

## EQUITY - SPAIN

Sector: Textiles, Apparel & Luxury Goods

Report date: 1 Sep 2021  
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Estimates downgrade  
Closing price: EUR 4.49 (31 Aug 2021)

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

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## We adjust our numbers (2021e and 2022e). But 2019 levels to be exceeded in 2023e

**WE MAINTAIN THE RECOVERY OF PRE-CRISIS TURNOVER IN 2023e** (EUR 116.3Mn; +10.9% CAGR +2y, in line with the sector), with the online channel contributing c. 28% of 2023e revenue (+7.7p.p. vs. -3y). This will be underpinned by the recovery in consumption after the improvement in the main indicators: 1) confidence indices (progress on vaccination), 2) sector turnover in 1H21 (local) and 3) the household savings rate (Spain: 14.8% 2020, c. 2x vs. -10y average and +3.1p.p. y/y 1Q21). The recovery of international tourism that is still a long way from pre-Covid levels (c. -85% in cumulative terms at 6M21 vs. 2019; improvement in July-August), will be crucial (impact on > 85% of its points of sale).

**ALTHOUGH PRESSURE ON MARGINS LEADS US TO DOWNGRADE REC. EBITDA**, c. -15.8% on average in 2021e-2022e, after a smaller margin in 1Q21 (March, April and May), and the bringing forward of sales to June 2021. We estimate EUR 6.8Mn of 2021e Rec. EBITDA (7.1% Rec. EBITDA/Revenue), with a progressive improvement in margins (+4.8p.p. +2y underpinned by operating improvements). ADZ will exceed pre-Covid levels +2y (EUR 13.8Mn in 2023e).

We still think breakeven will be exceeded in EBIT in 2022e (EUR 2.0Mn vs. a previous estimate of EUR 3.4Mn), despite a larger impact of IFRS-16 (strategic relocation of points of sale taking advantage of the market weakness) and higher restructuring costs (EUR -5Mn 2021e, +21.9% vs. previous estimate). We estimate EUR 5.6Mn of EBIT in 2023e with EBIT/Revenue of 4.8% (vs. c. 15% for the sector).

**ADZ WILL APPROACH NP BREAK-EVEN IN 2022e (EUR -0.2Mn), WITH LOW DEBT LEVELS** (ND/Equity <= 0.5x), although with a larger financial burden (2020 ND mix: EUR 16.5Mn cash, EUR 15.8Mn debt). Working capital management will be crucial.

**2021 WILL CONTINUE TO BE KEY TO TESTING THE BUSINESS' RESILIENCE** (especially in 3Q) and the efficacy of its strategy (digitisation), with the penetration of the online channel and the recovery of profitability remaining in the spotlight. After these adjustments, ADZ would be trading at 11.7x 2023e EV/EBITDA (in line with the sector), so the market would be discounting the gradual recovery of the business and a potential M&A move on ADZ (a growing trend in the fashion sector). The Covid situation has favoured the larger companies (according to moda.es, the domestic market share of the 3 largest local groups, Inditex, Mango and Tendam, grew by 40% in 2020) that have an appetite for non-organic growth.

### Market Data

Market Cap (Mn EUR and USD)	41.6	49.2
EV (Mn EUR and USD) <sup>(1)</sup>	65.4	77.2
Shares Outstanding (Mn)	9.3	
-12m (Max/Med/Mín EUR)	5.00 / 4.24 / 3.41	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation <sup>(2)</sup>	9.5	
Factset / Bloomberg	ADZ-ES / ADZ SM	
Close fiscal year	28-Feb	

### Shareholders Structure (%)<sup>(7)</sup>

Adolfo Domínguez	31.5
Puig, S.A.	14.8
Libertas 7	10.3
Indumenta Pueri	8.6
Free Float	23.5

### Financials (Mn EUR)

	2020	2021e	2022e	2023e
Adj. nº shares (Mn)	9.2	9.3	9.3	9.3
Total Revenues	67.5	94.5	108.3	116.3
Rec. EBITDA <sup>(3)</sup>	-9.3	6.8	10.1	13.8
% growth	-182.1	172.5	48.9	37.6
% Rec. EBITDA/Rev.	n.a.	7.1	9.3	11.9
% Inc. EBITDA sector <sup>(4)</sup>	0.5	27.7	18.6	19.6
Net Profit	-19.3	-7.5	-0.4	2.0
EPS (EUR)	-2.10	-0.81	-0.04	0.22
% growth	-132.5	61.3	94.9	632.9
Ord. EPS (EUR)	-2.37	-0.23	0.00	0.22
% growth	n.a.	90.1	101.8	n.a.
Rec. Free Cash Flow <sup>(5)</sup>	-12.7	0.0	-3.5	-2.1
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	-0.8	4.1	7.6	9.7
ND/Rec. EBITDA (x)	n.a.	0.6	0.8	0.7
ROE (%)	n.a.	n.a.	n.a.	11.8
ROCE (%) <sup>(5)</sup>	n.a.	n.a.	3.1	7.8

### Ratios & Multiples (x)<sup>(6)</sup>

	2020	2021e	2022e	2023e
P/E	n.a.	n.a.	n.a.	20.5
Ord. P/E	n.a.	n.a.	n.a.	20.5
P/BV	1.7	2.5	2.6	2.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	0.97	0.69	0.60	0.56
EV/Rec. EBITDA	n.a.	9.7	6.5	4.7
EV/EBIT	n.a.	n.a.	31.9	11.7
FCF Yield (%) <sup>(5)</sup>	n.a.	0.1	n.a.	n.a.

### Relative performance (Base 100)



### Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	2.7	0.9	5.6	-1.1	-49.4	28.3
vs Ibex 35	0.8	4.3	-16.8	-9.7	-46.3	26.4
vs Ibex Small Cap Index	2.3	4.9	-18.5	-5.6	-54.4	-28.5
vs Eurostoxx 50	0.1	-2.9	-17.6	-16.3	-59.1	-7.6
vs Sector benchmark <sup>(4)</sup>	7.7	9.5	-19.1	-10.7	-61.1	-6.9

(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: TR Europe Apparel & Accessories Retailers.

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

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

(7) Others: La Previsión Mallorquina de Seguros 7.6%, Ibercapital Magnum, SICAV S.A 3.2%, Treasury shares 0.6%

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

## Downgrade to estimates

**Table 1. Review of estimates**

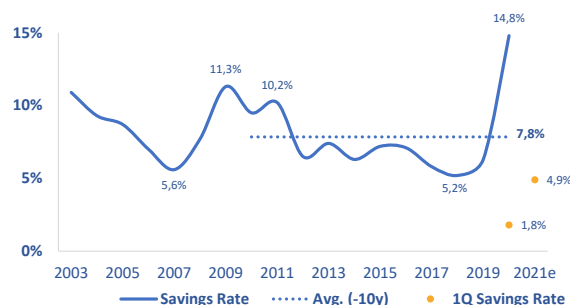
EUR Mn	2021e (New)	2021e (Old)	Review	2022e (New)	2022e (Old)	Review	2023e (New)	2023e (Old)	Review
<b>Total Revenues</b>	<b>94.5</b>	<b>94.5</b>	<b>0.0%</b>	<b>108.3</b>	<b>108.3</b>	<b>0.0%</b>	<b>116.3</b>	<b>116.3</b>	<b>0.0%</b>
<b>Recurrent EBITDA</b>	<b>6.8</b>	<b>8.9</b>	<b>-24.0%</b>	<b>10.1</b>	<b>10.9</b>	<b>-7.5%</b>	<b>13.8</b>	<b>12.1</b>	<b>14.2%</b>
<i>Recurrent EBITDA growth</i>	172.5%	195.4%	-22.9 p.p.	48.9%	22.3%	26.6 p.p.	37.6%	11.4%	26.2 p.p.
<i>Rec. EBITDA/Revenues</i>	7.1%	9.4%	-2.3 p.p.	9.3%	10.0%	-0.8 p.p.	11.9%	10.4%	1.5 p.p.
<b>EBIT</b>	<b>(6.2)</b>	<b>(3.0)</b>	<b>-107.4%</b>	<b>2.0</b>	<b>3.4</b>	<b>n.s.</b>	<b>5.6</b>	<b>5.3</b>	<b>6.6%</b>
<b>Net Profit</b>	<b>(7.5)</b>	<b>(4.2)</b>	<b>-77.3%</b>	<b>(0.4)</b>	<b>1.1</b>	<b>-135.6%</b>	<b>2.0</b>	<b>2.0</b>	<b>1.4%</b>
<b>Rec. Free Cash Flow</b>	<b>0.0</b>	<b>1.4</b>	<b>-97.4%</b>	<b>(3.5)</b>	<b>(1.8)</b>	<b>-95.6%</b>	<b>(2.1)</b>	<b>(1.6)</b>	<b>-30.7%</b>
<b>ND / Equity</b>	<b>0.3x</b>	<b>0.1x</b>	<b>0.2x</b>	<b>0.5x</b>	<b>0.2x</b>	<b>0.3x</b>	<b>0.5x</b>	<b>0.2x</b>	<b>0.3x</b>

**Chart 1. Confidence indicators**



Source: Factset

**Chart 2. Household saving rate (Spain)**



Source: INE (National Statistics Institute, Spain)

**Chart 3. Monthly performance of the arrival of international tourists in Spain**



Source: INE (National Statistics Institute, Spain; Frontur data as at June 2021)

## Appendix 1. Financial Projections<sup>(1)</sup>

Balance Sheet (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	CAGR	
Intangible assets	1.6	0.9	0.8	34.9	28.3	28.1	27.8	27.5		
Fixed assets	16.6	12.3	10.6	10.6	10.1	10.6	11.4	12.3		
Other Non Current Assets	8.2	8.5	8.1	0.8	1.2	1.2	1.2	1.2		
Financial Investments	5.1	5.0	5.2	5.9	4.7	4.7	4.7	4.7		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	44.4	36.2	36.2	38.0	30.5	30.4	34.4	36.6		
<b>Total assets</b>	<b>75.9</b>	<b>62.9</b>	<b>60.8</b>	<b>90.2</b>	<b>74.8</b>	<b>74.9</b>	<b>79.4</b>	<b>82.3</b>		
Equity	59.4	52.3	52.2	44.2	24.0	16.5	16.1	18.1		
Minority Interests	1.1	0.7	0.8	0.9	1.0	1.1	1.2	1.2		
Provisions & Other L/T Liabilities	-	-	-	34.2	28.2	28.2	28.2	28.2		
Other Non Current Liabilities	0.6	0.6	1.0	1.5	1.4	1.4	1.4	1.4		
Net financial debt	(6.1)	(9.9)	(12.0)	(10.0)	(0.8)	4.1	7.6	9.7		
Current Liabilities	20.9	19.2	18.9	19.3	20.9	23.6	24.9	23.5		
<b>Equity &amp; Total Liabilities</b>	<b>75.9</b>	<b>62.9</b>	<b>60.8</b>	<b>90.2</b>	<b>74.8</b>	<b>74.9</b>	<b>79.4</b>	<b>82.3</b>		
P&L (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
<b>Total Revenues</b>	<b>113.2</b>	<b>117.0</b>	<b>114.9</b>	<b>117.3</b>	<b>67.5</b>	<b>94.5</b>	<b>108.3</b>	<b>116.3</b>	<b>-12.1%</b>	<b>19.9%</b>
Total Revenues growth	4.4%	3.3%	-1.7%	2.0%	-42.5%	40.1%	14.5%	7.4%		
COGS	(47.7)	(49.0)	(47.3)	(50.6)	(35.3)	(41.7)	(47.5)	(50.4)		
<b>Gross Margin</b>	<b>65.5</b>	<b>68.0</b>	<b>67.6</b>	<b>66.7</b>	<b>32.2</b>	<b>52.9</b>	<b>60.8</b>	<b>65.9</b>	<b>-16.3%</b>	<b>27.0%</b>
Gross Margin/Revenues	57.8%	58.1%	58.8%	56.9%	47.7%	55.9%	56.1%	56.7%		
Personnel Expenses	(42.5)	(39.8)	(38.1)	(36.7)	(22.7)	(27.1)	(31.3)	(32.2)		
Other Operating Expenses	(31.5)	(30.4)	(27.1)	(18.7)	(18.8)	(19.0)	(19.4)	(19.9)		
<b>Recurrent EBITDA</b>	<b>(8.6)</b>	<b>(2.2)</b>	<b>2.5</b>	<b>11.3</b>	<b>(9.3)</b>	<b>6.8</b>	<b>10.1</b>	<b>13.8</b>	<b>-2.2%</b>	<b>51.6%</b>
Recurrent EBITDA growth	43.2%	74.2%	212.4%	357.2%	-182.1%	172.5%	48.9%	37.6%		
Rec. EBITDA/Revenues	n.a.	n.a.	2.2%	9.7%	n.a.	7.1%	9.3%	11.9%		
Restructuring Expense & Other non-rec.	-	-	(1.2)	-	2.5	(5.0)	-	-		
<b>EBITDA</b>	<b>(8.6)</b>	<b>(2.2)</b>	<b>1.3</b>	<b>11.3</b>	<b>(6.8)</b>	<b>1.8</b>	<b>10.1</b>	<b>13.8</b>	<b>5.5%</b>	<b>59.2%</b>
Depreciation & Provisions	(4.0)	(2.9)	(1.9)	(2.1)	(2.1)	(1.8)	(1.8)	(1.9)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	-	(8.3)	(8.7)	(6.2)	(6.2)	(6.4)		
<b>EBIT</b>	<b>(12.5)</b>	<b>(5.1)</b>	<b>(0.6)</b>	<b>1.0</b>	<b>(17.6)</b>	<b>(6.2)</b>	<b>2.0</b>	<b>5.6</b>	<b>-8.9%</b>	<b>32.4%</b>
EBIT growth	55.1%	59.5%	88.2%	259.0%	n.a.	64.6%	132.9%	173.5%		
EBIT/Revenues	n.a.	n.a.	n.a.	0.8%	n.a.	n.a.	1.9%	4.8%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.2)	(1.6)	0.5	(0.9)	(1.7)	(0.8)	(1.9)	(2.6)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
<b>Ordinary Profit</b>	<b>(12.8)</b>	<b>(6.7)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(19.3)</b>	<b>(7.1)</b>	<b>0.2</b>	<b>3.0</b>	<b>-10.9%</b>	<b>29.2%</b>
Ordinary Profit Growth	57.5%	47.4%	98.0%	105.3%	n.a.	63.4%	102.4%	n.a.		
Extraordinary Results	(0.5)	0.4	1.3	-	-	-	-	-		
<b>Profit Before Tax</b>	<b>(13.2)</b>	<b>(6.3)</b>	<b>1.2</b>	<b>0.0</b>	<b>(19.3)</b>	<b>(7.1)</b>	<b>0.2</b>	<b>3.0</b>	<b>-9.8%</b>	<b>29.2%</b>
Tax Expense	(9.7)	(0.4)	(1.5)	(8.2)	(0.0)	(0.4)	(0.5)	(0.9)		
Effective Tax Rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30.0%		
Minority Interests	0.2	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
Discontinued Activities	-	-	-	-	-	-	-	-		
<b>Net Profit</b>	<b>(22.7)</b>	<b>(6.9)</b>	<b>(0.5)</b>	<b>(8.3)</b>	<b>(19.3)</b>	<b>(7.5)</b>	<b>(0.4)</b>	<b>2.0</b>	<b>3.9%</b>	<b>28.2%</b>
Net Profit growth	-384.8%	69.8%	92.7%	n.a.	-132.5%	61.1%	94.9%	632.9%		
<b>Ordinary Net Profit</b>	<b>(12.6)</b>	<b>(6.8)</b>	<b>0.6</b>	<b>(0.1)</b>	<b>(21.8)</b>	<b>(2.2)</b>	<b>0.0</b>	<b>2.0</b>	<b>-14.8%</b>	<b>27.9%</b>
Ordinary Net Profit growth	53.3%	45.6%	109.1%	-117.7%	n.a.	90.0%	101.8%	n.a.		
Cash Flow (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
<b>Recurrent EBITDA</b>						<b>6.8</b>	<b>10.1</b>	<b>13.8</b>	<b>-2.2%</b>	<b>51.6%</b>
Rentals (IFRS 16 impact)						(6.2)	(6.2)	(6.4)		
Working Capital Increase						2.8	(2.7)	(3.5)		
<b>Recurrent Operating Cash Flow</b>						<b>3.3</b>	<b>1.2</b>	<b>3.9</b>	<b>-1.1%</b>	<b>34.6%</b>
CAPEX						(2.1)	(2.4)	(2.5)		
Net Financial Result affecting the Cash Flow						(0.8)	(1.9)	(2.6)		
Tax Expense						(0.4)	(0.5)	(0.9)		
<b>Recurrent Free Cash Flow</b>						<b>0.0</b>	<b>(3.5)</b>	<b>(2.1)</b>	<b>0.0%</b>	<b>45.3%</b>
Restructuring Expense & Other non-rec.						(5.0)	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
<b>Free Cash Flow</b>						<b>(4.9)</b>	<b>(3.5)</b>	<b>(2.1)</b>	<b>5.2%</b>	<b>41.1%</b>
Capital Increase						-	-	-		
Dividends						-	-	-		
<b>Net Debt Variation</b>						<b>4.9</b>	<b>3.5</b>	<b>2.1</b>		

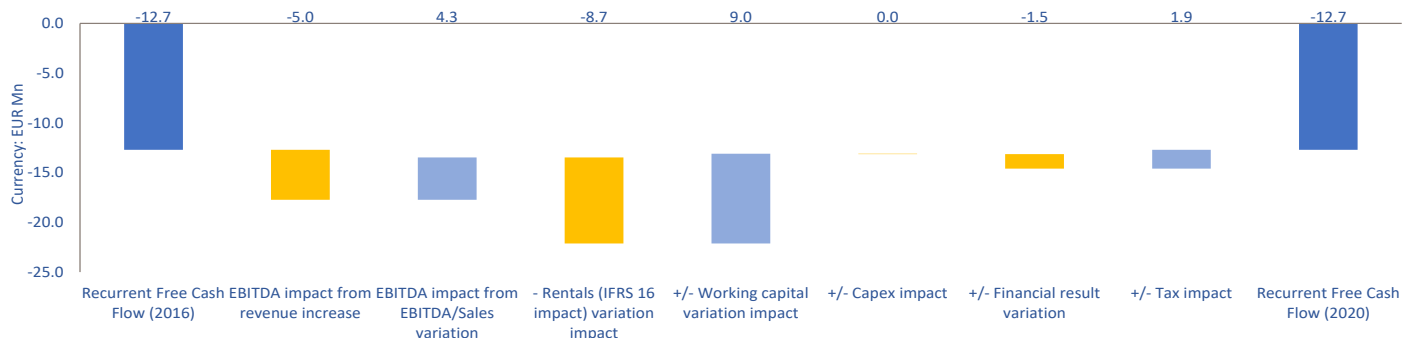
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 9.1Mn higher due to IFRS 16.

## Appendix 2. Free Cash Flow<sup>(1)</sup>

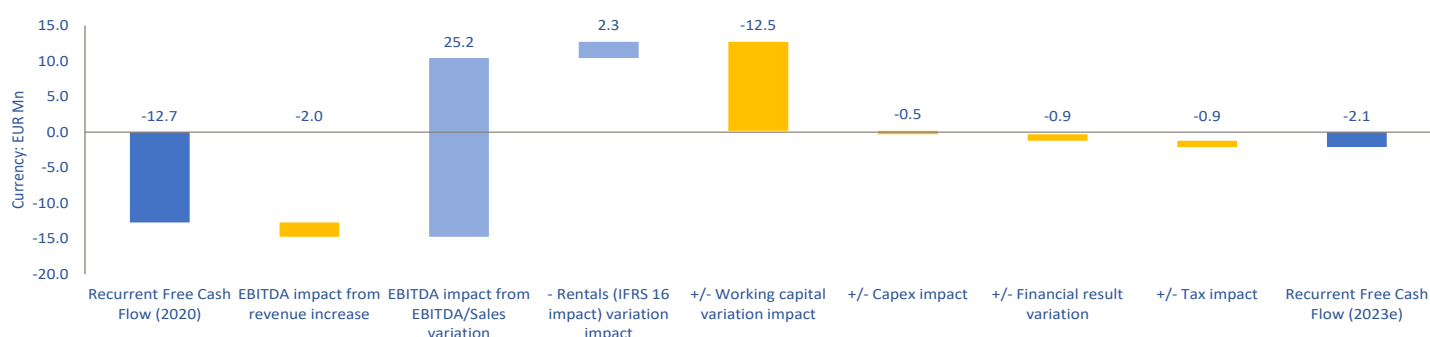
A) Cash Flow Analysis (EUR Mn)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR	
								17-20	20-23e
<b>Recurrent EBITDA</b>	<b>(2.2)</b>	<b>2.5</b>	<b>11.3</b>	<b>(9.3)</b>	<b>6.8</b>	<b>10.1</b>	<b>13.8</b>	<b>-61.6%</b>	<b>51.6%</b>
<i>Recurrent EBITDA growth</i>	74.2%	212.4%	357.2%	-182.1%	172.5%	48.9%	37.6%		
<i>Rec. EBITDA/Revenues</i>	n.a.	2.2%	9.7%	n.a.	7.1%	9.3%	11.9%		
- Rentals (IFRS 16 impact)	-	-	(8.3)	(8.7)	(6.2)	(6.2)	(6.4)		
+/- Working Capital increase	6.5	(0.4)	(1.3)	9.0	2.8	(2.7)	(3.5)		
<b>= Recurrent Operating Cash Flow</b>	<b>4.3</b>	<b>2.1</b>	<b>1.8</b>	<b>(9.0)</b>	<b>3.3</b>	<b>1.2</b>	<b>3.9</b>	<b>-60.1%</b>	<b>34.6%</b>
<i>Rec. Operating Cash Flow growth</i>	149.7%	-50.4%	-16.8%	-610.0%	136.9%	-63.7%	227.6%		
<i>Rec. Operating Cash Flow / Sales</i>	3.6%	1.8%	1.5%	n.a.	3.5%	1.1%	3.4%		
- CAPEX	(0.9)	(0.8)	(2.6)	(2.0)	(2.1)	(2.4)	(2.5)		
- Net Financial Result affecting Cash Flow	(1.6)	0.5	(0.9)	(1.7)	(0.8)	(1.9)	(2.6)		
- Taxes	(0.4)	(1.5)	(0.6)	(0.0)	(0.4)	(0.5)	(0.9)		
<b>= Recurrent Free Cash Flow</b>	<b>1.3</b>	<b>0.2</b>	<b>(2.3)</b>	<b>(12.7)</b>	<b>0.0</b>	<b>(3.5)</b>	<b>(2.1)</b>	<b>n.a.</b>	<b>45.3%</b>
<i>Rec. Free Cash Flow growth</i>	110.2%	-83.7%	n.a.	-452.6%	100.3%	n.a.	40.4%		
<i>Rec. Free Cash Flow / Revenues</i>	1.1%	0.2%	n.a.	n.a.	0.0%	n.a.	n.a.		
- Restructuring expenses & others	-	(1.2)	-	2.5	(5.0)	-	-		
- Acquisitions / + Divestments	3.2	2.6	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
<b>= Free Cash Flow</b>	<b>4.5</b>	<b>1.6</b>	<b>(2.3)</b>	<b>(10.2)</b>	<b>(4.9)</b>	<b>(3.5)</b>	<b>(2.1)</b>	<b>-62.0%</b>	<b>41.1%</b>
<i>Free Cash Flow growth</i>	135.9%	-64.3%	-242.3%	-343.9%	51.7%	29.0%	40.4%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	3.1%	0.5%	n.a.	n.a.	0.1%	n.a.	n.a.		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	10.9%	3.9%	n.a.	n.a.	n.a.	n.a.	n.a.		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
<b>Recurrent FCF(FY - 1)</b>	<b>(12.7)</b>	<b>1.3</b>	<b>0.2</b>	<b>(2.3)</b>	<b>(12.7)</b>	<b>0.0</b>	<b>(3.5)</b>		
EBITDA impact from revenue increase	(0.3)	0.0	0.1	(4.8)	(3.7)	1.0	0.7		
EBITDA impact from EBITDA/Sales variation	6.6	4.6	8.8	(15.8)	19.8	2.3	3.0		
<b>= Recurrent EBITDA variation</b>	<b>6.3</b>	<b>4.7</b>	<b>8.9</b>	<b>(20.7)</b>	<b>16.1</b>	<b>3.3</b>	<b>3.8</b>		
- Rentals (IFRS 16 impact) variation impact	-	-	(8.3)	(0.4)	2.4	0.0	(0.2)		
+/- Working capital variation impact	6.5	(6.8)	(1.0)	10.3	(6.2)	(5.5)	(0.9)		
<b>= Recurrent Operating Cash Flow variation</b>	<b>12.8</b>	<b>(2.1)</b>	<b>(0.4)</b>	<b>(10.7)</b>	<b>12.3</b>	<b>(2.1)</b>	<b>2.7</b>		
+/- CAPEX impact	1.1	0.0	(1.7)	0.5	(0.0)	(0.3)	(0.2)		
+/- Financial result variation	(1.4)	2.1	(1.4)	(0.8)	0.9	(1.0)	(0.7)		
+/- Tax impact	1.5	(1.1)	1.0	0.5	(0.4)	(0.1)	(0.4)		
<b>= Recurrent Free Cash Flow variation</b>	<b>14.0</b>	<b>(1.1)</b>	<b>(2.5)</b>	<b>(10.4)</b>	<b>12.7</b>	<b>(3.5)</b>	<b>1.4</b>		
<b>Recurrent Free Cash Flow</b>	<b>1.3</b>	<b>0.2</b>	<b>(2.3)</b>	<b>(12.7)</b>	<b>0.0</b>	<b>(3.5)</b>	<b>(2.1)</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
<b>EBIT</b>	<b>(5.1)</b>	<b>(0.6)</b>	<b>1.0</b>	<b>(17.6)</b>	<b>(6.2)</b>	<b>2.0</b>	<b>5.6</b>	<b>-51.3%</b>	<b>32.4%</b>
* <i>Theoretical Tax rate</i>	0.0%	0.0%	30.0%	0.0%	0.0%	30.0%	30.0%		
= Taxes (pre- Net Financial Result)	-	-	(0.3)	-	-	(0.6)	(1.7)		
<b>Recurrent EBITDA</b>	<b>(2.2)</b>	<b>2.5</b>	<b>11.3</b>	<b>(9.3)</b>	<b>6.8</b>	<b>10.1</b>	<b>13.8</b>	<b>-61.6%</b>	<b>51.6%</b>
- Rentals (IFRS 16 impact)	-	-	(8.3)	(8.7)	(6.2)	(6.2)	(6.4)		
+/- Working Capital increase	6.5	(0.4)	(1.3)	9.0	2.8	(2.7)	(3.5)		
<b>= Recurrent Operating Cash Flow</b>	<b>4.3</b>	<b>2.1</b>	<b>1.8</b>	<b>(9.0)</b>	<b>3.3</b>	<b>1.2</b>	<b>3.9</b>	<b>-60.1%</b>	<b>34.6%</b>
- CAPEX	(0.9)	(0.8)	(2.6)	(2.0)	(2.1)	(2.4)	(2.5)		
- Taxes (pre- Financial Result)	-	-	(0.3)	-	-	(0.6)	(1.7)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>3.4</b>	<b>1.3</b>	<b>(1.1)</b>	<b>(11.0)</b>	<b>1.3</b>	<b>(1.8)</b>	<b>(0.3)</b>	<b>-73.9%</b>	<b>70.9%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	131.9%	-62.3%	-185.5%	-912.0%	111.4%	-240.8%	84.6%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	2.9%	1.1%	n.a.	n.a.	1.3%	n.a.	n.a.		
- Acquisitions / + Divestments	3.2	2.6	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>6.6</b>	<b>3.9</b>	<b>(1.1)</b>	<b>(11.0)</b>	<b>1.3</b>	<b>(1.8)</b>	<b>(0.3)</b>	<b>-54.2%</b>	<b>70.9%</b>
<i>Free Cash Flow (To the Firm) growth</i>	163.0%	-41.3%	-128.0%	-912.0%	111.4%	-240.8%	84.6%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	5.2%	1.9%	n.a.	n.a.	1.9%	n.a.	n.a.		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	10.1%	5.9%	n.a.	n.a.	1.9%	n.a.	n.a.		

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

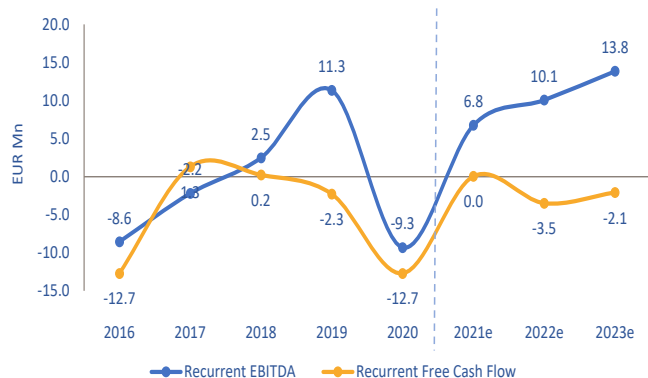
**Recurrent Free Cash Flow accumulated variation analysis (2016 - 2020)**



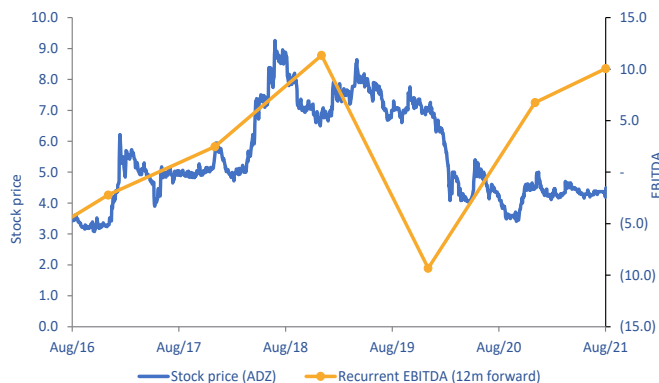
**Recurrent Free Cash Flow accumulated variation analysis (2020 - 2023e)**



**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	41.6	
+ Minority Interests	1.0	12m Results 2020
+ Provisions & Other L/T Liabilities	28.2	12m Results 2020
+ Net financial debt	(0.8)	12m Results 2020
- Financial Investments	4.7	12m Results 2020
+/- Others		
<b>Enterprise Value (EV)</b>	<b>65.4</b>	

## Appendix 4. Historical performance (1)(2)

Historical performance (EUR Mn)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e	CAGR	
															10-20	20-23e
<b>Total Revenues</b>	166.9	156.1	152.1	134.9	124.1	108.4	113.2	117.0	114.9	117.3	67.5	94.5	108.3	116.3	-8.7%	19.9%
<i>Total Revenues growth</i>	-6.8%	-6.5%	-2.6%	-11.3%	-8.0%	-12.6%	4.4%	3.3%	-1.7%	2.0%	-42.5%	40.1%	14.5%	7.4%		
<b>EBITDA</b>	10.3	1.6	(5.3)	(2.5)	(1.5)	(17.9)	(8.6)	(2.2)	1.3	11.3	(6.8)	1.8	10.1	13.8	-10.3%	59.2%
<i>EBITDA growth</i>	-46.5%	-84.7%	-437.4%	53.1%	40.0%	n.a.	52.1%	74.2%	158.0%	785.6%	-160.1%	126.3%	461.2%	37.6%		
<i>EBITDA/Sales</i>	6.1%	1.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.1%	9.7%	n.a.	1.9%	9.3%	11.9%		
<b>Net Profit</b>	(4.5)	(9.3)	(23.9)	(10.3)	(11.0)	8.0	(22.7)	(6.9)	(0.5)	(8.3)	(19.3)	(7.5)	(0.4)	2.0	-15.7%	28.2%
<i>Net Profit growth</i>	-563.1%	-106.1%	-158.4%	57.1%	-7.5%	172.2%	-384.8%	69.8%	92.7%	n.a.	-132.5%	61.1%	94.9%	632.9%		
Adjusted number shares (Mn)	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.0	9.2	9.2	9.2	9.3	9.3	9.3		
EPS (EUR)	-0.49	-1.01	-2.62	-1.12	-1.21	0.87	-2.48	-0.76	-0.05	-0.90	-2.10	-0.81	-0.04	0.22	-15.6%	28.1%
<i>EPS growth</i>	n.a.	n.a.	n.a.	57.1%	-7.5%	n.a.	n.a.	69.4%	92.9%	n.a.	n.a.	61.3%	94.9%	n.a.		
Ord. EPS (EUR)	-0.60	-1.83	-3.62	-1.32	-0.42	-2.98	-1.37	-0.76	0.07	-0.01	-2.37	-0.23	0.00	0.22	-14.7%	27.9%
<i>Ord. EPS growth</i>	n.a.	n.a.	-97.5%	63.4%	68.0%	n.a.	53.8%	44.9%	n.a.	n.a.	n.a.	90.1%	n.a.	n.a.		
CAPEX	(9.0)	(6.2)	(0.7)	(1.6)	(2.0)	(2.4)	(2.0)	(0.9)	(0.8)	(2.6)	(2.0)	(2.1)	(2.4)	(2.5)		
<i>CAPEX/Sales %</i>	5.4%	4.0%	0.5%	1.2%	1.6%	2.2%	1.8%	0.8%	0.7%	2.2%	3.0%	2.2%	2.2%	2.2%		
<b>Free Cash Flow</b>	5.0	(11.3)	24.9	8.9	(5.3)	24.9	(12.6)	4.5	1.6	(2.3)	(10.2)	(4.9)	(3.5)	(2.1)	-15.0%	41.1%
<i>ND/EBITDA (x)<sup>(2)</sup></i>	0.5x	14.0x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-9.4x	-0.9x	n.a.	2.3x	0.8x	0.7x		
<i>P/E (x)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	4.0x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20.5x		
<i>EV/Sales (x)</i>	0.53x	0.38x	0.33x	0.48x	0.45x	0.11x	0.31x	0.28x	0.46x	0.35x	0.54x	0.69x	0.60x	0.56x		
<i>EV/EBITDA (x)<sup>(2)</sup></i>	8.6x	38.1x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	41.1x	3.6x	n.a.	36.5x	6.5x	4.7x		
<i>Absolute performance</i>	-22.4%	-38.5%	-24.1%	44.8%	-12.4%	-30.4%	-4.9%	62.2%	29.7%	2.6%	-35.9%	-1.1%				
<i>Relative performance vs Ibx 35</i>	-6.1%	-29.2%	-20.4%	19.2%	-15.5%	-25.1%	-3.0%	51.0%	52.5%	-8.2%	-24.2%	-9.7%				

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

Note 2: 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 peers 2021e

		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 (Factset)	SMCP-FR	TED-GB	BOSS-DE	BRBY-GB	PVH-US	TPR-US	CPRI-US	KER-FR		ADZ-ES	
		Country	France	UK	Germany	UK	USA	USA	UK	France		Spain	
		Market cap	369.8	331.2	3,261.7	8,760.1	6,334.7	9,549.3	7,277.2	84,198.0		41.6	
		Enterprise value (EV)	1,178.0	417.2	4,254.7	8,881.2	9,660.0	10,756.1	9,827.9	89,476.4		65.4	
Basic financial information		Total Revenues	1,019.1	541.7	2,558.4	3,207.4	7,635.5	5,358.2	4,515.4	16,738.9		94.5	
		Total Revenues growth	31.2%	32.0%	31.5%	17.4%	28.0%	26.4%	10.1%	27.8%	23.9%	40.1%	
		2y CAGR (2021e - 2023e)	8.4%	16.1%	10.4%	6.9%	10.5%	4.9%	3.6%	8.9%	6.7%	10.9%	
		EBITDA	232.6	50.4	525.5	891.9	943.5	1,231.3	924.9	6,063.9		1.8	
		EBITDA growth	37.2%	567.6%	128.8%	10.4%	186.0%	302.8%	10.6%	92.6%	109.6%	126.3%	
		2y CAGR (2021e - 2023e)	13.8%	57.0%	16.9%	9.4%	24.3%	6.8%	5.1%	12.2%	8.9%	n.a.	
		EBITDA/Revenues	22.8%	9.3%	20.5%	27.8%	20.1%	12.4%	23.0%	20.5%	36.2%	23.0%	1.9%
		EBIT	51.6	(21.9)	164.0	539.7	646.7	1,028.0	734.5	4,745.5		(6.2)	
		EBIT growth	n.a.	70.7%	230.6%	11.2%	104.2%	n.a.	10.8%	144.2%	68.8%	64.6%	
		2y CAGR (2021e - 2023e)	44.5%	n.a.	37.8%	12.8%	31.7%	12.3%	5.9%	13.6%	11.2%	70.3%	
		EBIT/Revenues	5.1%	n.a.	6.4%	16.8%	9.4%	8.5%	19.2%	16.3%	18.1%	n.a.	
		Net Profit	13.9	(21.0)	91.5	396.5	446.6	798.4	601.7	3,163.7		(7.5)	
		Net Profit growth	113.6%	79.2%	141.7%	-9.5%	81.2%	146.4%	13.0%	n.a.	68.6%	61.1%	
		2y CAGR (2021e - 2023e)	97.2%	88.6%	46.3%	11.8%	61.0%	16.3%	6.4%	14.7%	13.0%	50.6%	
		CAPEX/Sales %	5.3%	3.7%	5.1%	7.5%	5.4%	3.4%	3.4%	4.1%	4.3%	2.2%	
		Free Cash Flow	60.5	(59.6)	170.9	422.0	5.8	687.1	491.7	3,018.7		(4.9)	
		Net financial debt	792.0	146.5	902.4	(1,239.1)	1,266.4	280.8	603.0	316.8		4.1	
		ND/EBITDA (x)	3.4	2.9	1.7	(1.4)	1.7	1.3	0.7	0.1	0.6	0.6	
		Pay-out	0.0%	0.0%	58.0%	57.2%	28.8%	0.6%	29.6%	0.0%	17.9%	0.0%	
Multiples and Ratios		P/E (x)	23.4	n.a.	36.1	21.9	27.1	14.3	12.2	12.3	16.4	n.a.	
		P/BV (x)	0.3	2.1	3.8	4.5	2.7	1.5	3.3	3.1	3.5	2.5	
		EV/Revenues (x)	1.2	0.8	1.7	2.8	1.6	1.3	2.0	2.2	2.7	0.7	
		EV/EBITDA (x)	5.1	8.3	8.1	10.0	7.8	10.2	8.7	10.6	11.1	9.7	
		EV/EBIT (x)	22.8	n.a.	25.9	16.5	21.7	14.9	10.5	13.4	14.4	n.a.	
		ROE	1.5	n.a.	10.4	20.3	10.7	10.3	27.3	25.4	21.5	n.a.	
		FCF Yield (%)	16.4	n.a.	5.2	4.8	8.8	0.1	7.2	6.8	4.4	0.1	
		DPS	0.00	0.00	0.77	0.56	0.33	0.04	0.85	0.00	2.83	0.00	
		Dvd Yield	0.0%	0.0%	1.6%	2.6%	1.1%	0.0%	2.5%	0.0%	1.0%	0.0%	

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

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

## Appendix 6. Valuation inputs

### Inputs for the DCF Valuation Approach

	2021e	2022e	2023e	Terminal Value <sup>(1)</sup>		
Free Cash Flow "To the Firm"	1.3	(1.8)	(0.3)	n.a.		
Market Cap	41.6	At the date of this report				
Net financial debt	-0.8	Debt net of Cash (12m Results 2020)				
					Best Case	Worst Case
Cost of Debt	2.8%	Net debt cost			2.6%	3.1%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	2.3%	$Kd = \text{Cost of Net Debt} * (1-T)$			2.1%	2.5%
Risk free rate (rf)	0.3%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%
Beta (B)	1.1	B (own estimate)			1.0	1.2
Cost of Equity	10.2%	$Ke = Rf + (R * B)$			8.8%	11.7%
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	0.0%	D			=	=
WACC	10.2%	$WACC = Kd * D + Ke * E$			8.8%	11.7%
G "Fair"	2.0%				2.5%	1.5%

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

### Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 21e	EPS 21e-23e	EV/EBITDA 21e	EBITDA 21e-23e	EV/Sales 21e	Revenues 21e-23e	EBITDA/Sales 21e	FCF Yield 21e	FCF 21e-23e
SMCP SA	SMCP-FR	369.8	23.4	80.8%	5.1	13.8%	1.2	8.4%	22.8%	16.4%	20.9%
Ted Baker PLC	TED-GB	331.2	n.a.	74.9%	8.3	57.0%	0.8	16.1%	9.3%	n.a.	67.4%
Hugo Boss AG	BOSS-DE	3,261.7	36.1	46.5%	8.1	16.9%	1.7	10.4%	20.5%	5.2%	25.0%
Burberry Group PLC	BRBY-GB	8,760.1	21.9	11.0%	10.0	9.4%	2.8	6.9%	27.8%	4.8%	10.4%
<b>Affordable Luxury players</b>			27.1	53.3%	7.8	24.3%	1.6	10.5%	20.1%	8.8%	30.9%
PVH Corp	PVH-US	6,334.7	14.3	17.8%	10.2	6.8%	1.3	4.9%	12.4%	0.1%	n.a.
Tapestry	TPR-US	9,549.3	12.2	9.9%	8.7	5.1%	2.0	3.6%	23.0%	7.2%	23.8%
Capri Holdings Ltd	CPRI-US	7,277.2	12.3	16.4%	10.6	12.2%	2.2	8.9%	20.5%	6.8%	31.1%
Kering	KER-FR	84,198.0	26.6	14.6%	14.8	11.5%	5.3	9.2%	36.2%	3.6%	16.6%
<b>Specialised Retail Holdings</b>			16.4	14.7%	11.1	8.9%	2.7	6.7%	23.0%	4.4%	23.8%
ADZ	ADZ-ES	41.6	n.a.	50.6%	9.7	n.a.	0.7	10.9%	1.9%	0.1%	35.0%

### Free Cash Flow sensitivity analysis (2022e)

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

Scenario	EBITDA/Sales 22e	EBITDA 22e	EV/EBITDA 22e
Max	10.2%	11.0	5.9x
Central	9.3%	10.1	6.5x
Min	8.4%	9.1	7.2x

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

FCF Rec. EUR Mn	CAPEX/Sales 22e		
EBITDA 22e	2.0%	2.2%	2.4%
11.0	(2.3)	(2.5)	(2.7)
10.1	(3.3)	(3.5)	(3.7)
9.1	(4.3)	(4.5)	(4.7)

## IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

### LIGHTHOUSE

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#### Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
01-Sep-2021	n.a.	4.49	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
28-Jul-2021	n.a.	4.34	n.a.	n.a.	3m Results 2021	Ana Isabel González García, CIIA
14-Jun-2021	n.a.	4.28	n.a.	n.a.	Estimates upgrade	Ana Isabel González García, CIIA
29-Apr-2021	n.a.	4.50	n.a.	n.a.	12m Results 2020	Ana Isabel González García, CIIA
29-Mar-2021	n.a.	4.20	n.a.	n.a.	Important news	Ana Isabel González García, CIIA
18-Jan-2021	n.a.	4.78	n.a.	n.a.	9m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
02-Dec-2020	n.a.	4.60	n.a.	n.a.	6m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
17-Sep-2020	n.a.	3.90	n.a.	n.a.	3m Results 2020	Ana Isabel González García, CIIA
25-Jun-2020	n.a.	5.10	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
13-Jan-2020	n.a.	6.90	n.a.	n.a.	9m Results 2019	Ana Isabel González García, CIIA
03-Dec-2019	n.a.	7.36	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

