-43.0%	178.0%	-65.8%	141.5%	-5.7%		
EBIT	49.8%	-63.7%	49.7%	-227.5%	176.2%	-24.3%		
Profit Before Tax	80.9%	-32.3%	-94.5%	n.a.	126.8%	-91.3%		
Net Profit	87.5%	-33.2%	-96.9%	n.a.	121.9%	-88.7%		
EPS (EUR)	87.5%	-33.2%	-96.9%	n.a.	121.9%	-88.7%		
<b>Margins (on revenue)</b>								
Recurrent EBITDA	14.1%	8.0%	23.8%	11.6%	22.7%	20.8%		
Gross margin	67.9%	65.7%	67.6%	56.8%	57.8%	59.3%		
EBIT	10.2%	3.7%	5.9%	n.a.	6.6%	4.9%		
Profit Before Tax	8.0%	5.4%	0.3%	n.a.	5.1%	0.4%		
Net Profit	6.1%	4.1%	0.1%	n.a.	4.2%	0.5%		
Ordinary Net Profit	6.6%	4.3%	n.a.	n.a.	3.5%	0.3%		
<b>Other key financial metrics</b>								
Income tax rate (>0 if income)	23.4%	24.5%	57.7%	n.a.	16.8%	n.a.		
Capex/Sales	5.7%	6.3%	3.1%	2.0%	0.7%	2.1%		
Working capital/Sales	24.9%	25.7%	36.8%	48.5%	29.1%	40.3%		
Capital Employed/Sales	61.2%	63.6%	60.8%	79.3%	51.0%	59.6%		
Net debt/EBITDA	1.4x	2.6x	1.2x	4.7x	1.3x	1.9x		
Net debt/Equity	50.8%	50.3%	98.6%	268.1%	144.7%	196.6%		
Assets (excash)/Equity	1.8x	1.8x	5.2x	9.1x	6.0x	6.5x		
ROE (reported)	17.2%	10.2%	0.4%	n.a.	22.7%	2.3%		
ROCE (reported)	13.3%	4.5%	9.2%	n.a.	9.6%	9.0%		
WACC (Medio)	4.4%	4.4%	5.2%	5.0%	3.3%	5.9%		
<b>BALANCE SHEET (EUR Mn)</b>								
Fixed assets & Intangible	51.0	53.9	146.1	113.3	99.1	95.5		
Working capital	38.7	40.3	53.5	49.5	36.8	52.2		
Total assets (ex-cash)	111.0	115.3	224.3	187.5	155.0	171.3		
Equity	60.1	64.8	43.2	20.7	26.0	26.5		
Net debt / (cash)	30.5	32.6	42.6	55.5	37.6	52.1		
Capital Employed	95.1	99.7	88.4	80.9	64.4	77.2		
<b>PROFIT &amp; LOSS (EUR Mn)</b>								
Total Revenues	155.5	156.7	145.3	101.9	126.3	129.6	-3.6%	-3.7%
Recurrent EBITDA	21.9	12.5	34.6	11.8	28.6	27.0	4.3%	-8.0%
Depreciation & Provisions	-6.0	-6.7	-7.0	-6.5	-6.1	-5.8		
EBIT	15.9	5.8	8.6	-11.0	8.4	6.3	-16.8%	-9.7%
Net Financial Result	-2.5	3.1	-9.9	-12.8	-2.0	-5.8		
Profit Before Tax	12.5	8.5	0.5	-23.8	6.4	0.6	-46.3%	5.9%
Income tax rate (>0 if income)	-2.9	-2.1	-0.3	-0.4	-1.1	0.0		
Minorities and discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0		
Net Profit	9.6	6.4	0.2	-24.2	5.3	0.6	-42.5%	44.8%
Ordinary Net Profit	10.3	6.7	-1.3	-23.8	4.4	0.4	-47.1%	n.a.
<b>CASH-FLOW (EUR Mn)</b>								
Recurrent EBITDA	21.9	12.5	34.6	11.8	28.6	27.0		
Rentals (IFRS 16 impact)	0.0	0.0	-19.0	-16.3	-15.2	-14.9		
Working Capital Increase	-5.7	-1.6	-13.3	4.1	12.7	-15.4		
Capex	-8.8	-9.9	-4.5	-2.1	-0.8	-2.7		
Taxes	-2.9	-2.1	-0.3	-0.4	-1.1	0.0		
Net Financial Result affecting the Cash Flow	-2.5	3.1	-9.9	-12.8	-2.0	-5.8		
Rec. Free Cash Flow to Equity (FCFE)	3.4	-2.3	-12.4	-9.5	19.6	-13.0	n.a.	1.5%
Rec. Free Cash Flow to the Firm (FCFF)	3.6	-0.5	-2.1	-2.5	23.8	-6.1	n.a.	43.1%
<b>PROFIT &amp; LOSS (EUR Mn)</b>								
<b>Equity multiples</b>								
P/E	2.1x	2.9x	n.a.	n.a.	1.4x	33.9x		
Ord. P/E	1.9x	2.7x	n.a.	n.a.	1.7x	48.0x		
P/BV	0.3x	0.3x	0.7x	0.7x	0.3x	0.8x		
FCFE yield	17.1%	n.a.	n.a.	n.a.	256.3%	n.a.		
Dividend Yield (%)	12.5%	0.0%	0.0%	0.0%	0.0%	0.0%		
<b>Enterprise Value multiples</b>								
EV/Sales	0.4x	0.3x	0.5x	0.7x	0.4x	0.5x		
EV/EBITDA	2.5x	4.3x	2.2x	6.3x	1.6x	2.6x		
EV/EBIT	3.5x	9.2x	8.9x	n.a.	5.5x	11.2x		
EV/CE	0.6x	0.5x	0.9x	0.9x	0.7x	0.9x		
FCFF yield (to EV)	6.6%	-0.9%	-2.7%	-3.4%	51.7%	-8.5%		

Note: All the multiples and ratios are calculated from trading prices at the close of each year.

## 7. Valuation inputs

### Main peers in detail: ratios and multiples (2023e)

Multiples: Sector Apparel &amp; Accesories retail

	EUR Mn	JD Sports Fashion Plc	LPP S.A.	OVS SpA	N Brown Group plc	Superdry PLC	Average	LIW
Market data	Ticker (Factset)	JD-GB	LPP-PL	OVS-IT	BWNG-GB	SDRY-GB		LIW-ES
	Country	USA	UK	Italy	USA	UK		Spain
	Market cap	8,819.0	5,641.7	712.8	127.4	91.8		22.0
	Enterprise value (EV)	10,427.2	6,945.1	1,895.8	473.3	352.6		72.7
Basic financial information	Total Revenues	12,452.0	4,227.3	1,595.6	729.9	748.7		129.6
	Total Revenues growth	5.8%	17.7%	5.5%	-7.3%	4.0%	5.1%	2.6%
	2y CAGR (2023e - 2025e)	9.8%	17.0%	4.5%	n.a.	n.a.	10.4%	-41.4%
	EBITDA	2,107.3	695.6	190.5	52.0	75.3		27.1
	EBITDA growth	11.4%	25.7%	-16.8%	-23.7%	26.9%	4.7%	-8.8%
	2y CAGR (2023e - 2025e)	10.5%	17.7%	7.6%	n.a.	n.a.	11.9%	-41.5%
	EBITDA/Revenues	16.9%	16.5%	11.9%	7.1%	10.1%	12.5%	20.9%
	EBIT	1,287.0	431.6	126.5	n.a.	23.7		6.3
	EBIT growth	11.3%	44.5%	n.a.	n.a.	703.2%	253.0%	-24.3%
	2y CAGR (2023e - 2025e)	12.2%	21.1%	9.4%	n.a.	n.a.	14.2%	-42.0%
	EBIT/Revenues	10.3%	10.2%	7.9%	n.a.	3.2%	7.9%	4.9%
	Net Profit	788.6	304.0	74.0	n.a.	5.5		0.6
	Net Profit growth	376.1%	17.7%	88.8%	n.a.	187.0%	167.4%	-88.7%
	2y CAGR (2023e - 2025e)	15.1%	24.7%	8.4%	n.a.	n.a.	16.1%	-13.6%
CAPEX/Sales %	5.2%	6.7%	4.9%	n.a.	0.5%	4.3%	2.1%	
Free Cash Flow	758.8	465.0	112.2	n.a.	1.0		(13.1)	
Net financial debt	(2,336.6)	887.6	294.1	341.7	154.9		52.1	
ND/EBITDA (x)	n.a.	1.3	1.5	6.6	2.1	2.9	1.9	
Pay-out	6.3%	56.9%	25.1%	n.a.	0.0%	22.1%	0.0%	
Multiples and Ratios	P/E (x)	11.2	17.4	8.7	14.9	33.1	17.0	36.6
	P/BV (x)	2.5	5.3	0.6	n.a.	0.8	2.3	0.8
	EV/Revenues (x)	0.8	1.6	1.2	0.6	0.5	1.0	0.6
	EV/EBITDA (x)	4.9	10.0	10.0	9.1	4.7	7.7	2.7
	EV/EBIT (x)	8.1	16.1	15.0	n.a.	14.9	13.5	11.5
	ROE	22.6	30.5	6.7	n.a.	2.3	15.5	2.3
	FCF Yield (%)	8.6	8.2	15.7	n.a.	1.1	8.4	n.a.
	DPS	0.01	93.41	0.07	0.00	0.00	18.70	0.00
Dvd Yield	0.6%	3.1%	2.7%	0.0%	0.0%	1.3%	0.0%	

### Multiples: Sector Apparel & Accesories retail (Backward-looking)

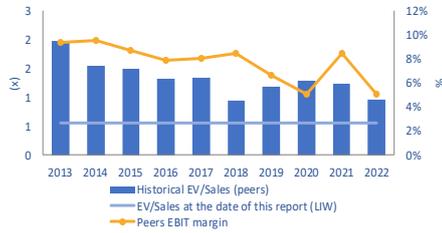
EUR Mn	Ticker (Factset)	Market cap	P/E ord. 2022	EPS 22-24e CAGR	P/B 2022	ROE 2022	EV/EBITDA 2022	EBITDA 22- 24e CAGR	EV/sales 2022	Sales 22-24e CAGR	2022 EBIT margin	FCFE yield 2022	FCFE 22-24e CAGR	
	JD Sports Fashion Plc	JD-GB	8,819	53.0x	21.8%	3.6x	7.0%	6.9x	10.9%	1.1x	7.6%	9.8%	11.7%	1%
	LPP S.A.	LPP-PL	5,642	17.5x	17.6%	6.3x	31.6%	14.6x	23.2%	2.3x	18.3%	8.3%	n.a.	n.a.
	OVS SpA	OVS-IT	711	17.7x	22.3%	0.8x	4.4%	8.2x	-5.9%	1.2x	4.5%	0.3%	29.8%	-20%
	N Brown Group plc	BWNG-GB	127	n.a.	59.3%	0.3x	-12.3%	7.3x	-10.3%	0.6x	-3.1%	3.4%	n.a.	n.a.
	Superdry PLC	SDRY-GB	92	n.a.	n.a.	0.8x	-8.6%	5.9x	21.9%	0.5x	3.1%	0.4%	n.a.	n.a.
	Apranga APB	APGIL-LT	141	8.5x	n.a.	2.3x	22.6%	3.9x	n.a.	0.6x	n.a.	8.1%	25.9%	n.a.
	Average			17.6x	30.2%	2.0x	8.2%	3.7x	8.0%	1.1x	6.1%	5.1%	22.5%	-9.4%
	Median			13.3x	22.0%	1.3x	5.7%	6.9x	10.9%	1.1x	4.5%	5.7%	25.9%	-9.4%
	Liwe Espanola, S.A.	LIW-ES	22.0	33.9x	n.a.	0.8x	2.3%	2.6x	n.a.	0.5x	n.a.	4.9%	-8.5%	n.a.

Note: Historical multiples (backward-looking) calculated from trading prices at the year close. Mkt. cap at the date of this report.

### Multiples: Sector Apparel & Accesories retail (Forward-Looking)

EUR Mn	Ticker (Factset)	Market cap	P/E ord. 2023e	EPS 23e-25e CAGR	P/B 2023e	ROE 2023e	EV/EBITDA 2023e	EBITDA 23e- 25e CAGR	EV/sales 2023e	Sales 23e-25e CAGR	2023e EBIT margin	FCFE yield 2023e	FCFE 23e-25e CAGR	
	JD Sports Fashion Plc	JD-GB	8,819	11.2x	13.3%	2.5x	22.6%	4.9x	10.5%	0.8x	9.8%	10.3%	8.6%	22%
	LPP S.A.	LPP-PL	5,642	17.4x	21.3%	5.3x	30.5%	10.0x	17.7%	1.6x	17.0%	10.2%	8.2%	3%
	OVS SpA	OVS-IT	711	8.7x	10.6%	0.6x	6.7%	10.0x	7.6%	1.2x	4.5%	7.9%	15.8%	12%
	N Brown Group plc	BWNG-GB	127	14.9x	n.a.	n.a.	n.a.	9.1x	n.a.	0.6x	n.a.	n.a.	n.a.	n.a.
	Superdry PLC	SDRY-GB	92	n.a.	n.a.	0.8x	2.3%	4.7x	n.a.	0.5x	n.a.	3.2%	n.a.	n.a.
	Apranga APB	APGIL-LT	141	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Average			13.0x	15.1%	2.3x	12.4%	7.7x	11.9%	1.0x	10.4%	7.9%	10.9%	12.5%
	Median			13.0x	13.3%	1.6x	6.7%	9.1x	10.5%	0.8x	9.8%	9.1%	8.6%	12.4%

## "Theoretical" valuation exercises with multiples

**Chart 1: EV/Sales valuation inputs**

**"Theoretical" valuation exercise based on EV/Sales (2022) (\*)**

Valuation inputs	2022		
Sector EBIT Mg.	8.7%	Theoretical EV/Sales	0.75
Company EBIT Margin	4.9%	* 2022 Sales	129.6
<b>Adjustment factor</b>	<b>0.56</b>	<b>= Company EV Valuation</b>	<b>97.0</b>
Sector EV/Sales (-10y avg.)	1.3	- Minority Interests	-
* Adjustment Factor	0.56	- Provisions & Other L/T Liabilities	1.4
<b>Company Theoretical EV/Sales</b>	<b>0.75</b>	- Net financial debt	52.1
vs 2022 Company EV/Sales	0.56	+ Financial Investments	(2.9)
<b>Premium / (Discount) o/</b>		+/- Others EV adjustments	-
<b>EV/Sales</b>	<b>-25.1%</b>	<b>= Equity valuation (**)</b>	<b>40.6</b>
		vs Mkt Cap at the date of this report	22.0
		<b>Premium / (Discount)</b>	<b>-45.8%</b>

**Chart 2: LIW vs Peers (2022)**

**Sensitivity analysis: Theoretical EV/Sales to changes in EBIT Mg. and premium (discount) o/sector EV/Sales (\*)**

A) Theoretical EV/Sales				B) Premium / (Discount)			
EV/Sales Premium	Mg. EBIT			EV/Sales Premium	Mg. EBIT		
	3.9%	4.9%	5.9%		3.9%	4.9%	5.9%
-10%	0.54	0.67	0.81	-10%	68.3%	-28.8%	-54.8%
0%	0.60	0.75	0.90	0%	5.8%	-45.8%	-63.6%
10%	0.66	0.82	0.99	10%	-22.8%	-56.3%	-69.5%

(\*) The sector's EV/sales ratio has been adjusted by the margin spread between the company and its sector. A 10% premium (discount) has been applied in the sensitivity analysis in order to reflect the impact on the multiple (and on the relative valuation) of using a higher or lower multiple than that of the sector depending on the company's growth rate vs the sector and the possible evolution of its margin (vs that of the sector). This valuation exercise has the sole use (and goal) of serving as a "value indicator". It does not represent a valuation per se.

(\*\*) The adjustments made to the company's theoretical EV (minority interests, provisions, ND, etc.) correspond to the figures reported in 2H22.

## "Theoretical" valuation exercises with DCF

### WACC (at the date of this report)

			Best Case	Worst Case
Net financial debt	52.1	Debt net of Cash (2H22)		
Cost of Debt	6.0%	Net debt cost	5.0%	7.0%
Effective tax rate (T)	20.0%	T (Normalised tax rate)	=	=
<b>Cost of Net Debt</b>	<b>4.8%</b>	<b>Kd = Cost of Net Debt * (1-T)</b>	<b>4.0%</b>	<b>5.6%</b>
Risk free rate (rf)	3.4%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	6.0%	R (own estimate)	8.0%	9.0%
Beta (B)	1.1	B (own estimate)	1.0	1.2
<b>Cost of Equity</b>	<b>10.0%</b>	<b>Ke = Rf + (R*B)</b>	<b>11.4%</b>	<b>14.2%</b>
Equity / (Equity + Net Debt)	29.7%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	70.3%	D	=	=
<b>WACC</b>	<b>6.3%</b>	<b>WACC = Kd*D + Ke*E</b>	<b>6.2%</b>	<b>8.2%</b>

### Assumptions (2022)

EBIT 2022	6.3
Normalised tax rate (T)	20.0%
Long term growth rate (G)	2.0%
ROCE 2022	9.0%
WACC (at the date of this report) (*)	6.3%
Adjustment factor o/net EBIT	= 1 - (G / ROCE)
Adjustment factor applied	77.7%

### "Theoretical" absolute valuation based on net EBIT2022) (\*)

Theoretical value based on 2022 Net EBIT = EBIT (1-t)\*Adjustment factor / (WACC - G)

Theoretical Enterprise Value (At the date of this report)	90.8
- Net financial debt	52.1
- Minority Interests	0.0
- Provisions & Other L/T Liabilities	1.4
+/- Others EV adjustments	0.0
+ Financial Investments	2.9
<b>= Equity valuation</b>	<b>40.1</b>
vs Mkt Cap at the date of this report	22.0
<b>Premium / (Discount)</b>	<b>-45.2%</b>

(\*) Given the lack of financial projections for the future performance of the business, the valuation exercise described above relates the company's "theoretical value" to the main value generation drivers of any business: (i) the l/t growth rate (G), (ii) the return on capital employed (ROCE) and (iii) the cost of capital (WACC). The main drawback of this model is that it assumes both the ROCE and the growth rate (G) remain constant over the long term, so it does not represent a true valuation of the company. This valuation exercise has the sole use (and goal) of serving as a "value indicator" but does not represent a valuation per se.

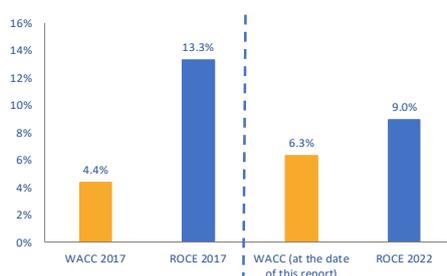
### Sector historical multiples vs Company Implied multiples (o/Theoretical EV and Mkt. Cap.

Valuation multiples	Sector	LIW	Premium / Discount
EV/Sales	1.0	0.7	-26.7%
EV/EBITDA	6.8	3.4	-50.6%
EV/EBIT	13.5	14.3	5.9%
P/BV	3.0	1.5	-50.3%

### Sensitivity analysis

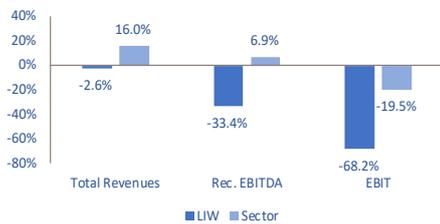
A) "Theoretical" Equity valuation (EUR Mn)				B) Premium / (Discount)			
ROCE	Long term growth rate (G)			ROCE	Long term growth rate (G)		
	1.5%	2.0%	2.5%		1.5%	2.0%	2.5%
8.0%	34.4	36.8	39.9	8.0%	-36.0%	-40.3%	-44.9%
9.0%	36.6	<b>40.1</b>	44.5	9.0%	-39.9%	<b>-45.2%</b>	-50.6%
10.0%	38.4	42.7	48.3	10.0%	-42.6%	-48.5%	-54.4%

### Value creation: ROCE vs Cost of Capital (WACC)



## Growth and momentum: to measure the company's historical growth vs sector. And (2H22) business momentum

**Chart 4: Growth spread (Revenues)**

**Chart 5: Momentum indicators (growth)2H22 vs 2H21**

**Chart 6: EBIT. Mg. Vs sector**

**Growth spread vs sector**

	Total Revenues			EBITDA			EBIT		
	2022	CAGR -3Y	CAGR -5Y	2022	CAGR -3Y	CAGR -5Y	2022	CAGR -3Y	CAGR -5Y
Company	2.6%	-3.7%	-3.6%	-5.7%	-8.0%	4.3%	-24.3%	-9.7%	-16.8%
Sector	13.8%	6.2%	7.9%	-2.3%	3.1%	6.8%	-18.2%	-21.2%	-8.7%
Spread (p.p.)	(11.2)	(10.0)	(11.5)	(3.4)	(11.1)	(2.6)	(6.2)	11.5	(8.0)

**Key Momentum indicators**

	LIW			Sector Avg			Sector
	2H22	2022	Dif. (p.p.)	2H22	2022	Dif. (p.p.)	CAGR 2022-2024
Total Revenues	-2.6%	2.6%	(5.2)	16.0%	13.8%	2.2	6.1%
Rec. EBITDA	-33.4%	-5.7%	(0.3)	6.9%	-2.3%	9.3	8.0%
EBITDA/Revenues	18.4%	20.8%	(2.5)	13.8%	13.2%	0.5	-0.2p.p.
EBIT	-68.2%	-24.3%	(43.9)	-19.5%	-18.2%	(1.3)	23.0%
EBIT/Rev.	4.4%	4.9%	(0.5)	7.3%	5.1%	2.3	3.6p.p.

**Historical growth vs momentum indicators**

Company vs Sector Spread (p.p.)	Var. -5yr	Var. -3yr	2022	2H22
Total Revenues	(11.5)	(10.0)	(11.2)	(18.6)
Rec. EBITDA	(2.6)	(11.1)	(3.4)	(40.4)
EBITDA/Revenues	5.2	(1.9)	7.6	4.6
EBIT	(8.0)	11.5	(6.2)	(48.7)
EBIT/Rev.	(2.3)	0.6	(0.2)	(3.0)

(\*) For ease of interpretation of the different valuation exercises performed within this report, the company's historical growth differential vs the sector is included together with the evolution of this (-5y, -3y, last financial year and current trading).

## Main Corporate Governance indicators

KPIs	2021	2021	2022
% of independent directors	33.3%	37.5%	37.5%
% of proprietary directors	66.7%	62.5%	62.5%
% of executive directors	0.0%	0.0%	0.0%
% of other directors	0.0%	0.0%	0.0%
% of women on the board of directors	0.0%	12.5%	12.5%
% of women out of total workforce	86.5%	86.5%	86.3%
Board remuneration/staff cost	1.3%	1.5%	1.5%

## LIGHTHOUSE

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#### Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
22-Jun-2023	n.a.	13.20	n.a.	n.a.	Analysis of Historical Financial Statements	Luis Esteban Arribas
30-Dec-2021	n.a.	5.60	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez
06-Nov-2020	n.a.	8.40	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez
07-Nov-2019	n.a.	18.00	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez

