

**EQUITY - SPAIN**

Sector: Textiles, Apparel &amp; Luxury Goods

Closing price: EUR 6.35 (13 Jul 2023)

Report date: 14 Jul 2023 (08:00h)

**3m Results 2023**

Independent Equity Research

**3m Results 2023**

 Opinion <sup>(1)</sup>: Below expectations

 Impact <sup>(1)</sup>: We will maintain our estimates

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

## 1Q earnings: worse than expected. They do not show ADZ's potential.

**Market Data**

Market Cap (Mn EUR and USD)	58.9	65.9
EV (Mn EUR and USD) <sup>(2)</sup>	95.4	106.8
Shares Outstanding (Mn)	9.3	
-12m (Max/Med/Min EUR)	6.86 / 4.89 / 3.79	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation <sup>(3)</sup>	8.5	
Factset / Bloomberg	ADZ-ES / ADZ SM	
Close fiscal year	28-Feb	

**INTERNATIONAL SALES (+32% VS 1Q22), THE REVENUE DRIVER IN 1Q23 (+13.5% VS 1Q22)...**

ADZ reported 1Q23 revenue of EUR 21.8Mn (+13.5% vs 1Q23). Growth easily outstripped the level forecast for the full year (+5.7% 2023e). The company also continues to deliver like-for-like (LFL) sales growth (+9%). The geographic mix shows a sharp jump in international sales (+32%) relative to Europe (+6.1%), lending visibility to the international growth strategy ADZ embarked on in 2022. The weight of international sales on the total increased by 7p.p. (vs 1Q23) to 58%.

...UNDERPINNED BY THE GOOD PERFORMANCE IN AVERAGE SALES/STORE (+14.4% VS 1Q22) which fed through to strong year-on-year revenue growth despite having three fewer points of sale vs 1Q 2022.

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

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

**GROSS MARGIN CONTRACTION (-2P.P. VS 1Q22) AND HIGHER OVERHEAD PREVENTED TOPLINE GROWTH FROM REACHING EBITDA.**

Normally, in a full-price quarter (i.e. no discounts or promotions), gross margin is undermined by currency translation at the time of purchase (November 2022) of the spring-summer collection. Moreover, the higher weight of overhead (+16.6% vs 1Q22), due to the larger amount of expenditure earmarked for digitalisation and efforts to strengthen the corporate-wide brand across all age groups, prevented growth in revenue from being reflected at EBITDA level in 1Q23, which amounted to EUR 0.4Mn (vs EUR 0.9Mn vs 1Q22).

**DEPRECIATION AND AMORTISATION "HURT" EBIT (EUR -2.9MN VS EUR 1.5MN IN 1Q22).**

Below EBITDA, the depreciation and amortisation charge increased +37.4% (vs 1Q22) for two reasons: i) higher CAPEX in 2022 (EUR 5.5Mn; vs EUR 2.2Mn in 2021) and ii) higher rents due to inflation adjustments.

**EARNINGS BOTH GOOD AND BAD: EXCELLENT REVENUE PERFORMANCE, BUT MARGINS DEPRESSED.**

Revenue topped our estimates, but EBITDA came up short, so we are leaving them unchanged for three reasons: i) the seasonality of the business (1Q represents <20% of total annual revenue, so it is not indicative of either growth or margins, ii) front-loaded costs (1Q23) to drive growth, and iii) higher profitability of new openings (visible in 2H). Our baseline scenario points to revenue 2023e of around EUR 121.9Mn, EBITDA of EUR 13.9Mn, net profit > break-even and negative FCF generation of EUR 3.3Mn (ND 22 of EUR 8.1Mn). After a strong -12m share price performance (+62%), our estimates put the stock trading at 0.8x EV/sales 23e (vs 1.8x for the sector).

Financials (Mn EUR)	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	9.3	9.3	9.3	9.3
Total Revenues	115.3	121.9	127.2	132.8
Rec. EBITDA	10.9	13.9	16.5	17.7
% growth	142.9	26.9	18.8	7.0
% Rec. EBITDA/Rev.	9.5	11.4	13.0	13.3
% Inc. EBITDA sector <sup>(4)</sup>	7.3	7.5	17.9	11.6
Net Profit	0.2	1.2	2.9	3.6
EPS (EUR)	0.02	0.13	0.32	0.39
% growth	101.7	638.4	149.8	24.4
Ord. EPS (EUR)	-0.12	0.13	0.32	0.39
% growth	80.6	201.3	149.8	24.4
Rec. Free Cash Flow <sup>(5)</sup>	-8.3	-3.3	-0.5	0.4
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	8.1	12.3	13.7	14.3
ND/Rec. EBITDA (x)	0.7	0.9	0.8	0.8
ROE (%)	1.0	6.6	14.7	15.7
ROCE (%) <sup>(5)</sup>	17.3	10.5	15.5	15.8

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

P/E	n.a.	50.3	20.1	16.2
Ord. P/E	n.a.	50.3	20.1	16.2
P/BV	3.4	3.2	2.8	2.4
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	0.83	0.78	0.75	0.72
EV/Rec. EBITDA	8.7	6.9	5.8	5.4
EV/EBIT	32.2	30.7	17.3	14.7
FCF Yield (%) <sup>(5)</sup>	n.a.	n.a.	n.a.	0.7

**Relative performance (Base 100)**


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	17.6	4.1	62.0	57.6	30.1	-20.6
vs Ibox 35	15.8	2.2	35.8	36.8	2.0	-18.5
vs Ibox Small Cap Index	14.2	1.7	52.9	38.4	-0.8	-25.7
vs Eurostoxx 50	16.4	3.4	27.4	36.1	-0.7	-37.6
vs Sector benchmark <sup>(4)</sup>	10.9	1.3	-1.2	14.5	-29.7	-61.4

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

(2) Please refer to Appendix 3.

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

(4) Sector: Europe Apparel & Footwear.

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

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

(7) Others: La Previsión Mallorquina de Seguros 6.7%, Ibercapital Magnum, SICAV S.A. 4.5%, Treasury shares 0.5%

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

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## 3m Results 2023

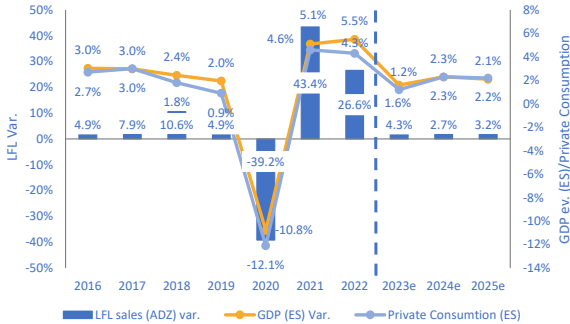
### 3M23 Results

Any reference to the results of the period to 3M refers to the period between March 1<sup>st</sup> and May 31<sup>st</sup>.

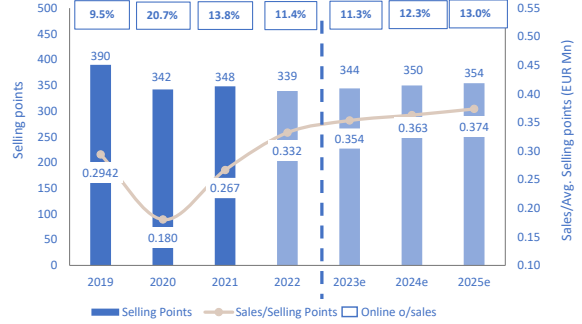
EUR Mn	3m23	3m22	3m23 Real	2023e	2023e vs
	Real		vs 3m22		2022
<b>Total Revenues</b>	<b>21.8</b>	<b>19.2</b>	<b>13.5%</b>	<b>121.9</b>	<b>5.7%</b>
<b>Gross Margin</b>	<b>14.6</b>	<b>13.3</b>	<b>10.2%</b>	<b>69.8</b>	<b>5.6%</b>
<i>Gross Margin/Revenues</i>	<i>67.1%</i>	<i>69.1%</i>	<i>-2.0 p.p.</i>	<i>57.2%</i>	<i>-0.1 p.p.</i>
<b>Recurrent EBITDA</b>	<b>0.4</b>	<b>0.9</b>	<b>-54.6%</b>	<b>13.9</b>	<b>26.9%</b>
<i>Rec. EBITDA/Revenues</i>	<i>1.8%</i>	<i>4.6%</i>	<i>-2.8 p.p.</i>	<i>11.4%</i>	<i>1.9 p.p.</i>
<b>EBITDA</b>	<b>0.4</b>	<b>0.9</b>	<b>-54.6%</b>	<b>13.9</b>	<b>3.9%</b>
<i>EBITDA/Revenues</i>	<i>1.8%</i>	<i>4.6%</i>	<i>-2.8 p.p.</i>	<i>11.4%</i>	<i>-0.2 p.p.</i>
<b>EBIT</b>	<b>-2.9</b>	<b>-1.6</b>	<b>-89.1%</b>	<b>3.1</b>	<b>5.2%</b>
<b>PBT</b>	<b>-3.5</b>	<b>-2.1</b>	<b>-63.1%</b>	<b>1.5</b>	<b>15.4%</b>
<b>NP</b>	<b>-3.5</b>	<b>-2.2</b>	<b>-61.2%</b>	<b>1.2</b>	<b>n.a.</b>
Points of sale (Total)	347	350	-0.9%	344	2%
Points of sale (International)	58%	51%	7.0 p.p.		

**The company in 8 charts**

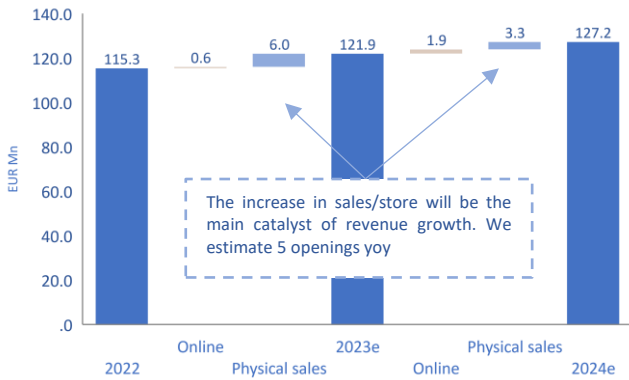
*The sector in which ADZ operates is highly cyclical*



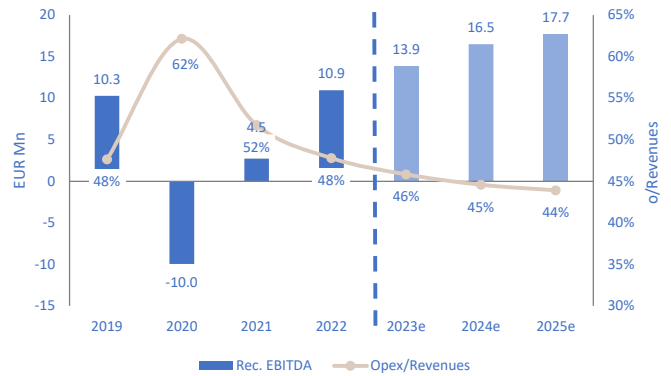
*The re-sizing of the retail surface area has increased profitability per store (driven by the online business: 11.4% of 22 revenue)...*



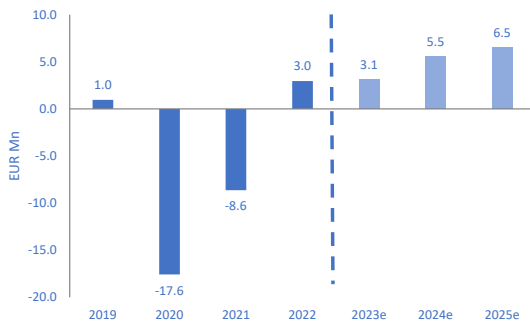
*...the main driver on which we base our forecast for revenue growth in 2023e and 2024e (5 openings yoy)*



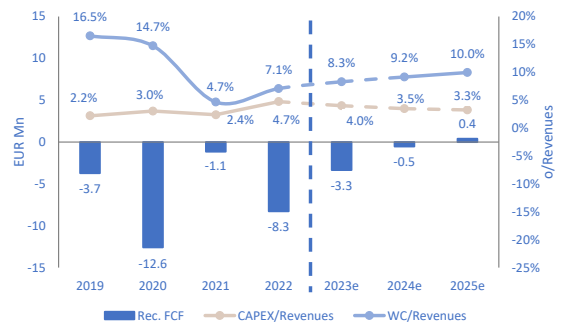
*The focus on cost reduction will allow ADZ to lever on its structure*



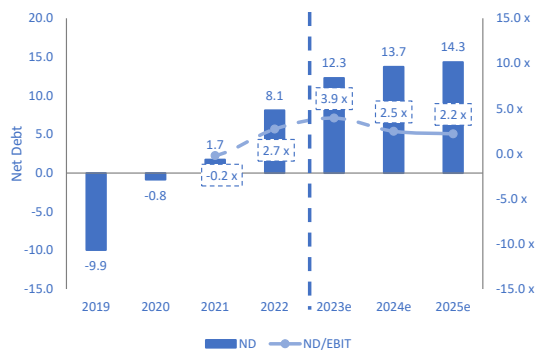
*Revenue growth (+4.8% 22-25e CAGR) and cost control will drive 25e EBIT to EUR 6.5Mn (vs EUR 1Mn in 2019)*



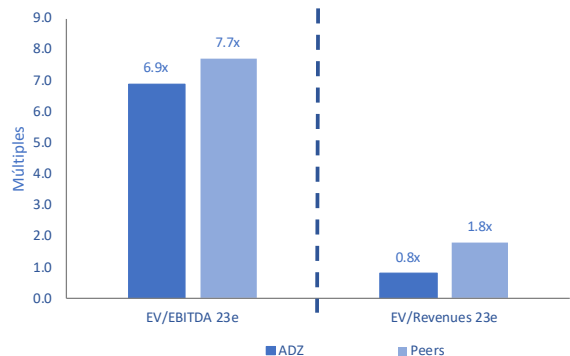
*That will make it possible to achieve break-even in FCF 2024e, despite the intensification of CAPEX and working capital*



*Estimated cash consumption until 2024 will increase 2024e ND to EUR 13.6Mn (ND/EBIT 2024e 2.2x)*



*Trading at: EV/EBITDA 23e 6.9x and EV/Sales 22e 0.8x (vs EV/EBITDA 23e 7.7x y EV/Sales 23e 1.8x from sector)*



## Valuation inputs

### Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value <sup>(1)</sup>			
Free Cash Flow "To the Firm"	(2.8)	0.0	1.0	n.a.			
Market Cap	58.9	At the date of this report					
Net financial debt	8.1	Debt net of Cash (12m Results 2022)					
					Best Case	Worst Case	
Cost of Debt	5.0%	Net debt cost			4.8%	5.3%	
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=	
Net debt cost	4.0%	Kd = Cost of Net Debt * (1-T)			3.8%	4.2%	
Risk free rate (rf)	3.5%	Rf (10y Spanish bond yield)			=	=	
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%	
Beta (B)	1.1	B (own estimate)			1.0	1.2	
Cost of Equity	10.1%	Ke = Rf + (R * B)			9.0%	11.3%	
Equity / (Equity + Net Debt)	87.9%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	12.1%	D			=	=	
WACC	9.4%	WACC = Kd * D + Ke * E			8.4%	10.4%	
G "Fair"	2.0%				2.5%	1.5%	

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

### Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Burberry Group PLC	BRBY-GB	9,309.5	17.4	11.2%	8.5	6.5%	2.5	6.3%	30.1%	6.2%	10.2%
Hugo Boss AG	BOSS-DE	5,298.3	20.5	24.0%	7.7	13.4%	1.5	8.9%	19.4%	5.8%	21.1%
Salvatore Ferragamo SpA	SFER-IT	2,476.1	63.3	56.8%	10.2	18.2%	2.0	7.4%	20.1%	3.2%	25.1%
SMCP SA	SMCP-FR	650.1	9.8	13.1%	4.6	6.9%	1.0	6.0%	22.7%	11.4%	16.7%
<b>Affordable Luxury players</b>			27.8	26.3%	7.7	11.2%	1.8	7.2%	23.1%	6.6%	18.3%
Kering	KER-FR	62,233.9	16.2	10.7%	9.5	9.5%	3.3	7.6%	34.8%	6.6%	8.8%
Tapestry	TPR-US	9,206.1	11.0	11.2%	9.4	6.1%	1.9	4.2%	20.6%	8.0%	14.7%
Capri Holdings Ltd	CPRI-US	3,793.6	6.0	10.1%	7.1	7.4%	1.3	4.9%	19.0%	n.a.	2.8%
PVH Corp	PVH-US	5,168.8	9.2	10.6%	7.6	5.4%	1.0	4.0%	12.9%	11.8%	12.9%
<b>Specialised Retail Holdings</b>			10.6	10.6%	8.4	7.1%	1.9	5.2%	21.8%	8.8%	9.8%
ADZ	ADZ-ES	58.9	50.3	76.3%	6.9	12.8%	0.8	4.3%	11.4%	n.a.	45.5%

### Free Cash Flow sensitivity analysis (2024e)

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

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	14.3%	18.1	5.3x
Central	13.0%	16.5	5.8x
Min	11.7%	14.8	6.4x

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

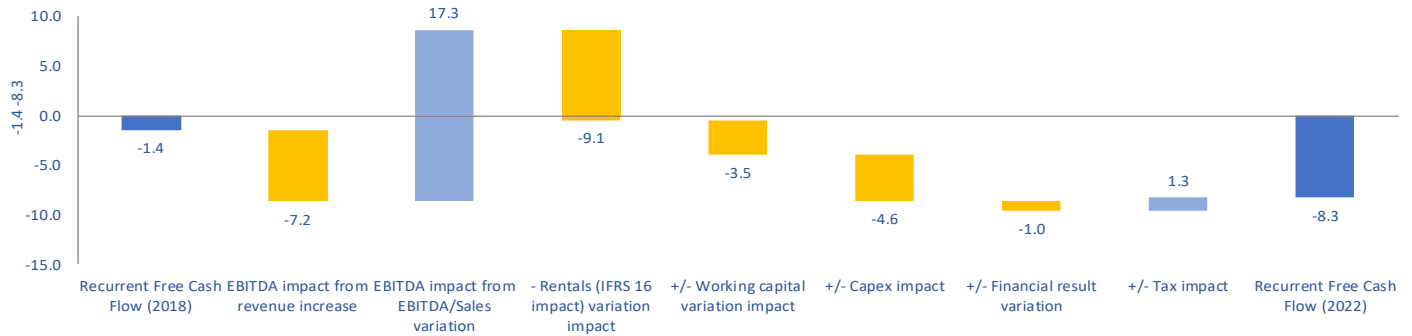
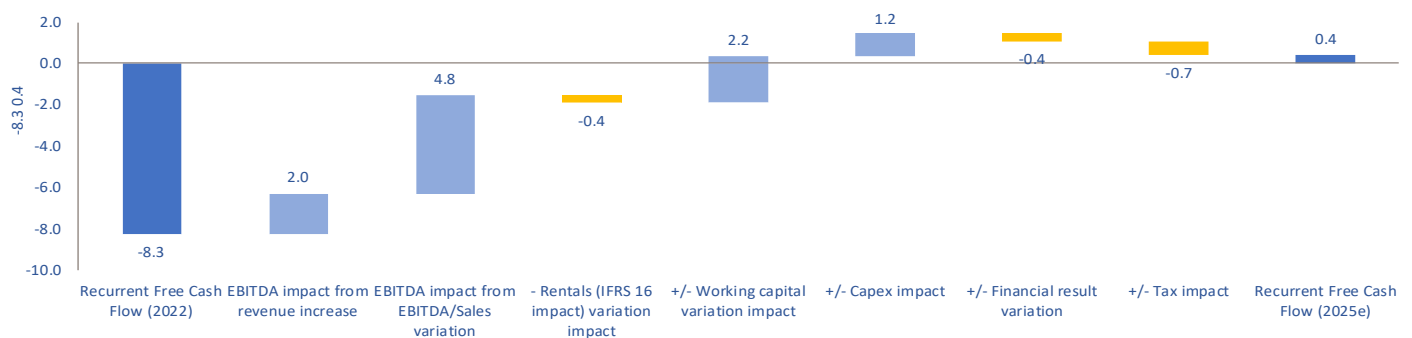
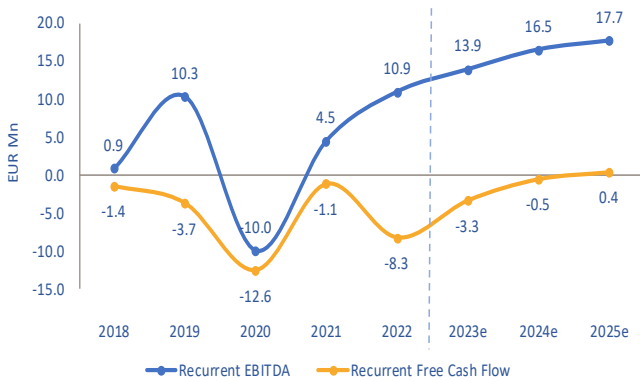
Rec. FCF EUR Mn	CAPEX/Sales 24e			Scenario	Rec. FCF/Yield 24e		
EBITDA 24e	3.1%	3.5%	3.9%		Max	2.8%	1.9%
18.1	1.6	1.1	0.6	Central	n.a.	n.a.	n.a.
16.5	(0.0)	(0.5)	(1.0)	Min	n.a.	n.a.	n.a.
14.8	(1.7)	(2.2)	(2.7)				

## Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	0.8	34.9	28.3	27.8	33.5	32.8	32.0	31.2		
Fixed assets	10.1	10.2	9.7	7.5	9.3	13.5	17.1	20.6		
Other Non Current Assets	8.1	0.7	1.2	2.4	2.7	2.7	2.7	2.7		
Financial Investments	5.7	5.9	4.7	5.7	5.6	5.6	5.6	5.6		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	36.2	38.0	30.6	26.5	35.6	37.4	38.4	40.1		
<b>Total assets</b>	<b>60.8</b>	<b>89.6</b>	<b>74.5</b>	<b>69.8</b>	<b>86.7</b>	<b>91.9</b>	<b>95.9</b>	<b>100.1</b>		
Equity	52.2	44.2	24.0	15.5	17.2	18.4	21.3	24.9		
Minority Interests	0.8	0.9	1.0	-	-	-	-	-		
Provisions & Other L/T Liabilities	1.0	1.5	1.4	1.5	1.4	1.4	1.4	1.4		
Other Non Current Liabilities	-	34.2	28.2	29.0	32.7	32.7	32.7	32.7		
Net financial debt	(12.0)	(9.9)	(0.8)	1.7	8.1	12.3	13.7	14.3		
Current Liabilities	18.9	18.8	20.7	22.1	27.4	27.2	26.8	26.8		
<b>Equity &amp; Total Liabilities</b>	<b>60.8</b>	<b>89.6</b>	<b>74.5</b>	<b>69.8</b>	<b>86.7</b>	<b>91.9</b>	<b>95.9</b>	<b>100.1</b>		
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
<b>Total Revenues</b>	<b>113.4</b>	<b>116.2</b>	<b>66.8</b>	<b>93.2</b>	<b>115.3</b>	<b>121.9</b>	<b>127.2</b>	<b>132.8</b>	<b>0.4%</b>	<b>4.8%</b>
Total Revenues growth	-3.0%	2.5%	-42.5%	39.5%	23.7%	5.7%	4.3%	4.4%		
COGS	(47.3)	(50.6)	(35.3)	(40.5)	(49.3)	(52.2)	(54.0)	(56.8)		
<b>Gross Margin</b>	<b>66.1</b>	<b>65.6</b>	<b>31.5</b>	<b>52.7</b>	<b>66.0</b>	<b>69.8</b>	<b>73.2</b>	<b>76.0</b>	<b>0.0%</b>	<b>4.8%</b>
Gross Margin/Revenues	58.3%	56.5%	47.2%	56.6%	57.3%	57.2%	57.5%	57.2%		
Personnel Expenses	(36.9)	(36.7)	(22.7)	(28.7)	(33.0)	(33.2)	(33.8)	(34.6)		
Other Operating Expenses	(28.4)	(18.7)	(18.8)	(19.5)	(22.1)	(22.6)	(22.9)	(23.7)		
<b>Recurrent EBITDA</b>	<b>0.9</b>	<b>10.3</b>	<b>(10.0)</b>	<b>4.5</b>	<b>10.9</b>	<b>13.9</b>	<b>16.5</b>	<b>17.7</b>	<b>89.0%</b>	<b>17.3%</b>
Recurrent EBITDA growth	139.0%	n.a.	-197.0%	145.2%	142.9%	26.9%	18.8%	7.0%		
Rec. EBITDA/Revenues	0.8%	8.8%	n.a.	4.8%	9.5%	11.4%	13.0%	13.3%		
Restructuring Expense & Other non-rec.	0.3	1.1	3.1	(4.1)	2.4	-	-	-		
<b>EBITDA</b>	<b>1.2</b>	<b>11.3</b>	<b>(6.8)</b>	<b>0.4</b>	<b>13.4</b>	<b>13.9</b>	<b>16.5</b>	<b>17.7</b>	<b>83.8%</b>	<b>9.7%</b>
Depreciation & Provisions	(1.8)	(1.5)	(2.1)	(1.2)	(1.3)	(1.5)	(1.6)	(1.7)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	(8.9)	(8.7)	(7.8)	(9.1)	(9.3)	(9.4)	(9.5)		
<b>EBIT</b>	<b>(0.6)</b>	<b>1.0</b>	<b>(17.6)</b>	<b>(8.6)</b>	<b>3.0</b>	<b>3.1</b>	<b>5.5</b>	<b>6.5</b>	<b>62.3%</b>	<b>30.0%</b>
EBIT growth	88.2%	259.0%	n.a.	50.9%	134.3%	5.2%	77.7%	17.6%		
EBIT/Revenues	n.a.	0.8%	n.a.	n.a.	2.6%	2.6%	4.4%	4.9%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	0.5	(0.9)	(1.7)	(1.4)	(1.7)	(1.6)	(1.9)	(2.0)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
<b>Ordinary Profit</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(19.3)</b>	<b>(10.0)</b>	<b>1.3</b>	<b>1.5</b>	<b>3.7</b>	<b>4.6</b>	<b>84.6%</b>	<b>53.0%</b>
Ordinary Profit Growth	98.0%	105.5%	n.a.	47.9%	112.6%	15.4%	149.8%	24.4%		
Extraordinary Results	1.3	-	-	-	-	-	-	-		
<b>Profit Before Tax</b>	<b>1.2</b>	<b>0.0</b>	<b>(19.3)</b>	<b>(10.0)</b>	<b>1.3</b>	<b>1.5</b>	<b>3.7</b>	<b>4.6</b>	<b>2.4%</b>	<b>53.0%</b>
Tax Expense	(1.5)	(8.2)	(0.0)	0.8	(1.1)	(0.3)	(0.7)	(0.9)		
Effective Tax Rate	n.a.	n.a.	n.a.	n.a.	87.5%	20.0%	20.0%	20.0%		
Minority Interests	(0.1)	(0.1)	(0.1)	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
<b>Net Profit</b>	<b>(0.5)</b>	<b>(8.3)</b>	<b>(19.3)</b>	<b>(9.3)</b>	<b>0.2</b>	<b>1.2</b>	<b>2.9</b>	<b>3.6</b>	<b>23.4%</b>	<b>n.a.</b>
Net Profit growth	92.7%	n.a.	-132.5%	52.1%	101.7%	638.4%	149.8%	24.4%		
<b>Ordinary Net Profit</b>	<b>(0.6)</b>	<b>(1.2)</b>	<b>(22.5)</b>	<b>(5.9)</b>	<b>(1.2)</b>	<b>1.2</b>	<b>2.9</b>	<b>3.6</b>	<b>-19.3%</b>	<b>72.7%</b>
Ordinary Net Profit growth	91.6%	-106.4%	n.a.	73.7%	80.4%	201.3%	149.8%	24.4%		
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
<b>Recurrent EBITDA</b>						<b>13.9</b>	<b>16.5</b>	<b>17.7</b>	<b>89.0%</b>	<b>17.3%</b>
Rentals (IFRS 16 impact)						(9.3)	(9.4)	(9.5)		
Working Capital Increase						(1.9)	(1.5)	(1.6)		
<b>Recurrent Operating Cash Flow</b>						<b>2.7</b>	<b>5.6</b>	<b>6.6</b>	<b>-57.7%</b>	<b>74.2%</b>
CAPEX						(4.9)	(4.5)	(4.3)		
Net Financial Result affecting the Cash Flow						(0.8)	(0.9)	(1.0)		
Tax Expense						(0.3)	(0.7)	(0.9)		
<b>Recurrent Free Cash Flow</b>						<b>(3.3)</b>	<b>(0.5)</b>	<b>0.4</b>	<b>-55.2%</b>	<b>27.0%</b>
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
<b>Free Cash Flow</b>						<b>(3.3)</b>	<b>(0.5)</b>	<b>0.4</b>	<b>n.a.</b>	<b>27.4%</b>
Capital Increase						-	-	-		
Dividends						-	-	-		
<b>Net Debt Variation</b>						<b>3.3</b>	<b>0.5</b>	<b>(0.4)</b>		

## Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
<b>Recurrent EBITDA</b>	<b>10.3</b>	<b>(10.0)</b>	<b>4.5</b>	<b>10.9</b>	<b>13.9</b>	<b>16.5</b>	<b>17.7</b>	<b>2.1%</b>	<b>17.3%</b>
<i>Recurrent EBITDA growth</i>	<i>n.a.</i>	<i>-197.0%</i>	<i>145.2%</i>	<i>142.9%</i>	<i>26.9%</i>	<i>18.8%</i>	<i>7.0%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>8.8%</i>	<i>n.a.</i>	<i>4.8%</i>	<i>9.5%</i>	<i>11.4%</i>	<i>13.0%</i>	<i>13.3%</i>		
- Rentals (IFRS 16 impact)	(8.9)	(8.7)	(7.8)	(9.1)	(9.3)	(9.4)	(9.5)		
+/- Working Capital increase	(1.9)	9.4	5.5	(3.8)	(1.9)	(1.5)	(1.6)		
<b>= Recurrent Operating Cash Flow</b>	<b>(0.5)</b>	<b>(9.2)</b>	<b>2.3</b>	<b>(2.0)</b>	<b>2.7</b>	<b>5.6</b>	<b>6.6</b>	<b>-60.2%</b>	<b>74.2%</b>
<i>Rec. Operating Cash Flow growth</i>	<i>-201.8%</i>	<i>n.a.</i>	<i>124.4%</i>	<i>-188.9%</i>	<i>232.3%</i>	<i>110.8%</i>	<i>17.9%</i>		
<i>Rec. Operating Cash Flow / Sales</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.4%</i>	<i>n.a.</i>	<i>2.2%</i>	<i>4.4%</i>	<i>5.0%</i>		
- CAPEX	(2.6)	(2.0)	(2.2)	(5.5)	(4.9)	(4.5)	(4.3)		
- Net Financial Result affecting Cash Flow	(0.1)	(1.3)	(0.7)	(0.5)	(0.8)	(0.9)	(1.0)		
- Taxes	(0.6)	(0.0)	(0.4)	(0.2)	(0.3)	(0.7)	(0.9)		
<b>= Recurrent Free Cash Flow</b>	<b>(3.7)</b>	<b>(12.6)</b>	<b>(1.1)</b>	<b>(8.3)</b>	<b>(3.3)</b>	<b>(0.5)</b>	<b>0.4</b>	<b>-30.6%</b>	<b>27.0%</b>
<i>Rec. Free Cash Flow growth</i>	<i>-160.5%</i>	<i>-239.5%</i>	<i>91.0%</i>	<i>-628.3%</i>	<i>59.5%</i>	<i>84.2%</i>	<i>174.0%</i>		
<i>Rec. Free Cash Flow / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.3%</i>		
- Restructuring expenses & others	1.1	3.1	(4.1)	2.4	-	-	-		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
<b>= Free Cash Flow</b>	<b>(2.6)</b>	<b>(9.4)</b>	<b>(5.3)</b>	<b>(5.8)</b>	<b>(3.3)</b>	<b>(0.5)</b>	<b>0.4</b>	<b>-30.3%</b>	<b>27.4%</b>
<i>Free Cash Flow growth</i>	<i>n.a.</i>	<i>-258.3%</i>	<i>44.3%</i>	<i>-10.8%</i>	<i>42.7%</i>	<i>84.2%</i>	<i>174.0%</i>		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.7%</i>		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.7%</i>		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
	2019	2020	2021	2022	2023e	2024e	2025e		
<b>Recurrent FCF(FY - 1)</b>	<b>(1.4)</b>	<b>(3.7)</b>	<b>(12.6)</b>	<b>(1.1)</b>	<b>(8.3)</b>	<b>(3.3)</b>	<b>(0.5)</b>		
EBITDA impact from revenue increase	0.0	(4.4)	(3.9)	1.1	0.6	0.6	0.7		
EBITDA impact from EBITDA/Sales variation	9.4	(15.9)	18.4	5.4	2.3	2.0	0.4		
<b>= Recurrent EBITDA variation</b>	<b>9.4</b>	<b>(20.2)</b>	<b>14.5</b>	<b>6.4</b>	<b>2.9</b>	<b>2.6</b>	<b>1.2</b>		
- Rentals (IFRS 16 impact) variation impact	(8.9)	0.2	0.9	(1.4)	(0.2)	(0.1)	(0.1)		
+/- Working capital variation impact	(1.5)	11.3	(3.9)	(9.3)	1.9	0.4	(0.1)		
<b>= Recurrent Operating Cash Flow variation</b>	<b>(1.0)</b>	<b>(8.8)</b>	<b>11.5</b>	<b>(4.3)</b>	<b>4.7</b>	<b>2.9</b>	<b>1.0</b>		
+/- CAPEX impact	(1.7)	0.5	(0.2)	(3.2)	0.6	0.4	0.1		
+/- Financial result variation	(0.6)	(1.2)	0.6	0.2	(0.3)	(0.1)	(0.0)		
+/- Tax impact	1.0	0.5	(0.4)	0.2	(0.1)	(0.4)	(0.2)		
<b>= Recurrent Free Cash Flow variation</b>	<b>(2.3)</b>	<b>(8.9)</b>	<b>11.5</b>	<b>(7.1)</b>	<b>4.9</b>	<b>2.8</b>	<b>0.9</b>		
<b>Recurrent Free Cash Flow</b>	<b>(3.7)</b>	<b>(12.6)</b>	<b>(1.1)</b>	<b>(8.3)</b>	<b>(3.3)</b>	<b>(0.5)</b>	<b>0.4</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
<b>EBIT</b>	<b>1.0</b>	<b>(17.6)</b>	<b>(8.6)</b>	<b>3.0</b>	<b>3.1</b>	<b>5.5</b>	<b>6.5</b>	<b>46.0%</b>	<b>30.0%</b>
* Theoretical Tax rate	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%		
= Taxes (pre- Net Financial Result)	-	-	-	-	(0.6)	(1.1)	(1.3)		
<b>Recurrent EBITDA</b>	<b>10.3</b>	<b>(10.0)</b>	<b>4.5</b>	<b>10.9</b>	<b>13.9</b>	<b>16.5</b>	<b>17.7</b>	<b>2.1%</b>	<b>17.3%</b>
- Rentals (IFRS 16 impact)	(8.9)	(8.7)	(7.8)	(9.1)	(9.3)	(9.4)	(9.5)		
+/- Working Capital increase	(1.9)	9.4	5.5	(3.8)	(1.9)	(1.5)	(1.6)		
<b>= Recurrent Operating Cash Flow</b>	<b>(0.5)</b>	<b>(9.2)</b>	<b>2.3</b>	<b>(2.0)</b>	<b>2.7</b>	<b>5.6</b>	<b>6.6</b>	<b>-60.2%</b>	<b>74.2%</b>
- CAPEX	(2.6)	(2.0)	(2.2)	(5.5)	(4.9)	(4.5)	(4.3)		
- Taxes (pre- Financial Result)	-	-	-	-	(0.6)	(1.1)	(1.3)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>(3.0)</b>	<b>(11.3)</b>	<b>0.0</b>	<b>(7.5)</b>	<b>(2.8)</b>	<b>0.0</b>	<b>1.0</b>	<b>-34.9%</b>	<b>28.7%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	<i>-742.0%</i>	<i>-270.2%</i>	<i>100.2%</i>	<i>n.a.</i>	<i>61.9%</i>	<i>101.2%</i>	<i>n.a.</i>		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.0%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.0%</i>	<i>0.7%</i>		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>(3.0)</b>	<b>(11.3)</b>	<b>0.0</b>	<b>(7.5)</b>	<b>(2.8)</b>	<b>0.0</b>	<b>1.0</b>	<b>-34.9%</b>	<b>28.7%</b>
<i>Free Cash Flow (To the Firm) growth</i>	<i>-235.9%</i>	<i>-270.2%</i>	<i>100.2%</i>	<i>n.a.</i>	<i>61.9%</i>	<i>101.2%</i>	<i>n.a.</i>		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.0%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.0%</i>	<i>1.0%</i>		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.0%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.0%</i>	<i>1.0%</i>		

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

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

**Recurrent EBITDA vs Recurrent Free Cash Flow**

**Stock performance vs EBITDA 12m forward**

**Appendix 3. EV breakdown at the date of this report**

	EUR Mn	Source
Market Cap	58.9	
+ Minority Interests	-	12m Results 2022
+ Provisions & Other L/T Liabilities	34.0	12m Results 2022
+ Net financial debt	8.1	12m Results 2022
- Financial Investments	5.6	12m Results 2022
+/- Others <sup>(1)</sup>		
<b>Enterprise Value (EV)</b>	<b>95.4</b>	

(1) Incluye el pasivo derivado de la aplicación de la NIIF 16 (arrendamientos) por importe de EUR 27,4Mn.



## Appendix 4. Historical performance <sup>(1)</sup>

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															12-22	22-25e
Total Revenues	156.1	134.9	124.3	108.4	113.2	117.0	113.4	116.2	66.8	93.2	115.3	121.9	127.2	132.8	-3.0%	4.8%
Total Revenues growth	-6.5%	-13.6%	-7.9%	-12.8%	4.4%	3.3%	-3.0%	2.5%	-42.5%	39.5%	23.7%	5.7%	4.3%	4.4%		
EBITDA	1.6	(2.7)	(1.1)	(17.7)	(9.0)	(2.2)	1.2	11.3	(6.8)	0.4	13.4	13.9	16.5	17.7	23.9%	9.7%
EBITDA growth	-84.7%	-269.0%	58.6%	n.a.	49.0%	75.6%	153.3%	868.1%	-160.1%	105.5%	n.a.	3.9%	18.8%	7.0%		
EBITDA/Sales	1.0%	n.a.	n.a.	n.a.	n.a.	n.a.	1.0%	9.8%	n.a.	0.4%	11.6%	11.4%	13.0%	13.3%		
Net Profit	(9.3)	(10.3)	(11.0)	8.0	(22.7)	(6.9)	(0.5)	(8.3)	(19.3)	(9.3)	0.2	1.2	2.9	3.6	7.3%	n.a.
Net Profit growth	-106.1%	-10.7%	-7.5%	172.2%	-384.8%	69.8%	92.7%	n.a.	-132.5%	52.1%	101.7%	638.4%	149.8%	24.4%		
Adjusted number shares (Mn)	9.1	9.1	9.1	9.1	9.1	9.1	9.0	9.2	9.2	9.2	9.3	9.3	9.3	9.3		
EPS (EUR)	-1.01	-1.12	-1.21	0.87	-2.48	-0.75	-0.06	-0.90	-2.10	-1.01	0.02	0.13	0.32	0.39	7.3%	n.a.
EPS growth	n.a.	-10.7%	-7.5%	n.a.	n.a.	69.8%	92.6%	n.a.	n.a.	52.1%	n.a.	n.a.	n.a.	24.4%		
Ord. EPS (EUR)	-1.83	-1.15	-1.28	-2.14	-2.48	-0.80	-0.06	-0.13	-2.44	-0.64	-0.12	0.13	0.32	0.39	23.6%	72.7%
Ord. EPS growth	n.a.	37.4%	-11.9%	-66.7%	-16.3%	67.8%	92.1%	n.a.	n.a.	73.7%	80.6%	n.a.	n.a.	24.4%		
CAPEX	(6.2)	(1.6)	(2.0)	(2.4)	(2.0)	(0.9)	(0.8)	(2.6)	(2.0)	(2.2)	(5.5)	(4.9)	(4.5)	(4.3)		
CAPEX/Sales %	4.0%	1.2%	1.6%	2.2%	1.8%	0.8%	0.7%	2.2%	3.0%	2.4%	4.7%	4.0%	3.5%	3.3%		
Free Cash Flow	(11.3)	5.3	(3.6)	20.4	(12.7)	4.3	0.1	(2.6)	(9.4)	(5.3)	(5.8)	(3.3)	(0.5)	0.4	6.4%	27.4%
ND/EBITDA (x) <sup>(2)</sup>	14.0x	n.a.	n.a.	n.a.	n.a.	n.a.	-10.2x	-0.9x	n.a.	4.6x	0.6x	0.9x	0.8x	0.8x		
P/E (x)	n.a.	n.a.	n.a.	4.0x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	50.3x	20.1x	16.2x		
EV/Sales (x)	0.38x	0.46x	0.41x	0.08x	0.29x	0.27x	0.48x	0.35x	0.54x	0.34x	0.56x	0.78x	0.75x	0.72x		
EV/EBITDA (x) <sup>(2)</sup>	37.8x	n.a.	n.a.	n.a.	n.a.	n.a.	46.0x	3.6x	n.a.	n.a.	4.8x	6.9x	5.8x	5.4x		
Absolute performance	-24.1%	44.8%	-12.4%	-30.4%	-4.9%	62.2%	29.7%	2.6%	-35.9%	-16.3%	6.1%	57.6%				
Relative performance vs Ibx 35	-20.4%	19.2%	-15.5%	-25.1%	-3.0%	51.0%	52.5%	-8.2%	-24.2%	-22.4%	12.3%	36.8%				

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

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

## Appendix 5. Main peers 2023e

		Affordable Luxury players					Specialised Retail Holdings					
		Burberry Group PLC	Hugo Boss AG	Salvatore Ferragamo SpA	SMCP SA	Average	Kering	Tapestry	Capri Holdings Ltd	PVH Corp	Average	ADZ
EUR Mn												
Market data	Ticker (Factset)	BRBY-GB	BOSS-DE	SFER-IT	SMCP-FR		KER-FR	TPR-US	CPRI-US	PVH-US		ADZ-ES
	Country	UK	Germany	Italy	France		France	USA	UK	USA		Spain
	Market cap	9,309.5	5,298.3	2,476.1	650.1		62,233.9	9,206.1	3,793.6	5,168.8		58.9
	Enterprise value (EV)	9,798.6	6,134.2	2,653.2	1,336.7		69,628.8	11,568.1	6,785.2	8,218.3		95.4
Basic financial information	Total Revenues	3,850.0	4,092.4	1,301.7	1,293.0		21,088.5	5,984.5	5,033.0	8,348.7		121.9
	Total Revenues growth	6.2%	12.1%	4.0%	7.2%	7.4%	3.6%	0.2%	0.3%	3.6%	1.9%	5.7%
	2y CAGR (2023e - 2025e)	6.3%	8.9%	7.4%	6.0%	7.2%	7.6%	4.2%	4.9%	4.0%	5.2%	4.3%
	EBITDA	1,159.1	793.5	261.1	292.9		7,330.9	1,231.3	956.9	1,076.5		13.9
	EBITDA growth	0.9%	14.7%	-9.1%	9.6%	4.0%	1.0%	-2.5%	9.2%	0.7%	2.0%	3.9%
	2y CAGR (2023e - 2025e)	6.5%	13.4%	18.2%	6.9%	11.2%	9.5%	6.1%	7.4%	5.4%	7.1%	12.8%
	EBITDA/Revenues	30.1%	19.4%	20.1%	22.7%	23.1%	34.8%	20.6%	19.0%	12.9%	21.8%	11.4%
	EBIT	753.4	406.9	77.7	124.7		5,732.9	1,064.0	797.0	818.2		3.1
	EBIT growth	0.5%	11.8%	-33.3%	12.1%	-2.2%	2.6%	-2.3%	11.2%	1.7%	3.3%	5.2%
	2y CAGR (2023e - 2025e)	10.5%	20.8%	44.0%	13.0%	22.1%	10.2%	6.1%	7.0%	6.7%	7.5%	44.6%
	EBIT/Revenues	19.6%	9.9%	6.0%	9.6%	11.3%	27.2%	17.8%	15.8%	9.8%	17.6%	2.6%
	Net Profit	532.0	256.3	39.4	63.9		3,824.3	837.6	662.3	555.8		1.2
	Net Profit growth	-7.3%	22.4%	-43.4%	24.5%	-1.0%	5.8%	9.5%	20.4%	210.5%	61.5%	638.4%
2y CAGR (2023e - 2025e)	9.5%	23.9%	56.3%	15.8%	26.4%	10.8%	5.7%	7.4%	8.1%	8.0%	76.3%	
CAPEX/Sales %	7.0%	5.9%	8.3%	4.6%	6.4%	6.1%	4.6%	4.7%	3.7%	4.8%	4.0%	
Free Cash Flow	576.3	307.1	78.5	74.4		4,123.4	740.0	638.3	609.0		(3.3)	
Net financial debt	(571.1)	310.1	243.9	500.6		529.7	835.6	1,323.2	1,375.3		12.3	
ND/EBITDA (x)	n.a.	0.4	0.9	1.7	1.0	0.1	0.7	1.4	1.3	0.9	0.9	
Pay-out	53.1%	36.0%	60.9%	0.0%	37.5%	47.7%	34.9%	0.0%	1.4%	21.0%	0.0%	
Multiples and Ratios	P/E (x)	17.4	20.5	63.3	9.8	27.8	16.2	11.0	6.0	9.2	10.6	50.3
	P/BV (x)	5.3	3.9	3.3	0.5	3.3	4.0	4.2	1.7	1.1	2.7	3.2
	EV/Revenues (x)	2.5	1.5	2.0	1.0	1.8	3.3	1.9	1.3	1.0	1.9	0.8
	EV/EBITDA (x)	8.5	7.7	10.2	4.6	7.7	9.5	9.4	7.1	7.6	8.4	6.9
	EV/EBIT (x)	13.0	15.1	34.1	10.7	18.2	12.1	10.9	8.5	10.0	10.4	30.7
	ROE	30.4	19.2	5.2	5.3	15.0	24.5	38.4	28.4	12.0	25.8	6.6
	FCF Yield (%)	6.2	5.8	3.2	11.4	6.6	6.6	8.0	16.8	11.8	10.8	n.a.
	DPS	0.73	1.34	0.14	0.00	0.55	14.81	1.10	0.00	0.12	4.01	0.00
	Dvd Yield	3.0%	1.8%	1.0%	0.0%	1.4%	3.0%	2.8%	0.0%	0.1%	1.5%	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).



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

