Adolfo Domínguez

EQUITY - SPAIN
Sector: Cyclical goods - Apparel retail

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Review of estimates
Closing price: EUR 5.10 (24 Jun 2020)

Adolfo Domínguez S.A. (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.

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We change estimates for 2020 (revenue c.-25%) and see reasons for a return to 2019 levels in 2y

COVID-19: WE DOWNGRADE 2020e-2021e estimates. With the pandemic weighing on 2020 (revenues EUR 89.8n, -23.4% y/y), impacting 1Q (March, April, May). C. 70% of 1Q19 revenues were generated in Europe. Delaying a recovery to pre-crisis levels +2y (EUR 115.1Mn 2022e; CAGR +2y: +13.2%), underpinned by a growing contribution from the online channel (14.4% 2022e revenues, c. +5p.p. vs. -3y).

INCURRING IN EBIT LOSSES (EUR -2.6Mn 2020e) AND DELAYING BREAK-EVEN (+1y), after EUR 1Mn in 2019, due to margin pressure (gross margin -0.7p.p. y/y), with support measures (the government's furlough scheme) not being replicated at other levels (impact of IFRS-16 EUR -8Mn in 2020e). The mid-term recovery of the business vs more weakened brands and cost control (which ADZ has improved in recent years) will boost EBIT mid term (EUR 2.7Mn 2022e).

WITH IMPROVEMENTS TO THE BOTTOM OF THE P/L CRUCIAL: With the spotlight on financial (IFRS-16) and tax charges, after using "de-escalation" to clean the balance sheet, sinking 2019 results (EUR -8.3Mn) due to the cancellation of tax credits.

CAPEX CONTAINMENT AND INVENTORY MANAGEMENT ARE KEY TO STABILISING FCF BREAK EVEN (2022e). Stable CAPEX (EUR 1Mn/year 2020-2022e), after strengthening the online channel (EUR c. 1Mn 2019), whose contribution will improve inventory management (narrowing the gap to competitors; c. +6p.p. inventories/sales), resulting in 2022e Rec. FCF of 1.8Mn (in our base scenario), with a FCF yield of 3.7%, still a long way from the c. 9.5% offered by the sector in 2020.

THE SPEED OF THE RECOVERY IN CONSUMER CONFIDENCE (CURRENTLY AT LOWS) WILL BE CRITICAL. The Covid-19 crisis represents a challenge for the sector, requiring its transformation (the intensifying of discounts, the online business coming to the fore and more M&A activity, causing the weaker businesses to go to the wall).

TODAY, ADZ IS IN A BETTER POSITION TO WEATHER THE CRISIS. ADZ should (a priori) recover (+2y) almost all the revenue lost due to COVID-19 (omnichannel and online strategy; EV/sales 0.3x, c. -80% vs. sector). The combination of designer clothing (positive LFL) and net cash (EUR 10Mn, which shouldn't go unnoticed by the sector) gives the company room to accelerate its growth post-COVID-19.

Market Data

Market Cap (Mn EUR and USD)	47.3	53.2
EV (Mn EUR and USD) (1)	33.8	38.1
Shares Outstanding (Mn)	9.3	
-12m (Max/Med/Mín EUR)	7.90 / 6.28 / 4.02	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation(2)	12.2	
Thomson Reuters / Bloomberg	ADZ.MC / ADZ SM	
Close fiscal year	28-Feb	

Shareholders Structure (%)(7)

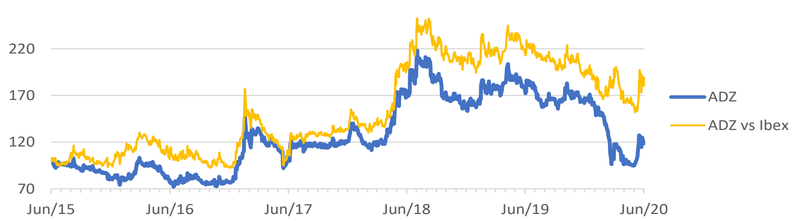
Adolfo Domínguez	31.5
Puig, S.A.	14.8
Libertas 7	10.3
Indumenta Pueri	9.0
Free Float	23.0

Financials (Mn EUR)	2019	2020e	2021e	2022e
Adj. nº shares (Mn)	9.3	9.3	9.3	9.3
Total Revenues	117.3	89.8	110.6	115.1
Rec. EBITDA (3)	11.3	7.3	10.5	13.4
% growth	*357.2*	*-35.9*	*44.1*	*27.6*
% Rec. EBITDA/Rev.	*9.7*	*8.1*	*9.5*	*11.6*
% Inc. EBITDA sector (4)	*28.3*	*-1.1*	*14.3*	*19.7*
Net Profit	-8.3	-4.1	-1.5	0.7
EPS (EUR)	-0.90	-0.44	-0.16	0.07
% growth	*n.a.*	*50.4*	*63.9*	*146.0*
Ord. EPS (EUR)	-0.01	-0.39	-0.09	0.12
% growth	*-117.6*	*n.a.*	*77.3*	*238.2*
Rec. Free Cash Flow(5)	-2.3	0.8	-3.2	1.8
Pay-out (%)	*0.0*	*0.0*	*0.0*	*0.0*
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	-10.0	-10.8	-7.6	-9.3
ND/Rec. EBITDA (x)	-0.9	-1.5	-0.7	-0.7
ROE (%)	*n.a.*	*n.a.*	*n.a.*	*1.8*
ROCE (%)(5)	*2.0*	*n.a.*	*0.8*	*7.0*

Ratios & Multiples (x)(6)				
P/E	n.a.	n.a.	n.a.	68.9
Ord. P/E	n.a.	n.a.	n.a.	41.8
P/BV	1.1	1.2	1.2	1.2
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*
EV/Sales	0.29	0.38	0.31	0.29
EV/Rec. EBITDA	3.0	4.7	3.2	2.5
EV/EBIT	35.5	n.a.	n.a.	12.4
FCF Yield (%)(5)	*n.a.*	*1.7*	*n.a.*	*3.7*

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 9.1Mn higher due to IFRS 16..
(4) Sector: Eurostoxx 600 Retail.
(5) Please see Anex 2 for the theoretical tax rate (ROCE) and recurrent FCF calculation.
(6) Multiples and ratios calculated over prices at the date of this report.
(7) Others: La Previsión Mallorquina de Seguros 7.6%, Ibercapital Magnum, SICAV S.A 3.2%, Treasury shares 0.6%

Relative performance -5y (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	25.9	2.0	-31.1	-28.0	14.9	20.3
vs Ibex 35	17.2	-4.8	-12.0	-4.4	69.7	89.3
vs Ibex Small Cap Index	14.5	-19.6	-26.9	-20.4	10.7	4.3
vs Eurostoxx 50	14.5	-13.4	-25.5	-15.6	27.4	35.9
vs Sector benchmark(4)	20.4	-13.9	-36.9	-21.4	1.0	21.7

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

2019 Results
Downgrade to estimates

A scenario that invites even more caution, "necessarily" delaying EBIT break even to 2021e

Advance estimates provided by the main institutions on the economic impact of the "Covid-19 crisis" in those markets in which ADZ does business, are disheartening. The Bank of Spain has reduced its most optimistic forecast for the contraction of domestic GDP to -9.5% y/y in 2020 (Spain accounted for c.65% of ADZ's consolidated revenues in 2019), estimating -13.6% in the worst-case scenario[1]. The same organisation has warned that the crisis will be longer and more severe than expected, with structural damage to the economy (and to consumer spending). The contraction of private consumption (c.-10% y/y in the scenarios envisaged for 2020) will be partially recovered a year later (c. +8%).

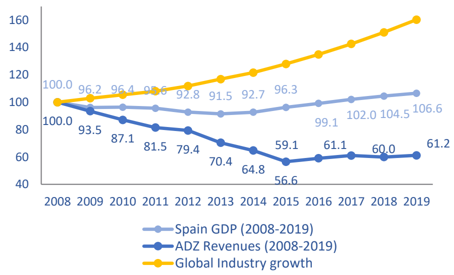
Moreover, the European Commission estimates a -7.4% decline in GDP (EU-27) in 2020, rising to -7.7% in the Eurozone (c. 7.5% of ADZ's 2019 revenue), while the IMF envisages a contraction of -6.6% in Mexico and -5.1% in Japan (c. 15% and 6% of revenues respectively), that will be partly recovered in 2021 (c. +3% in both markets).

The discretionary nature of the world of fashion makes it especially vulnerable to these shocks, with the sector taking backstage during the recent global "economic hibernation". The channelling of consumer spending towards the "strictly necessary" during lockdown, has worsened the sector's situation (c. 1/3 of listed companies were experiencing financial difficulties prior to Covid-19[2]).

Although the current crisis is not comparable to previous ones…

Such as in 2009. And so cannot be extrapolated in terms of numbers going forward. But it is worth looking at the historical performance of ADZ's business (table 1) compared to that of the domestic GDP and the global sector. ADZ's revenues (whose historical performance has been out of line with that of the sector's) had accumulated a decline of c. 45% seven years after the beginning of the crisis (vs. c. +25% for the global sector), having stabilised in the last three years. In our opinion, the current crisis will result in a c. 25% decrease in ADZ's revenues.

Chart 1. Revenues (ADZ) vs. GDP (Spain) and Global Sector



Source: INE, Statista (industry) and ADZ

Table 1. ADZ (Revenues, Rec. EBITDA, Rec.EBITDA/Revenues and EBIT) vs. Industry and GDP (Spain) 2008-2019

						Revenues		Rec. EBITDA			EBIT
Year since "crisis"	Year	GDP var. (ES)	Base 100	Global Industry growth	Base 100	EUR Mn	Base 100	EUR Mn	Base 100	EBITDA/Rev.	EUR Mn
0	2008		100.0	3.2%	100.0	191.6	100.0	20.5	100.0	10.7%	6.8
1	2009	-3.8%	96.2	2.9%	102.9	179.2	93.5	19.9	97.1	11.1%	4.3
2	2010	0.2%	96.4	2.5%	105.4	166.9	87.1	11.2	54.5	6.7%	-4.1
3	2011	-0.8%	95.6	2.5%	108.1	156.1	81.5	1.6	7.7	1.0%	-15.0
4	2012	-3.0%	92.8	3.5%	111.9	152.1	79.4	-5.3	-25.9	n.a.	-31.0
5	2013	-1.4%	91.5	4.5%	116.9	134.9	70.4	-0.3	-1.4	n.a.	-11.5
6	2014	1.4%	92.7	4.1%	121.6	124.1	64.8	1.0	4.8	0.8%	-7.8
7	2015	3.8%	96.3	5.2%	127.9	108.4	56.6	-15.1	-73.6	n.a.	-27.9
8	2016	3.0%	99.1	5.5%	134.9	113.2	59.1	-8.6	-41.8	n.a.	-12.5
9	2017	2.9%	102.0	5.7%	142.6	117.0	61.1	-2.2	-10.8	n.a.	-5.1
10	2018	2.4%	104.5	5.9%	151.0	114.9	60.0	2.5	12.1	2.2%	-0.6
11	2019	2.0%	106.6	6.2%	160.3	117.3	61.2	11.3	55.4	9.7%	1.0

…The lessons of the past remain

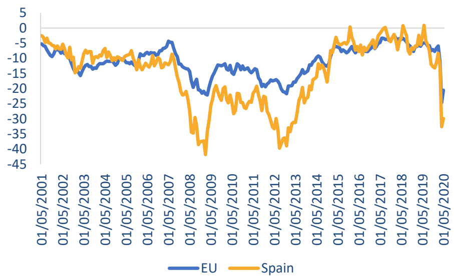
The great recession (2008) resulted in a 25% drop in sales of "high-end" goods (Bain & Co.), bringing forward sales (discounts of c. 70%, due to an accumulation of inventories). Although the growth of the Asian market (China) contributed to the sector's rapid recovery (growth of 2-3% since then), the great crisis brought significant changes to the industry (such as, among others, the democratisation of fashion, the rise of "streetwear", and, especially, continuous discounting, making full price sales more difficult).

In the same way, the Covid-19 crisis has helped to accelerate changes in consumer habits (that began pre-crisis), including the (obligatory) growth of "e-commerce", seasonal sales, the timelessness of designs and a move towards sustainable consumption. The importance of an online presence for the industry has become apparent with the closure of stores and social distancing measures imposed to control the pandemic. While online sales in Asia increased c. +7x y/y during lockdown (McKinsey), Inditex saw an increase of +95% y/y in its online channel in April. The Spanish giant has focused its strategy on this channel (with the goal of increasing its contribution to 25% of revenues +3y, c. +10p.p.).

Recovery will be gradual and uneven

Although it is reasonable to expect that recovery after the Covid-19 pandemic will be gradual, this will depend both on the severity of its impact on the various economies (Spain is one of the European countries most affected), and on the efficacy of the measures implemented by the various governments (*Marshall Plan*). In previous global crises, consumer confidence (a key factor in the industry), which is currently at lows, took c. 2 years to return to normal.

Chart 2. Consumer Confidence (ES vs EU)



Source: Thomson Reuters (DG ECFIN – Directorate General for Economic and Financial Affairs)

Recessive cycles (such as the current one) harm fragile consumer confidence, damaging the sector (due to its discretionary nature). Even so, a recessive cycle creates opportunities, strengthening surviving companies via enhanced client loyalty and a smaller number of competitors, providing M&A opportunities. The industry, which has had to fight on various fronts during the Covid-19 crisis (the halting of production, renegotiations with suppliers, containment of operating costs to partly soften the impact of mandatory store closures, etc.) will have to continue to navigate choppy waters post Covid-19, due to the decline in consumer spending associated with a period of recession.

This macro scenario has not caught ADZ unprepared

The company has carried out a significant restructuring in the last five years, involving: i) a drastic downsizing with a focus on productivity; ii) the streamlining of its cost structure (reducing corporate costs); iii) the improvement of its financial situation (net cash EUR 10.0Mn 2019, after the sale of emblematic assets in 2015, vs. c. 2x ND/EBITDA in the sector); iv) the concentration of management in the hands of the founders, with the presidency of the Group passing (in May 2020) to the daughter of the Group's founder (Adriana Domínguez, CEO); v) the commitment to the online channel as a way of levering growth; and vi) the renovation of the corporate brand image with sustainability as the main selling point (the quality and timelessness of its collections, in contrast to *fast fashion retail*).

Although the duration of the pandemic is unknown (because of the risk of a new wave of infections), the business strategy implemented means ADZ is in better condition to weather this recession than in the previous crisis (less dependence on the wholesale business: c.4.0% revenues 2019, -7.8p.p. vs.-5y, and net cash of EUR 10.0Mn 2019).

2019 results (pre-Covid-19): highest sales vs. -5y (+2.6% y/y), break even in EBIT (EUR 1Mn), and a "cleaning up" of the balance sheet (EUR -8.3Mn in NP)

Despite the start of the Covid-19 pandemic in Asia at the beginning of 4Q (December 2019; c. 10% of ADZ's points of sale are located in that region), the crisis had no effect on the 2019 P/L, with the highest revenues of the last five years (EUR 117.3Mn, +2% y/y) and the number of points of sale remaining stable (390). Sales increased +2.6% with LFL growth of +5.9%, to which the online business (+24.5% y/y) contributed +1.9p.p. and forex c. +1.5p.p. The good performances of Mexico and Japan stand out, with LFL growth of c. 9% due to the forex effect (which accounts for >50% of growth), while in Spain comparable growth in the 2019 calendar year was 3% (c. 3x vs. the sector).

Despite the worsening of the gross margin (-2p.p. y/y), the company achieved break even in EBIT (EUR 1Mn, with the impact of IFRS-16 contributing c. 80%). The Group surprised with its decision to clean up its balance sheet, cancelling tax credits (c. EUR 7.5Mn) which sank its result (EUR -8.3Mn). This (necessary) move coincided with the change in the Group presidency.

Table 2. ADZ 2019 Results

	12m19 Real	12m18	12m19 Real vs 12m18	4T19	4T19 vs 4T18
Total Revenues	**117.3**	**114.9**	**2.0%**	**39.1**	**4.9%**
Sales	114.9	111.9	2.6%	38.2	5.9%
Other income	2.4	3.0	-19.7%	0.9	-26%
Gross Margin	**66.7**	**67.6**	**-1.4%**	**20.3**	**2.2%**
Gross Margin (% s/Revenues)	*56.9%*	*58.8%*	*-2.0 p.p.*	*52.0%*	*-1.4 p.p.*
Recurrent EBITDA	**11.3**	**2.5**	**357.2%**	**5.9**	**134.5%**
Rec. EBITDA/Revenues	*9.7%*	*2.2%*	*7.5 p.p.*	*15.0%*	*8.3 p.p.*
EBITDA	**11.3**	**1.3**	**n.a.**	**5.9**	**144.2%**
EBITDA/Revenues	*9.7%*	*1.1%*	*8.6 p.p.*	*15.0%*	*8.6 p.p.*
EBIT	**1.0**	**-0.6**	**259.0%**	**1.9**	**-13%**
EBIT/Revenues	*0.8%*	*n.a.*	*n.a.*	*4.9%*	*-1.0 p.p.*
PBT	**0.0**	**1.2**	**-99.4%**	**1.6**	**-55.5%**
NP	**-8.3**	**-0.5**	**n.a.**	**-6.2**	**-330%**
Ordinary NP	**-0.1**	**0.6**	**-117.7%**	**2.0**	**-23%**

On the other hand, despite higher CAPEX (EUR 2.6Mn, c. +3x y/y), and the tax accounting impact, the Group still has a comfortable cash pile (EUR 10.0Mn) which will help it weather the current crisis.

ADZ used the 2019 results release to announce the launch of an innovative in-house artificial intelligence (IA) project called ADN (to which it assigned c. 40% of investment -1y), with which it hopes to strengthen its online channel (a key part of Group strategy).

Giving way to a 2020 hit by the pandemic (1Q) and de-escalation

The Covid-19 crisis has fully impacted 1Q20 (March, April and May 2020; Spain accounted for c. 65% of 1Q19 revenues). Although the worst will supposedly be behind the company in 1H20 (gradual re-opening of stores in May), its effect will extend throughout 2020 (de-escalation and fears of a fresh outbreak of the pandemic). In fact, the opening of points of sale does not imply the immediate recovery of the business, with KPIs remaining distorted throughout the year (reduction of footfall during the first few months of openings of c. -50% vs. pre-crisis levels, partly offset by higher conversion factors).

The current macro context causes us to change our estimates

- **Revenues held back in 2020 by the Covid-19 crisis (-23.4% y/y),** impacted by the loss of a first quarter of full price sales, due to the closure of its points of sale in Spain during the management of the Covid-19 pandemic (c. 45% of its points of sale in Europe are corners in large department stores, whose "restricted" re-opening was delayed to mid-May). Currently c. 50% of ADZ's total points of sale are open due to the pandemic. We expect revenues to fall to EUR 89.8Mn in 2020e with a symmetric recovery in 2021e (+23.1%, taking revenues to EUR 110.6Mn, c. -5.7% vs. 2019), that would delay (+2y) the return to pre-crisis levels (EUR 115.1Mn 2022e with a CAGR of +13.2% +2y due to the smaller comps base in 2020), with a growing contribution from the online business (14.4% of revenues at the end of the period, c. +5p.p. vs. pre-crisis levels), that will strengthen consolidated LFL growth in the mid term (+4.2% 2022e).
- **Again incurring in operating losses (EBIT EUR -2.6Mn 2020e),…** due to pressure on margins (-0.7p.p. y/y in gross margin) that the control of costs achieved via use of the furlough scheme authorised by the Spanish government (March to June, and its potential extension until September) will not offset. On the other hand, ADZ aims to take the necessary measures to moderate the impact of leases (c. EUR -8Mn in the year) that potential exceptional situations (such as the current one) can have on the P/L.
- **……And delaying EBIT break-even to 2021 (EUR 0.2Mn, -93.8% vs. previous estimate),** reaching EUR 2.7Mn in 2022e (+1.7x vs. vs. 2019), underpinned by: the improvement in margins associated with the contribution to sales of the full year in 2021, cost control (negotiation of the extension of the government's furlough scheme until 2021) and the growing contribution of the online business (CAGR +12.8% +2y).

Chart 3. Revenues vs Recurrent EBIT

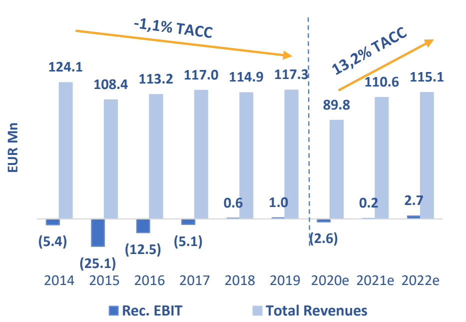
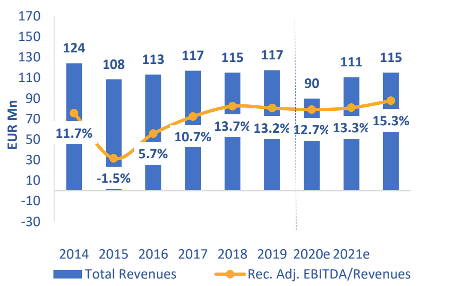


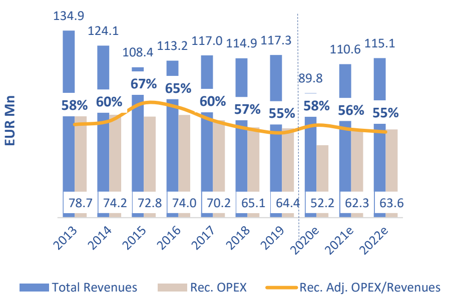
Chart 4. Revenues vs. recurrent EBITDA/Revenues (adjusted)



Nota: tenga en cuenta que el EBITDA recurrente excluye los gastos de alquiler con fines comparativos (NIIF16).

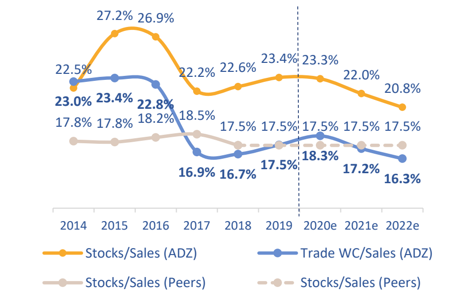
Chart 5. Revenues vs recurrent operating

expenses (adjusted)



Note: The adjusted recurrent operating expenses include the rentals expense impact for the period 2019-2022e.

Chart 6. Trade WC o/Sales & Stocks o/Sales (ADZ) vs. Peers' Stocks/Sales



Note: 2020-2022e peers' data flat vs. 2019 informed data.

Chart 7. Net Debt vs. Net Cash/Equity

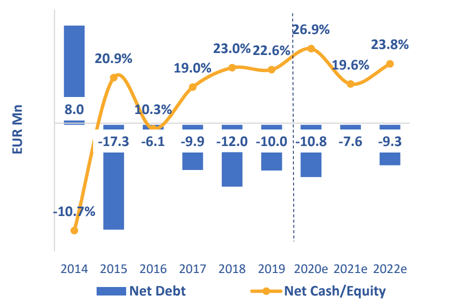
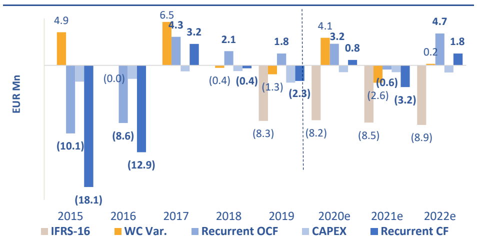


Chart 8. NWC, IFRS-16 impact, OCF, CAPEX, Rec. FCF and FCF



- **Management of the lower part of the P/L being crucial:** with the spotlight on both the financial charge of the IFRS-16 leases (EUR 0.8Mn 2019, consuming c. 65% of the EBIT generated in 2021-2022e), and on management of the tax charge (which will consume c. 55% in the same period).
- **While investment is restrained, after the strengthening of the online business in 2019:** to which c. EUR 1Mn was allocated in 2019. Annual CAPEX will stabilise at EUR 1Mn over the estimated period (c. -50% vs. our previous estimate).
- **And investment on inventories will be reduced (still with room for improvement vs. the sector):** growth in the online business (essential to ADZ's strategy) involves a more direct relationship with the consumer, allowing enhanced inventory control. ADZ maintains a significant differential vs competitors (c. +6p.p. in the 2019 inventory/sales ratio). Management of suppliers during Covid-19 and the growing contribution of the online business should be reflected in a gradual narrowing of the spread vs. the sector in the mid term (-2.6p.p. +3y).
- **Enabling the Group to maintain a healthy balance sheet**: net cash of EUR 9.3Mn 2022e (23.8% equity), providing flexibility to weather the crisis and accelerate growth.
- **In which inventory management will be key to achieving break even in FCF,** positive at times in 2020e (EUR 0.8Mn) due to smaller working capital investment (c. -23% y/y in 2020e inventories), and reaching EUR 1.8Mn in 2022e (FCF Yield of 3.7%, vs. c. 9.5% offered by peers in 2020).

Table 3. Review of estimates

EUR Mn	2020e (New)	Review (%)	2020e (New)	Review (%)	2022e (New)
Total Revenues	**89.8**	**-24.0%**	**110.6**	**-8.9%**	**115.1**
Recurrent EBITDA	**7.3**	**-36.9%**	**10.5**	**-16.6%**	**13.4**
Recurrent EBITDA growth	*-35.9%*	*-50.2 p.p.*	*44.1%*	*35.0 p.p.*	*27.6%*
Rec. EBITDA/Revenues	*8.1%*	*-1.6 p.p.*	*9.5%*	*-0.9 p.p.*	*11.6%*
EBIT	**-2.6**	**-204.4%**	**0.2**	**-93.4%**	**2.7**
Net Profit	**-4.1**	**-507.8%**	**-1.5**	**-197.7%**	**0.7**
Rec. Free Cash Flow	**0.8**	**145.3%**	**-3.2**	**-627.6%**	**1.8**
ND / Rec. EBITDA	-1.5 x	-0.6 x	-0.7 x	0.1 x	-0.7 x

What would be the "worst case" for ADZ?

A more adverse scenario in 2020, in which the economic scars of Covid-19 were much deeper, would result in a larger contraction of consumer spending and pressure on margins in the industry (tougher competition; -1p.p. y/y in gross margin), accelerating the consumption of cash (c. EUR -2Mn 2020).

Table 4. 2020e What would happend if…?

		2020e	
	Worst Case	Current Scenario	Best Case
Total Revenues	81.4	89.8	92.3
Revenues growth vs 2019	*-30.6%*	*-23.4%*	*-21.3%*
Growth. vs Current Scenario	*-9.3%*	*-*	*2.8%*
Gross Margin	55.8%	56.2%	56.1%
Growth vs 2019	(1.0)	(0.7)	(0.7)
Growth vs Current Scenario	(0.3)	-	(0.0)
EBIT	(7.2)	(2.6)	(1.4)
Growth vs 2019	*-854.1%*	*-375.7%*	*-243.4%*
Stocks/Revenues (%)	23.7%	23.3%	23.3%
Recurrent FCF	(2.0)	0.8	1.4
FCF to the firm	(0.6)	2.2	2.9
ND	(8.0)	(10.8)	(11.4)
ND/Equity	-0.2x	-0.3x	-0.3x

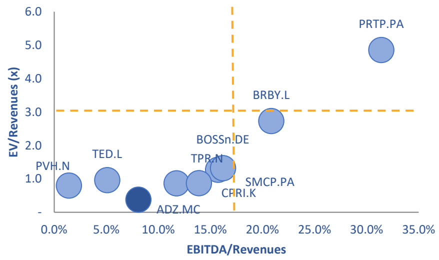
Such a scenario (2020) would delay a return to pre-Covid-19 revenue levels (beyond 2022), consuming the Group's current net cash in 2022.

Table 5. 2022e What would happend if…?

	Worst Case	2022e Current Scenario	Best Case
Total Revenues	107.0	115.1	119.9
2022e Revenues vs 2020e	*31.5%*	*28.1%*	*29.8%*
EBIT	(0.4)	2.7	5.5
Var. 2022e EBIT vs 2020e	*93.9%*	*204.0%*	*504.0%*
Var. 2022e EBIT vs 2019	*-146.2%*	*186.6%*	*479.3%*
EBIT/Revenues	-0.4%	2.4%	4.6%
2022e EBIT Mg. vs 2020e (p.p.)	*n.a.*	*n.a.*	*n.a.*
2022e EBIT Mg. vs 2019 (p.p.)	*n.a.*	*1.6*	*3.8*
2022e Net Debt	0.9	(9.3)	(15.4)
Rec. FCF	(1.8)	1.8	4.4
Rec. FCF Yield	*n.a.*	*3.7%*	*9.3%*
2022e EV/Sales	0.3	0.3	0.3
Premium / (Discount) vs peers	*-75.9%*	*-77.6%*	*-78.5%*

In the best of cases, the efficacy of the Group's digital strategy could strengthen ADZ, allowing it to recover some of the market share given up by its more weakened competitors, accelerating the recovery of profitability (FCF yield 2022e: 9.3%, in line with that offered by peers in 2020).

Chart 9. EV/Revenues and EBITDA/Revenues 2020e (ADZ) vs. main peers



Conclusion: although the post Covid-19 recovery will be slow….ADZ is today in a better position to weather the crisis.

The Covid-19 crisis will leave scars. The great uncertainty caused by this crisis (a key factor in household consumption) could result in a larger moderation of consumer spending vs. previous crises. The recovery (speed) of consumer confidence in the shadow of a potential second wave of Covid-19 is critical to the recovery of the sector.

The crisis has challenged the global sector, paving the way for its transformation in a context characterised by: i) the intensification of discounting (s/t), due to a combination of surplus inventories, lower disposable consumer income (with consumer confidence at lows) and the anti-consumerism movement as a backdrop; ii) the prominence of an online presence for businesses (whose importance has been evidenced by the pandemic); and iii) the increase in M&A activity, with the most financially sound players seeking opportunities for growth (organic and non-organic) in a scenario in which the weakest businesses will go to the wall. The capacity for innovation will be key, to improve the consumer's experience in an online world, in order to achieve a certain loyalty with which to protect the business.

In this context, ADZ will be (*a priori*) capable of recovering over the next two years a large part of the revenues lost due to COVID-19, thanks to the omnichannel strategy implemented (in which the online business is crucial) and to its sustainable position in the industry (EUR 115.1Mn 2022e in our base scenario, c. +28% vs. 2020e), making the business profitable in the mid term thanks to the restructuring carried out in recent years and tight control of costs (EV/sales 0.3x in 2022e, c. -80% vs. peers), with Rec. FCF of EUR 1.8Mn giving a FCF Yield of 3.7%, still a long way behind peers (c. 9.5% 2020).

In addition, the combination of designer clothing (with positive LFL growth) and a healthy balance sheet (EUR 10Mn of net cash in 2019, which shouldn't go unnoticed by the sector) gives the company room to accelerate its growth post-Covid-19).

Appendix 1. Financial Projections(1)

Balance Sheet (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e
Intangible assets	2.3	1.6	0.9	0.8	34.9	34.4	34.0	33.5
Fixed assets	17.9	16.6	12.3	10.6	10.6	10.3	10.0	9.7
Other Non Current Assets	18.0	8.2	8.5	8.1	0.8	0.8	0.8	0.8
Financial Investments	5.0	5.1	5.0	5.2	5.9	5.9	5.9	5.9
Goodwill & Other Intangilbles	-	-	-	-	-	-	-	-
Current assets	46.3	44.4	36.2	36.2	38.0	29.2	34.3	34.3
Total assets	**89.5**	**75.9**	**62.9**	**60.8**	**90.2**	**80.6**	**85.0**	**84.2**
Equity	82.7	59.4	52.3	52.2	44.2	40.1	38.6	39.3
Minority Interests	0.7	1.1	0.7	0.8	0.9	1.0	1.1	1.2
Provisions & Other L/T Liabilities	0.5	0.6	0.6	1.0	1.5	1.5	1.5	1.5
Other Non Current Liabilities	-	-	-	-	34.2	34.2	34.2	34.2
Net financial debt	(17.3)	(6.1)	(9.9)	(12.0)	(10.0)	(10.8)	(7.6)	(9.3)
Current Liabilities	22.9	20.9	19.2	18.9	19.3	14.6	17.2	17.4
Equity & Total Liabilities	**89.5**	**75.9**	**62.9**	**60.8**	**90.2**	**80.6**	**85.0**	**84.2**

									CAGR	
P&L (EUR Mn)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**	**15-19**	**19-22e**
Total Revenues	**108.4**	**113.2**	**117.0**	**114.9**	**117.3**	**89.8**	**110.6**	**115.1**	***2.0%***	***-0.6%***
Total Revenues growth	*-12.6%*	*4.4%*	*3.3%*	*-1.7%*	*2.0%*	*-23.4%*	*23.1%*	*4.0%*		
COGS	(50.6)	(47.7)	(49.0)	(47.3)	(50.6)	(39.4)	(47.2)	(47.9)		
Gross Margin	**57.8**	**65.5**	**68.0**	**67.6**	**66.7**	**50.5**	**63.4**	**67.2**	***3.6%***	***0.3%***
Gross Margin/Revenues	*53.3%*	*57.8%*	*58.1%*	*58.8%*	*56.9%*	*56.2%*	*57.3%*	*58.4%*		
Personnel Expenses	(43.7)	(42.5)	(39.8)	(38.1)	(36.7)	(25.6)	(34.2)	(34.5)		
Other Operating Expenses	(29.1)	(31.5)	(30.4)	(27.1)	(18.7)	(17.6)	(18.8)	(19.3)		
Recurrent EBITDA	**(15.1)**	**(8.6)**	**(2.2)**	**2.5**	**11.3**	**7.3**	**10.5**	**13.4**	***28.8%***	***5.6%***
Recurrent EBITDA growth	*n.a.*	*43.2%*	*74.2%*	*212.4%*	*357.2%*	*-35.9%*	*44.1%*	*27.6%*		
Rec. EBITDA/Revenues	*n.a.*	*n.a.*	*n.a.*	*2.2%*	*9.7%*	*8.1%*	*9.5%*	*11.6%*		
Restructuring Expense & Other non-rec.	(2.8)	-	-	(1.2)	-	-	-	-		
EBITDA	**(17.9)**	**(8.6)**	**(2.2)**	**1.3**	**11.3**	**7.3**	**10.5**	**13.4**	***27.4%***	***5.6%***
Depreciation & Provisions	(10.0)	(4.0)	(2.9)	(1.9)	(2.1)	(1.7)	(1.8)	(1.8)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	-	-	(8.3)	(8.2)	(8.5)	(8.9)		
EBIT	**(27.9)**	**(12.5)**	**(5.1)**	**(0.6)**	**1.0**	**(2.6)**	**0.2**	**2.7**	***19.4%***	***42.0%***
EBIT growth	*-255.7%*	*55.1%*	*59.5%*	*88.2%*	*259.0%*	*-375.7%*	*108.2%*	*n.a.*		
EBIT/Revenues	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*0.8%*	*n.a.*	*0.2%*	*2.4%*		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(2.2)	(0.2)	(1.6)	0.5	(0.9)	(0.9)	(0.9)	(1.0)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	**(30.0)**	**(12.8)**	**(6.7)**	**(0.1)**	**0.0**	**(3.5)**	**(0.7)**	**1.8**	***18.9%***	***n.a.***
Ordinary Profit Growth	*-372.4%*	*57.5%*	*47.4%*	*98.0%*	*105.3%*	*n.a.*	*79.7%*	*346.8%*		
Extraordinary Results	41.7	(0.5)	0.4	1.3	-	-	-	-		
Profit Before Tax	**11.7**	**(13.2)**	**(6.3)**	**1.2**	**0.0**	**(3.5)**	**(0.7)**	**1.8**	***-84.3%***	***n.a.***
Tax Expense	(4.0)	(9.7)	(0.4)	(1.5)	(8.2)	(0.5)	(0.7)	(1.0)		
Effective Tax Rate	*34.2%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*55.2%*		
Minority Interests	0.3	0.2	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	**8.0**	**(22.7)**	**(6.9)**	**(0.5)**	**(8.3)**	**(4.1)**	**(1.5)**	**0.7**	***-32.1%***	***27.7%***
Net Profit growth	*172.2%*	*-384.8%*	*69.8%*	*92.7%*	*n.a.*	*50.4%*	*63.9%*	*146.0%*		
Ordinary Net Profit	**(26.9)**	**(12.6)**	**(6.8)**	**0.6**	**(0.1)**	**(3.6)**	**(0.8)**	**1.1**	***74.7%***	***n.a.***
Ordinary Net Profit growth	*-587.7%*	*53.3%*	*45.6%*	*109.1%*	*-117.7%*	*n.a.*	*77.3%*	*238.2%*		

									CAGR	
Cash Flow (EUR Mn)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**	**15-19**	**19-22e**
Recurrent EBITDA						**7.3**	**10.5**	**13.4**	***28.8%***	***5.6%***
Rentals (IFRS 16 impact)						(8.2)	(8.5)	(8.9)		
Working Capital Increase						4.1	(2.6)	0.2		
Recurrent Operating Cash Flow						**3.2**	**-0.6**	**4.7**	***21.4%***	***39.2%***
CAPEX						(1.0)	(1.0)	(1.0)		
Net Financial Result affecting the Cash Flow						(0.9)	(0.9)	(1.0)		
Tax Expense						(0.5)	(0.7)	(1.0)		
Recurrent Free Cash Flow						**0.8**	**(3.2)**	**1.8**	***40.8%***	***40.4%***
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						**0.8**	**(3.2)**	**1.8**	***-20.3%***	***40.4%***
Capital Increase						-	-	-		
Dividends						-	-	-		

Net Debt Variation	**(0.8)**	**3.2**	**(1.8)**

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 9.1Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow(1)

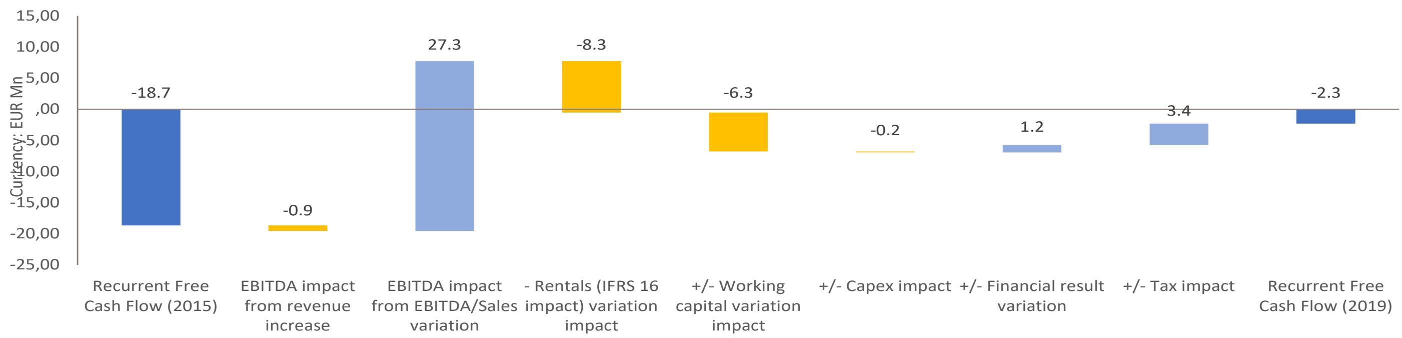
A) Cash Flow Analysis (EUR Mn)	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**	**CAGR 16-19**	**CAGR 19-22e**
Recurrent EBITDA	**(8.6)**	**(2.2)**	**2.5**	**11.3**	**7.3**	**10.5**	**13.4**	***49.3%***	***5.6%***
Recurrent EBITDA growth	*43.2%*	*74.2%*	*212.4%*	*357.2%*	*-35.9%*	*44.1%*	*27.6%*		
Rec. EBITDA/Revenues	*n.a.*	*n.a.*	*2.2%*	*9.7%*	*8.1%*	*9.5%*	*11.6%*		
- Rentals (IFRS 16 impact)	-	-	-	(8.3)	(8.2)	(8.5)	(8.9)		
+/- Working Capital increase	(0.0)	6.5	(0.4)	(1.3)	4.1	(2.6)	0.2		
= Recurrent Operating Cash Flow	**(8.6)**	**4.3**	**2.1**	**1.8**	**3.2**	**(0.6)**	**4.7**	***30.2%***	***39.2%***
Rec. Operating Cash Flow growth	*15.4%*	*149.7%*	*-50.4%*	*-16.8%*	*83.3%*	*-119.0%*	*872.3%*		
Rec. Operating Cash Flow / Sales	*n.a.*	*3.6%*	*1.8%*	*1.5%*	*3.6%*	*n.a.*	*4.1%*		
- CAPEX	(2.0)	(0.9)	(0.8)	(2.6)	(1.0)	(1.0)	(1.0)		
- Net Financial Result affecting Cash Flow	(0.2)	(1.6)	0.5	(0.9)	(0.9)	(0.9)	(1.0)		
- Taxes	(1.9)	(0.4)	(1.5)	(0.6)	(0.5)	(0.7)	(1.0)		
= Recurrent Free Cash Flow	**(12.7)**	**1.3**	**0.2**	**(2.3)**	**0.8**	**(3.2)**	**1.8**	***43.4%***	***40.4%***
Rec. Free Cash Flow growth	*31.9%*	*110.2%*	*-83.7%*	*n.a.*	*135.1%*	*-498.6%*	*154.8%*		
Rec. Free Cash Flow / Revenues	*n.a.*	*1.1%*	*0.2%*	*n.a.*	*0.9%*	*n.a.*	*1.5%*		
- Restructuring expenses & others	-	-	(1.2)	-	-	-	-		
- Acquisitions / + Divestments	0.1	3.2	2.6	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	**(12.6)**	**4.5**	**1.6**	**(2.3)**	**0.8**	**(3.2)**	**1.8**	***43.3%***	***40.4%***
Free Cash Flow growth	*-151.9%*	*135.9%*	*-64.3%*	*-242.3%*	*135.1%*	*-498.6%*	*154.8%*		
Recurrent Free Cash Flow - Yield (s/Mkt Cap)	*n.a.*	*2.7%*	*0.4%*	*n.a.*	*1.7%*	*n.a.*	*3.7%*		
Free Cash Flow Yield (s/Mkt Cap)	*n.a.*	*9.6%*	*3.4%*	*n.a.*	*1.7%*	*n.a.*	*3.7%*		

B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Recurrent FCF(FY - 1)	**(18.7)**	**(12.7)**	**1.3**	**0.2**	**(2.3)**	**0.8**	**(3.2)**
EBITDA impact from revenue increase	(0.7)	(0.3)	0.0	0.1	(2.7)	1.7	0.4
EBITDA impact from EBITDA/Sales variation	7.2	6.6	4.6	8.8	(1.4)	1.5	2.5
= Recurrent EBITDA variation	**6.5**	**6.3**	**4.7**	**8.9**	**(4.1)**	**3.2**	**2.9**
- Rentals (IFRS 16 impact) variation impact	-	-	-	(8.3)	0.1	(0.3)	(0.4)
+/- Working capital variation impact	(5.0)	6.5	(6.8)	(1.0)	5.4	(6.7)	2.8
= Recurrent Operating Cash Flow variation	**1.6**	**12.8**	**(2.1)**	**(0.4)**	**1.5**	**(3.8)**	**5.4**
+/- CAPEX impact	0.4	1.1	0.0	(1.7)	1.6	-	(0.0)
+/- Financial result variation	1.9	(1.4)	2.1	(1.4)	0.1	(0.0)	(0.0)
+/- Tax impact	2.1	1.5	(1.1)	1.0	0.0	(0.2)	(0.3)
= Recurrent Free Cash Flow variation	**6.0**	**14.0**	**(1.1)**	**(2.5)**	**3.1**	**(4.0)**	**5.0**
Recurrent Free Cash Flow	**(12.7)**	**1.3**	**0.2**	**(2.3)**	**0.8**	**(3.2)**	**1.8**

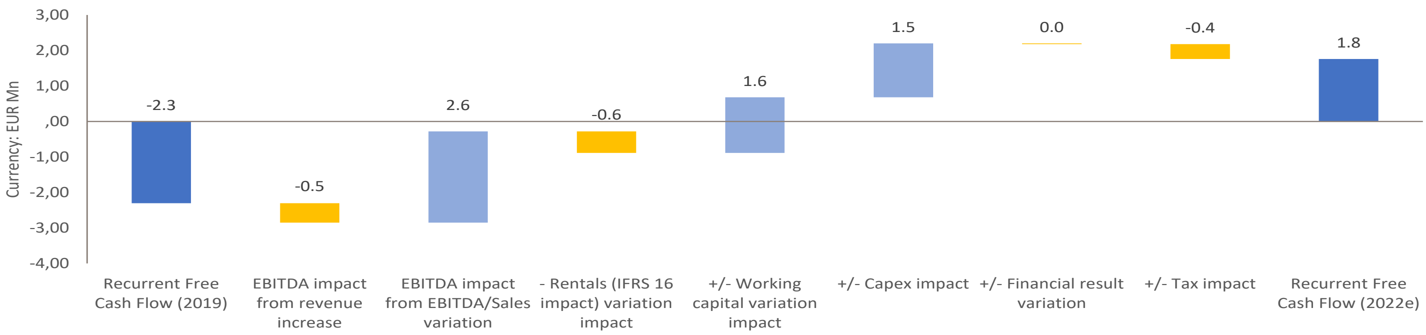
C) "FCF to the Firm" (pre debt service) (EUR Mn)	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**	**CAGR 16-19**	**CAGR 19-22e**
EBIT	**(12.5)**	**(5.1)**	**(0.6)**	**1.0**	**(2.6)**	**0.2**	**2.7**	***27.6%***	***42.0%***
** Theoretical Tax rate*	*0.0%*	*0.0%*	*0.0%*	*30.0%*	*0.0%*	*0.0%*	*30.0%*		
= Taxes (pre- Net Financial Result)	-	-	-	(0.3)	-	-	(0.8)		
Recurrent EBITDA	**(8.6)**	**(2.2)**	**2.5**	**11.3**	**7.3**	**10.5**	**13.4**	***49.3%***	***5.6%***
- Rentals (IFRS 16 impact)	-	-	-	(8.3)	(8.2)	(8.5)	(8.9)		
+/- Working Capital increase	(0.0)	6.5	(0.4)	(1.3)	4.1	(2.6)	0.2		
= Recurrent Operating Cash Flow	**(8.6)**	**4.3**	**2.1**	**1.8**	**3.2**	**(0.6)**	**4.7**	***30.2%***	***39.2%***
- CAPEX	(2.0)	(0.9)	(0.8)	(2.6)	(1.0)	(1.0)	(1.0)		
- Taxes (pre- Financial Result)	-	-	-	(0.3)	-	-	(0.8)		
= Recurrent Free Cash Flow (To the Firm)	**(10.6)**	**3.4**	**1.3**	**(1.1)**	**2.2**	**(1.6)**	**2.9**	***53.2%***	***66.9%***
Rec. Free Cash Flow (To the Firm) growth	*15.6%*	*131.9%*	*-62.3%*	*-185.5%*	*304.5%*	*-172.6%*	*278.6%*		
Rec. Free Cash Flow (To the Firm) / Revenues	n.a.	2.9%	1.1%	n.a.	2.5%	n.a.	2.5%		
- Acquisitions / + Divestments	0.1	3.2	2.6	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	**(10.5)**	**6.6**	**3.9**	**(1.1)**	**2.2**	**(1.6)**	**2.9**	***53.0%***	***66.9%***
Free Cash Flow (To the Firm) growth	*-131.5%*	*163.0%*	*-41.3%*	*-128.0%*	*304.5%*	*-172.6%*	*278.6%*		
Rec. Free Cash Flow To the Firm Yield (o/EV)	*n.a.*	*10.0%*	*3.8%*	*n.a.*	*6.6%*	*n.a.*	*8.5%*		
Free Cash Flow "To the Firm" - Yield (o/EV)	*n.a.*	*19.5%*	*11.5%*	*n.a.*	*6.6%*	*n.a.*	*8.5%*		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 9.1Mn higher due to IFRS 16.

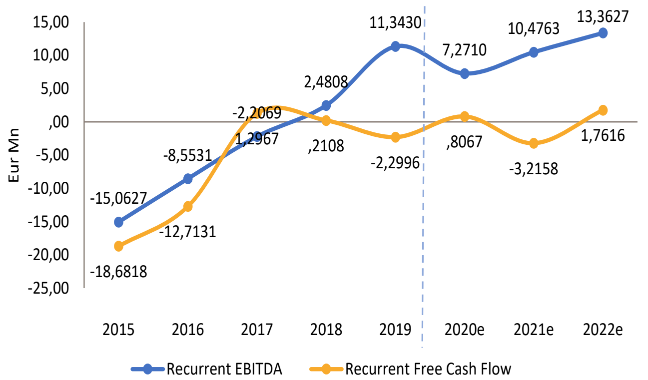
Recurrent Free Cash Flow accumulated variation analysis (2015 - 2019)



Recurrent Free Cash Flow accumulated variation analysis (2019 - 2022e)



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	47.3	
+ Minority Interests	0.9	12m Results 2019
+ Provisions & Other L/T Liabilities	1.5	12m Results 2019
+ Net financial debt	(10.0)	12m Results 2019
- Financial Investments	5.9	12m Results 2019
+/- Others		
Enterprise Value (EV)	**33.8**	

Appendix 4. Historical performance (1)(2)

Historical performance (EUR Mn)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR 09-19	CAGR 19-22e
Total Revenues	**179.2**	**166.9**	**156.1**	**152.1**	**134.9**	**124.1**	**108.4**	**113.2**	**117.0**	**114.9**	**117.3**	**89.8**	**110.6**	**115.1**	*-4.1%*	*-0.6%*
Total Revenues growth	*-6.5%*	*-6.8%*	*-6.5%*	*-2.6%*	*-11.3%*	*-8.0%*	*-12.6%*	*4.4%*	*3.3%*	*-1.7%*	*2.0%*	*-23.4%*	*23.1%*	*4.0%*		
EBITDA	**19.2**	**10.3**	**1.6**	**(5.3)**	**(2.5)**	**(1.5)**	**(17.9)**	**(8.6)**	**(2.2)**	**1.3**	**11.3**	**7.3**	**10.5**	**13.4**	*-5.1%*	*5.6%*
EBITDA growth	*-6.2%*	*-46.5%*	*-84.7%*	*-437.4%*	*53.1%*	*40.0%*	*n.a.*	*52.1%*	*74.2%*	*158.0%*	*785.6%*	*-35.9%*	*44.1%*	*27.6%*		
EBITDA/Sales	*10.7%*	*6.1%*	*1.0%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*1.1%*	*9.7%*	*8.1%*	*9.5%*	*11.6%*		
Net Profit	**1.0**	**(4.5)**	**(9.3)**	**(23.9)**	**(10.3)**	**(11.0)**	**8.0**	**(22.7)**	**(6.9)**	**(0.5)**	**(8.3)**	**(4.1)**	**(1.5)**	**0.7**	*-26.6%*	*27.7%*
Net Profit growth	*-76.4%*	*-563.1%*	*-106.1%*	*-158.4%*	*57.1%*	*-7.5%*	*172.2%*	*-384.8%*	*69.8%*	*92.7%*	*n.a.*	*50.4%*	*63.9%*	*146.0%*		
Adjusted number shares (Mn)	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.0	9.2	9.3	9.3	9.3	9.3		
EPS (EUR)	0.11	-0.49	-1.01	-2.62	-1.12	-1.21	0.87	-2.48	-0.76	-0.05	-0.90	-0.44	-0.16	0.07	-26.4%	27.7%
EPS growth	*-76.4%*	*n.a.*	*n.a.*	*n.a.*	*57.1%*	*-7.5%*	*n.a.*	*n.a.*	*69.4%*	*92.9%*	*n.a.*	*50.4%*	*63.9%*	*n.a.*		
Ord. EPS (EUR)	0.29	-0.60	-1.83	-3.62	-1.32	-0.42	-2.94	-1.37	-0.76	0.07	-0.01	-0.39	-0.09	0.12	-7.4%	n.a.
Ord. EPS growth	*-29.2%*	*n.a.*	*n.a.*	*-97.5%*	*63.4%*	*68.0%*	*n.a.*	*53.3%*	*44.9%*	*n.a.*	*n.a.*	*n.a.*	*77.3%*	*n.a.*		
CAPEX	(9.6)	(9.0)	(6.2)	(0.7)	(1.6)	(2.0)	(2.4)	(2.0)	(0.9)	(0.8)	(2.6)	(1.0)	(1.0)	(1.0)		
CAPEX/Sales %)	*5.3%*	*5.4%*	*4.0%*	*0.5%*	*1.2%*	*1.6%*	*2.2%*	*1.8%*	*0.8%*	*0.7%*	*2.2%*	*1.1%*	*0.9%*	*0.9%*		
Free Cash Flow	**10.1**	**(4.2)**	**(13.2)**	**24.9**	**8.9**	**(5.3)**	**24.3**	**(12.6)**	**4.5**	**1.6**	**(2.3)**	**0.8**	**(3.2)**	**1.8**	**-8.3%**	**40.4%**
ND/EBITDA (x) (2)	*0.3x*	*0.5x*	*14.0x*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*-9.4x*	*-0.9x*	*-1.5x*	-0.7x	-0.7x		
P/E (x)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*4.0x*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	n.a.	68.9x		
EV/Sales (x)	*0.5x*	*0.5x*	*0.4x*	*0.3x*	*0.5x*	*0.4x*	*0.1x*	*0.3x*	*0.3x*	*0.5x*	*0.4x*	*0.4x*	0.3x	0.3x		
EV/EBITDA (x) (2)	*4.6x*	*8.6x*	*38.1x*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*41.1x*	*3.6x*	*4.7x*	3.2x	2.5x		
Absolute performance	*58.7%*	*-22.4%*	*-38.5%*	*-24.1%*	*44.8%*	*-12.4%*	*-30.4%*	*-4.9%*	*62.2%*	*29.7%*	*2.6%*	*-28.0%*				
Relative performance vs Ibex 35	*22.2%*	*-6.1%*	*-29.2%*	*-20.4%*	*19.2%*	*-15.5%*	*-25.1%*	*-3.0%*	*51.0%*	*52.5%*	*-8.2%*	*-4.4%*				

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 Thomson Reuters.
Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 9.1Mn higher due to IFRS 16.
Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2020e

		Affordable Luxury players					Specialised Retail Holdings					
	EUR Mn	SMCP SA	Ted Baker PLC	Hugo Boss AG	Burberry Group PLC	Average	PVH Corp	Tapestry	Capri Holdings Ltd	Kering	Average	ADZ
Market data	Ticker (Reuters)	SMCP.PA	TED.L	BOSSn.DE	BRBY.L		PVH.N	TPR.N	CPRI.K	PRTP.PA		ADZ.MC
	Country	France	ıited Kingdo	Germany	ıited Kingdom		United States of Ar	States of A	ıited Kingdo	France		Spain
	Market cap	329.1	168.4	1,865.7	6,788.6		3,005.7	3,141.4	2,034.0	60,230.3		47.3
	Enterprise value (EV)	1,218.9	493.2	3,055.4	7,333.5		5,127.3	3,768.9	3,706.0	67,185.1		33.8
Basic financial information	Total Revenues	957.4	512.6	2,317.2	2,685.8		6,424.2	4,352.7	4,260.6	13,847.2		89.8
	Total Revenues growth	*-15.4%*	*-31.5%*	*-19.7%*	*-8.8%*	*-18.8%*	*-28.1%*	*-17.9%*	*-13.2%*	*-12.8%*	*-18.0%*	*-23.4%*
	2y CAGR (2020e - 2022e)	*12.6%*	*13.7%*	*7.9%*	*7.5%*	*10.4%*	*14.6%*	*7.9%*	*16.7%*	*11.5%*	*12.7%*	*13.2%*
	EBITDA	150.7	26.1	375.6	559.8		91.1	511.5	591.9	4,350.9		7.3
	EBITDA growth	*-46.9%*	*-73.8%*	*-46.9%*	*-35.4%*	*-50.7%*	*-91.1%*	*-47.6%*	*-28.1%*	*-27.8%*	*-48.7%*	*-35.9%*
	2y CAGR (2020e - 2022e)	*33.5%*	*81.3%*	*24.6%*	*16.9%*	*39.1%*	*n.a.*	*31.6%*	*36.8%*	*18.0%*	*28.8%*	*35.6%*
	EBITDA/Revenues	*15.7%*	*5.1%*	*16.2%*	*20.8%*	*14.5%*	*1.4%*	*11.8%*	*13.9%*	*31.4%*	*14.6%*	*8.1%*
	EBIT	30.4	(41.6)	73.4	356.8		(182.7)	284.7	327.2	3,360.2		(2.6)
	EBIT growth	*-74.8%*	*-306.3%*	*-79.3%*	*-28.1%*	*-122.1%*	*-124.9%*	*-61.6%*	*-46.9%*	*-29.7%*	*-65.8%*	*-375.7%*
	2y CAGR (2020e - 2022e)	*99.4%*	*67.2%*	*91.6%*	*17.6%*	*68.9%*	*n.a.*	*50.0%*	*60.4%*	*22.2%*	*44.2%*	*74.3%*
	EBIT/Revenues	*3.2%*	*n.a.*	*3.2%*	*13.3%*	*6.5%*	*n.a.*	*6.5%*	*7.7%*	*24.3%*	*12.8%*	*n.a.*
	Net Profit	(2.4)	(35.2)	26.3	261.8		(165.8)	153.9	309.5	2,239.0		(4.1)
	Net Profit growth	*n.a.*	*-57.9%*	*-87.2%*	*92.6%*	*-17.5%*	*n.a.*	*-71.4%*	*-43.0%*	*3.3%*	*-37.0%*	*50.4%*
	2y CAGR (2020e - 2022e)	*n.a.*	*54.8%*	*n.a.*	*18.9%*	*36.9%*	*n.a.*	*77.5%*	*54.8%*	*24.7%*	*52.3%*	*47.2%*
	CAPEX/Sales %	*-4.0%*	*-7.8%*	*-5.0%*	*-5.9%*	*-5.6%*	*-3.0%*	*-4.5%*	*-4.0%*	*-5.8%*	*-4.3%*	*-1.1%*
	Free Cash Flow	48.6	17.9	163.6	269.5		50.1	(1.0)	526.4	2,324.9		0.8
	Net financial debt	462.0	177.9	985.5	(836.8)		2,008.2	946.4	2,065.5	3,760.9		(10.8)
	ND/EBITDA (x)	3.1	6.8	2.6	(1.5)	2.8	22.1	1.9	3.5	0.9	7.1	(1.5)
	Pay-out	*0.0%*	*0.0%*	*83.6%*	*41.3%*	*31.2%*	*-2.0%*	*175.4%*	*0.0%*	*44.4%*	*54.4%*	*0.0%*
Multiples and Ratios	P/E (x)	n.a.	n.a.	87.1	26.2	56.7	n.a.	20.7	6.9	26.0	17.9	n.a.
	P/BV (x)	0.3	0.3	1.8	4.1	1.6	0.7	1.3	0.8	5.3	2.0	1.2
	EV/Revenues (x)	1.3	1.0	1.3	2.7	1.6	0.8	0.9	0.9	4.9	1.8	0.4
	EV/EBITDA (x)	8.1	18.9	8.1	13.1	12.0	n.a.	7.4	6.3	15.4	9.7	4.7
	EV/EBIT (x)	40.0	n.a.	41.6	20.6	34.1	n.a.	13.2	11.3	20.0	14.9	n.a.
	ROE	*0.7*	*n.a.*	*4.2*	*17.6*	*7.5*	*n.a.*	*1.7*	*7.1*	*20.1*	*9.7*	*n.a.*
	FCF Yield (%)	*14.8*	*10.5*	*8.8*	*3.9*	*9.5*	*1.7*	*n.a.*	*25.1*	*3.9*	*10.2*	*1.7*
	DPS	*0.00*	*0.00*	*0.32*	*0.26*	*0.15*	*0.04*	*0.93*	*0.00*	*7.91*	*2.22*	*0.00*
	Dvd Yield	*0.0%*	*0.0%*	*1.2%*	*1.6%*	*0.7%*	*0.1%*	*8.2%*	*0.0%*	*1.7%*	*2.5%*	*0.0%*

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). 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).

Appendix 6. Valuation inputs

Inputs for the DCF Valuation Approach

	2020e	2021e	2022e	Terminal Value [1]
Free Cash Flow "To the Firm"	**2.2**	**(1.6)**	**2.9**	**38.4**

			Best Case	Worst Case
Market Cap	**47.3**	At the date of this report		
Net financial debt	**-10.0**	Debt net of Cash (12m Results 2019)		
Cost of Debt	3.0%	Net debt cost	2.72%	3.22%
Tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Net debt cost	**2.4%**	**Kd = Cost of Net Debt * (1-T)**	**2.2%**	**2.6%**
Risk free rate (rf)	0.5%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	9.0%	R (own estimate)	8.5%	9.5%
Beta (B)	1.1	B (Thomson Reuters and Lighthouse)	1.0	1.2
Cost of Equity	**10.4%**	**Ke = Rf + (R * B)**	**9.0%**	**11.9%**
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	0.0%	D	=	=
WACC	**10.4%**	**WACC = Kd * D + Ke * E**	**9.0%**	**11.9%**
G "Fair"	**2.0%**		**2.5%**	**1.5%**

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 20e	EPS 20e-22e	EV/EBITDA 20e	EBITDA 20e-22e	EV/Sales 20e	Revenues 20e-22e	EBITDA/Sales 20e	FCF Yield 20e	FCF 20e-22e
SMCP SA	SMCP.PA	329.1	n.a.	n.a.	8.1	33.5%	1.3	12.6%	15.7%	14.8%	48.1%
Ted Baker PLC	TED.L	168.4	n.a.	n.a.	18.9	81.3%	1.0	13.7%	5.1%	10.5%	-23.4%
Hugo Boss AG	BOSSn.DE	1,865.7	87.1	183.1%	8.1	24.6%	1.3	7.9%	16.2%	8.8%	18.5%
Burberry Group PLC	BRBY.L	6,788.6	26.2	19.2%	13.1	16.9%	2.7	7.5%	20.8%	3.9%	26.6%
Affordable Luxury players			56.7	101.1%	12.0	39.1%	1.6	10.4%	14.5%	9.5%	17.4%
Capri Holdings Ltd	CPRI.K	2,034.0	6.9	62.5%	6.3	36.8%	0.9	16.7%	13.9%	25.1%	19.2%
G-III Apparel Group Ltd	GIII.OQ	559.3	36.6	194.2%	9.2	63.5%	0.4	11.4%	4.5%	18.0%	24.5%
PVH Corp	PVH.N	3,005.7	n.a.	n.a.	n.a.	224.8%	0.8	14.6%	1.4%	1.7%	202.4%
Tapestry	TPR.N	3,141.4	20.7	78.2%	7.4	31.6%	0.9	7.9%	11.8%	n.a.	n.a.
Specialised Retail Holdings			21.4	111.6%	7.6	89.2%	0.7	12.7%	7.9%	14.9%	82.1%
ADZ	ADZ.MC	47.3	n.a.	47.2%	4.65	35.6%	0.38	13.2%	8.1%	1.7%	47.8%

Free Cash Flow sensitivity analysis (2021e)

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

Scenario	EBITDA/Sales 21e	EBITDA 21e	EV/EBITDA 21e
Max	**10.4%**	**11.5**	**2.9x**
Central	**9.5%**	**10.5**	**3.2x**
Min	**8.6%**	**9.5**	**3.6x**

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

FCF Rec. EUR Mn	CAPEX/Sales 21e		
EBITDA 21e	0.8%	0.9%	1.0%
11.5	**(2.1)**	**(2.2)**	**(2.3)**
10.5	**(3.1)**	**(3.2)**	**(3.3)**
9.5	**(4.1)**	**(4.2)**	**(4.3)**

Scenario	Rec. FCF/Yield 21e		
Max	**n.a.**	**n.a.**	**n.a.**
Central	**n.a.**	**n.a.**	**n.a.**
Min	**n.a.**	**n.a.**	**n.a.**

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
23-Jun-2020	n.a.	5.10	n.a.	n.a.	Review of estimates	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.	Initial Coverage	Ana Isabel González García, CIIA