

**EQUITY - SPAIN**

Sector: Textiles, Apparel &amp; Luxury Goods

 Closing price: EUR 6.00 (27 Apr 2023)  
 Report date: 28 Apr 2023 (14:00h)

**12m Results 2022**  
 Independent Equity Research

**12m Results 2022**

 Opinion <sup>(1)</sup>: In line

 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.

## 2022 results in line. ADZ completes its business restructuring and gathers momentum

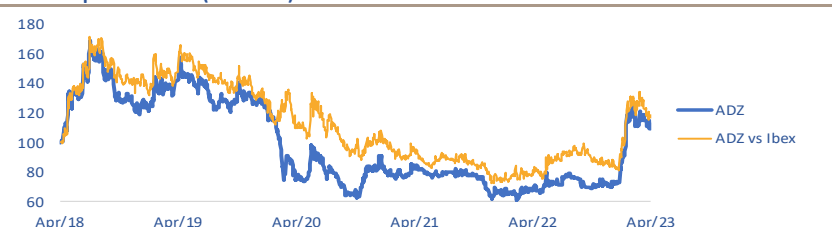
**A STRONG 4Q BOOSTED REVENUE (2022 REVENUE OF EUR 115.3Mn; +23.7% VS 2021)...** Strong growth in revenue in 2022, +26.6% LFL. Double-digit growth in revenue in the year's last quarter (4Q22 revenue in isolation of EUR 39.5Mn; +25.4% vs 4Q21) vindicates the success of ADZ's strategy, which we can summarise as follows: i) restructuring and relocating points of sale to areas with higher footfall (similar revenue to 2019, with 51 fewer stores; 339 stores in 2022), ii) promoting recognition of designer brands over fast fashion and iii) internationalization (with emphasis on Mexico's business growth, ADZ's second largest market: +45%; 19% of revenue in 2022). Performance by the online channel was largely steady (+2%).

**... WITHOUT ANY MARGIN CONTRACTION DESPITE THE MACRO BACKDROP (REC. EBITDA 2022 OF EUR 10.9Mn VS EUR 4.5Mn IN 2021).** ADZ's commitment to its "full price" strategy, bringing forward new collections (passing on price increases to customers) and shortening the sales campaign, has enabled it to weather the macro situation and protect its margins (gross margin 2022 of 57.3%; +0.7p.p. vs 2021). The restructuring carried out in 2021 offset the increase in other operating expenses (+13%), lifting the Rec. EBITDA margin in 2022 to 9.5% (vs 4.8% in 2021), leaving Rec. EBITDA of EUR 10.9Mn (vs. EUR 4.5Mn in 2021; in line with our estimates).

**WITH DEBT UNDER CONTROL (ND/EBIT 2022 OF 2.7X).** Despite a higher working capital and CAPEX requirement (EUR 5.5Mn vs EUR 2.2Mn in 2021), ADZ ended 2022 with net debt of EUR 8.1Mn (in line with our estimates), which we consider to be a reasonable level (ND/EBITDA 2022 0,7x vs 0,9x for the sector).

**OUR ESTIMATES ARE UNCHANGED.** After the FY 2022 results, our estimates are unchanged. Our baseline scenario at present includes revenue in 2023e of EUR 121.9Mn and EBITDA 2023e of EUR 13.9Mn.

**ADZ STARTS OFF 2023 HAVING PROVEN ITS ABILITY TO ACHIEVE PROFITABLE GROWTH.** After the turnaround made over the past five years (which ended with the return to net profit in 2022), ADZ's numbers for 2022 show a retailer focused on its product (niche, designer brand instead of fast fashion) and back in the black. The challenge for 2023e is to expand the retail network (penetration in less mature markets) without undermining efficiency (average sales/store ratio). The market appears to have "noticed" ADZ's upside (+58%, -12m). Nevertheless, ADZ is still trading at a sizeable discount to EV/EBITDA 23e: 6.6x vs 8.3x for the sector (c.-20%). ADZ should continue to enjoy favourable momentum in 2023. For the same reasons as in 2022.

**Relative performance (Base 100)**

**Market Data**

Market Cap (Mn EUR and USD)	55.7	61.3
EV (Mn EUR and USD) <sup>(2)</sup>	92.2	101.5
Shares Outstanding (Mn)	9.3	
-12m (Max/Med/Min EUR)	6.86 / 4.52 / 3.60	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation <sup>(3)</sup>	7.4	
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	9.1
Free Float	22.6

**Financials (Mn EUR)**

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	9.3	9.3	9.3	9.3
Total Revenues	115.3	121.9	127.2	132.8
Rec. EBITDA	10.9	13.9	16.5	17.7
% growth	142.9	26.9	19.0	7.0
% Rec. EBITDA/Rev.	9.5	11.4	13.0	13.3
% Inc. EBITDA sector <sup>(4)</sup>	11.1	5.3	11.4	9.3
Net Profit	0.2	1.2	2.9	3.6
EPS (EUR)	0.02	0.13	0.32	0.39
% growth	101.7	635.4	151.5	24.1
Ord. EPS (EUR)	-0.12	0.13	0.32	0.39
% growth	80.6	200.9	151.5	24.1
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	14.8	15.7
ROCE (%) <sup>(5)</sup>	17.3	10.5	15.5	15.8

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

	2022	2023e	2024e	2025e
P/E	n.a.	47.7	19.0	15.3
Ord. P/E	n.a.	47.7	19.0	15.3
P/BV	3.2	3.0	2.6	2.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	0.80	0.76	0.72	0.69
EV/Rec. EBITDA	8.4	6.6	5.6	5.2
EV/EBIT	31.1	29.7	16.6	14.2
FCF Yield (%) <sup>(5)</sup>	n.a.	n.a.	n.a.	0.7

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

**Stock performance (%)**

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-4.8	26.6	57.9	48.9	46.3	9.5
vs Ibex 35	-8.9	23.1	43.7	31.5	5.8	16.7
vs Ibex Small Cap Index	-4.9	36.1	66.9	35.6	5.0	3.1
vs Eurostoxx 50	-9.0	21.4	35.3	29.6	-3.2	-11.6
vs Sector benchmark <sup>(4)</sup>	-13.4	12.6	5.2	11.6	-30.3	-45.7

## 12m Results 2022

### 12m2022 Results

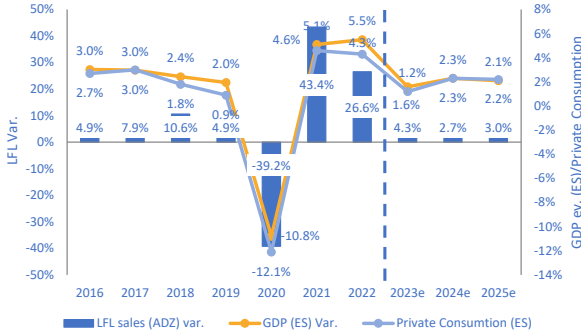
Any reference to the results for the period 12M refers to the period between 1 march of the corresponding year to 28 February of the following year.

EUR Mn	12m22		12m22 Real		2022 vs		4Q22 vs	
	Real	12m21	vs 12m21	2022e	2022e	4Q22	4Q21	
<b>Total Revenues</b>	<b>115.3</b>	<b>93.2</b>	<b>23.7%</b>	<b>114.2</b>	<b>1.0%</b>	<b>39.5</b>	<b>25.4%</b>	
Sales	114.2	92.1	24.0%	111.9	2.1%			
<i>Europe</i>	83.2	68.4	21.6%	81.0	2.7%			
<i>International</i>	31.0	23.7	30.7%	30.9	0.4%			
<i>Mexico</i>	21.8	15.1	44.6%	18.1	20.6%			
<i>Japan</i>	4.8	4.7	2.1%	5.7	-15.6%			
<i>RoW</i>	4.3	3.9	11.0%	4.2	3.2%			
Other income	1.1	1.1	-0.9%	2.3	-51.5%			
<b>Gross Margin</b>	<b>66.0</b>	<b>52.7</b>	<b>25.2%</b>	<b>64.0</b>	<b>3.2%</b>	<b>18.9</b>	<b>11.1%</b>	
<i>Gross Margin/Revenues</i>	57.3%	56.6%	0.7 p.p.	56.0%	1.2 p.p.	47.8%	-6.2 p.p.	
<b>Recurrent EBITDA*</b>	<b>10.9</b>	<b>4.5</b>	<b>142.9%</b>	<b>11.1</b>	<b>-1.5%</b>	<b>3.2</b>	<b>95.8%</b>	
<i>Rec. EBITDA/Revenues</i>	9.5%	4.8%	4.7 p.p.	9.7%	-0.2 p.p.	8.0%	2.9 p.p.	
<b>EBITDA</b>	<b>13.4</b>	<b>0.4</b>	<b>n.a.</b>	<b>11.1</b>	<b>20.4%</b>	<b>5.6</b>	<b>79.4%</b>	
<i>EBITDA/Revenues</i>	11.6%	0.4%	11.2 p.p.	9.7%	1.9 p.p.	14.2%	4.3 p.p.	
<b>EBIT</b>	<b>3.0</b>	<b>-8.6</b>	<b>134.3%</b>	<b>1.0</b>	<b>196.0%</b>	<b>2.5</b>	<b>201%</b>	
<b>PBT</b>	<b>1.3</b>	<b>-10.0</b>	<b>112.6%</b>	<b>-1.8</b>	<b>170.5%</b>	<b>2.4</b>	<b>272%</b>	
<b>NP</b>	<b>0.2</b>	<b>-9.3</b>	<b>101.7%</b>	<b>-1.9</b>	<b>108.4%</b>	<b>2.3</b>	<b>48%</b>	
Points of sale	339	348	-2.6%	351	-4%			
Net Debt	8.1	1.7	368%	8.8	-8%			

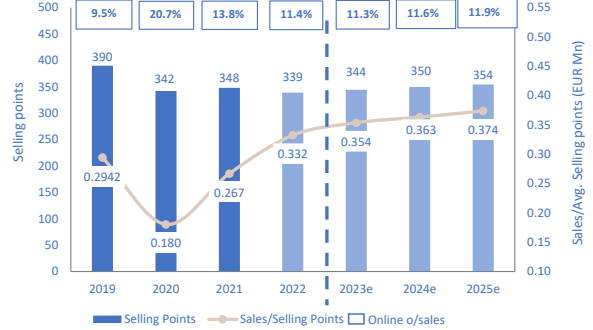
Note 1: Recurring EBITDA adjusted to exclude the impact of non recurrent revenues of EUR +2.4Mn in 2022 and non recurrent expenses of EUR -4.1Mn in 2021.

**La compañía en 8 gráficos**

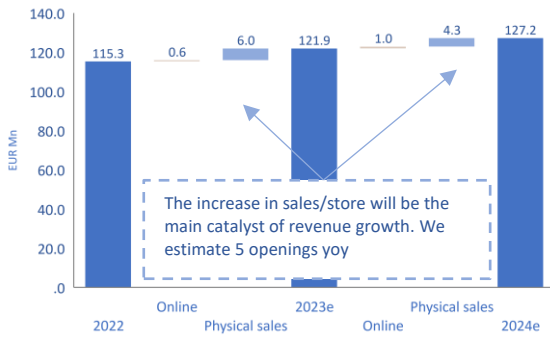
*The sector in which ADZ operates is highly cyclical*



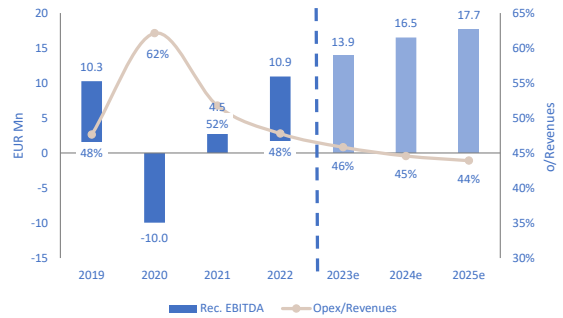
*The re-sizing of the retail surface area has increased profitability perstore (driven by the online business: 11.4% of 22 revenue)...*



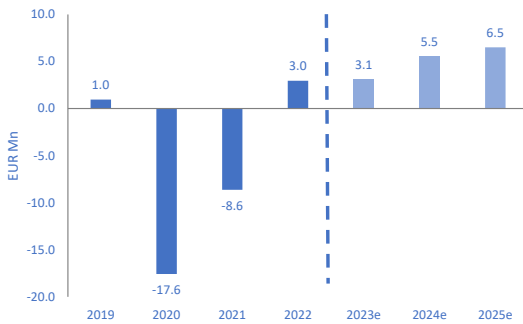
*...the main driver on which we base our forecast for revenue growth in 2023e and 2024e (5 openings yoy)*



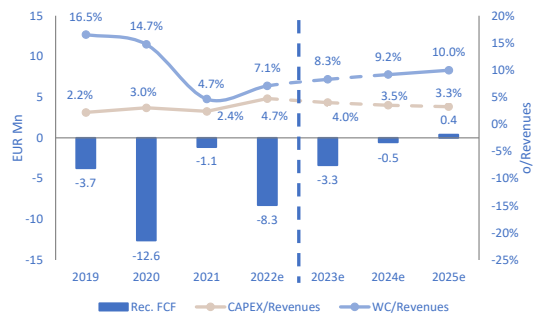
*The focus on cost reduction will allow ADZ to lever on its structure*



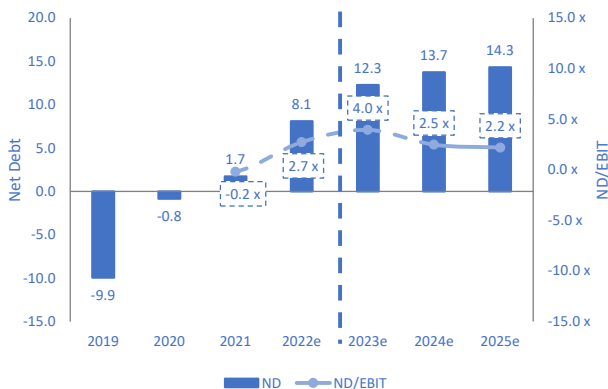
*Revenue growth (+4.8% 22-25e CAGR) and cost control will drive 25e EBIT to EUR 6.5Mn (vs EUR 1Mn in 2019)*



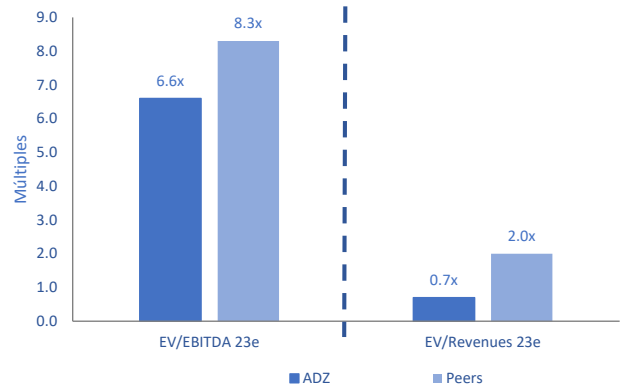
*That will make it possible to achieve break-even in FCF 2024e, despite the intensification of CAPEX and working capital*



*Estimated cash consumption until 2025 will increase 2025e ND to EUR 14.3Mn (ND/EBIT 2024e 2.2x)*



*Trading at attractive multiples: EV/EBITDA 23e 6.6x and EV/Sales 22e 0.8x (vs EV/EBITDA 23e 8.3x y EV/Sales 23e 2x from sector)*



## Valuation inputs

### Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value <sup>(1)</sup>			
Free Cash Flow "To the Firm"	(2.9)	0.0	1.0	n.a.			
Market Cap	55.7	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)	87.3%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	12.7%	D			=	=	
WACC	9.3%	WACC = Kd * D + Ke * E			8.3%	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	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	11,144.3	19.7	12.1%	9.9	0.4%	3.1	8.0%	31.0%	5.8%	n.a.
Hugo Boss AG	BOSS-DE	4,783.0	19.8	19.1%	7.3	9.7%	1.4	6.4%	19.3%	7.6%	5.6%
Salvatore Ferragamo SpA	SFER-IT	2,650.0	67.4	56.7%	10.7	18.0%	2.1	7.6%	19.9%	2.9%	29.4%
SMCP SA	SMCP-FR	588.3	9.1	13.1%	4.4	6.9%	1.0	5.9%	22.6%	12.6%	16.7%
<b>Affordable Luxury players</b>			29.0	25.3%	8.1	8.7%	1.9	7.0%	23.2%	7.2%	17.2%
Kering	KER-FR	71,936.2	18.0	11.0%	10.6	9.8%	3.7	7.8%	35.0%	6.3%	6.5%
Tapestry	TPR-US	8,758.6	11.0	13.1%	9.0	6.9%	1.8	4.9%	20.3%	7.8%	19.0%
Capri Holdings Ltd	CPRI-US	4,726.7	6.5	12.9%	7.1	6.4%	1.4	4.4%	20.1%	n.a.	12.2%
PVH Corp	PVH-US	4,759.3	8.3	11.1%	7.1	5.8%	0.9	3.9%	12.8%	13.3%	11.3%
<b>Specialised Retail Holdings</b>			11.0	12.0%	8.5	7.2%	2.0	5.2%	22.1%	9.1%	12.3%
ADZ	ADZ-ES	55.7	47.7	76.7%	6.6	12.8%	0.8	4.4%	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%	18.2	5.1x
Central	13.0%	16.5	5.6x
Min	11.7%	14.9	6.2x

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

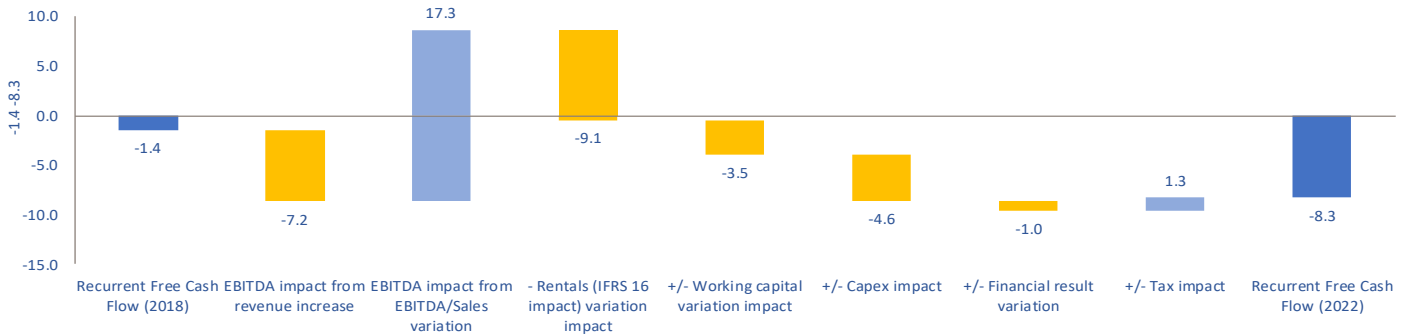
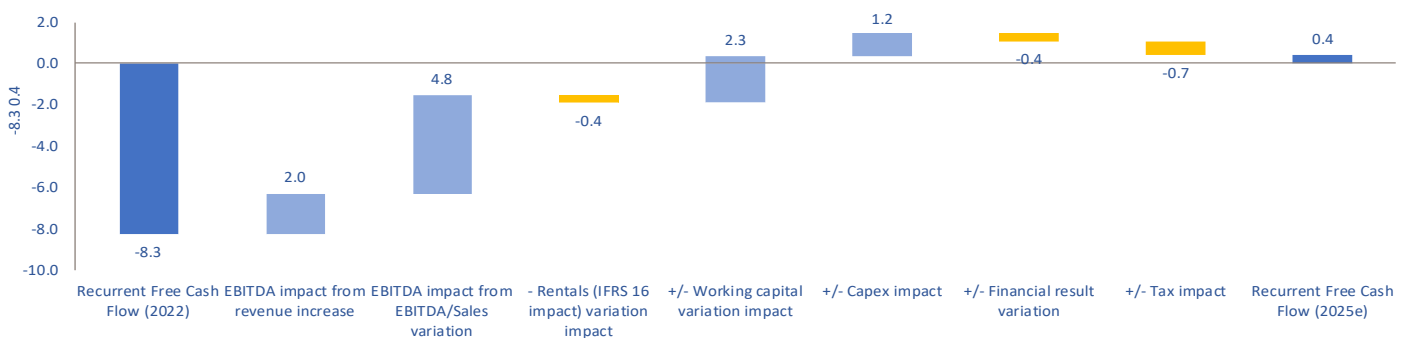
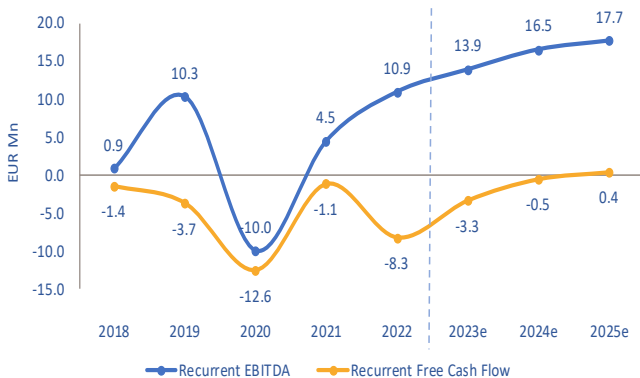
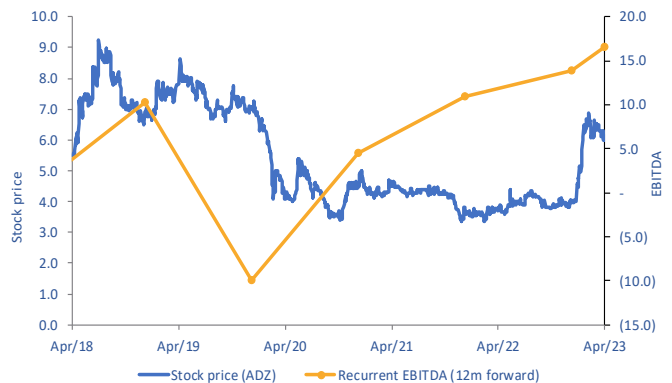
Rec. FCF EUR Mn	CAPEX/Sales 24e		
	EBITDA 24e	3.1%	3.5%
18.2	1.6	1.1	0.6
16.5	(0.0)	(0.5)	(1.0)
14.9	(1.7)	(2.2)	(2.7)

## 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	25.0		
Minority Interests	0.8	0.9	1.0	-	-	-	-	-		
Provisions & Other L/T Liabilities	1.0	1.5	1.4	1.5	1.4	1.4	1.4	1.4		
Other Non Current Liabilities	-	34.2	28.2	29.0	32.7	32.7	32.7	32.7		
Net financial debt	(12.0)	(9.9)	(0.8)	1.7	8.1	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%	19.0%	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%	5.0%	78.4%	17.5%		
EBIT/Revenues	n.a.	0.8%	n.a.	n.a.	2.6%	2.5%	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>53.1%</b>
Ordinary Profit Growth	98.0%	105.5%	n.a.	47.9%	112.6%	14.9%	151.5%	24.1%		
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>53.1%</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%	635.4%	151.5%	24.1%		
<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%	200.9%	151.5%	24.1%		
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>2.6</b>	<b>5.6</b>	<b>6.6</b>	<b>-57.7%</b>	<b>74.3%</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>19.0%</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>2.6</b>	<b>5.6</b>	<b>6.6</b>	<b>-60.2%</b>	<b>74.3%</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>232.0%</i>	<i>111.5%</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>84.3%</i>	<i>174.9%</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>42.6%</i>	<i>84.3%</i>	<i>174.9%</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>3.0</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>2.6</b>	<b>5.6</b>	<b>6.6</b>	<b>-60.2%</b>	<b>74.3%</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>(2.9)</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>101.3%</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>(2.9)</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>101.3%</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>1.1%</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>1.1%</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	55.7	
+ 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>92.2</b>	

(1) Nota 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.	3.8%	19.0%	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%	635.4%	151.5%	24.1%		
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.	24.1%		
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.	24.1%		
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.	47.7x	19.0x	15.3x		
EV/Sales (x)	0.37x	0.33x	0.48x	0.23x	0.18x	0.26x	0.27x	0.49x	0.77x	0.40x	0.33x	0.76x	0.72x	0.69x		
EV/EBITDA (x) <sup>(2)</sup>	36.5x	n.a.	n.a.	n.a.	n.a.	n.a.	26.0x	5.0x	n.a.	n.a.	2.8x	6.6x	5.6x	5.2x		
Absolute performance	-24.1%	44.8%	-12.4%	-30.4%	-4.9%	62.2%	29.7%	2.6%	-35.9%	-16.3%	6.1%	48.9%				
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%	31.5%				

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	Hugo Boss AG	Salvatore Ferragamo SpA	SMCP SA	Average	Kering	Tapestry	Capri Holdings Ltd	PVH Corp	Average	ADZ
EUR Mn		Group PLC										
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	11,144.3	4,783.0	2,650.0	588.3		71,936.2	8,758.6	4,726.7	4,759.3		55.7
	Enterprise value (EV)	11,624.4	5,474.5	2,823.6	1,275.6		79,186.5	10,993.1	7,505.9	7,746.7		92.2
Basic financial information	Total Revenues	3,801.7	3,876.3	1,327.6	1,294.0		21,349.8	6,024.8	5,240.2	8,506.7		121.9
	Total Revenues growth	8.1%	6.2%	6.1%	7.3%	6.9%	4.9%	-0.8%	3.4%	3.8%	2.8%	5.7%
	2y CAGR (2023e - 2025e)	8.0%	6.4%	7.6%	5.9%	7.0%	7.8%	4.9%	4.4%	3.9%	5.2%	4.4%
	EBITDA	1,177.2	749.7	263.7	293.0		7,464.1	1,225.0	1,052.3	1,092.5		13.9
	EBITDA growth	8.8%	8.4%	-8.2%	9.6%	4.6%	2.9%	-4.6%	5.3%	0.1%	0.9%	3.8%
	2y CAGR (2023e - 2025e)	0.4%	9.7%	18.0%	6.9%	8.7%	9.8%	6.9%	6.4%	5.8%	7.2%	12.8%
	EBITDA/Revenues	31.0%	19.3%	19.9%	22.6%	23.2%	35.0%	20.3%	20.1%	12.8%	22.1%	11.4%
	EBIT	775.6	374.7	79.0	124.8		5,851.8	1,054.3	881.9	826.6		3.1
	EBIT growth	9.8%	2.9%	-32.2%	12.2%	-1.8%	4.7%	-4.7%	5.3%	1.1%	1.6%	5.0%
	2y CAGR (2023e - 2025e)	12.7%	16.9%	44.7%	12.9%	21.8%	10.5%	8.1%	6.1%	7.3%	8.0%	44.7%
	EBIT/Revenues	20.4%	9.7%	6.0%	9.6%	11.4%	27.4%	17.5%	16.8%	9.7%	17.9%	2.5%
	Net Profit	562.3	238.9	40.3	63.8		3,918.8	815.7	736.6	562.6		1.2
	Net Profit growth	5.3%	14.0%	-42.1%	24.4%	0.4%	8.5%	4.9%	-3.0%	209.1%	54.8%	635.4%
	2y CAGR (2023e - 2025e)	10.7%	18.7%	54.7%	15.8%	25.0%	11.0%	7.9%	8.9%	8.9%	9.2%	76.7%
CAPEX/Sales %	6.7%	5.3%	8.1%	4.7%	6.2%	6.0%	4.8%	4.6%	3.8%	4.8%	4.0%	
Free Cash Flow	642.5	365.8	77.5	74.4		4,549.2	681.5	623.9	631.7		(3.3)	
Net financial debt	(1,090.0)	76.7	244.3	500.6		861.3	475.4	307.7	1,446.0		12.3	
ND/EBITDA (x)	n.a.	0.1	0.9	1.7	0.9	0.1	0.4	0.3	1.3	0.5	0.9	
Pay-out	50.9%	36.9%	61.8%	0.0%	37.4%	46.9%	36.5%	0.0%	1.2%	21.2%	0.0%	
Multiples and Ratios	P/E (x)	19.7	19.8	67.4	9.1	29.0	18.0	11.0	6.5	8.3	11.0	47.7
	P/BV (x)	5.6	3.7	3.6	0.5	3.3	4.5	4.0	1.7	1.0	2.8	3.0
	EV/Revenues (x)	3.1	1.4	2.1	1.0	1.9	3.7	1.8	1.4	0.9	2.0	0.8
	EV/EBITDA (x)	9.9	7.3	10.7	4.4	8.1	10.6	9.0	7.1	7.1	8.5	6.6
	EV/EBIT (x)	15.0	14.6	35.7	10.2	18.9	13.5	10.4	8.5	9.4	10.5	29.7
	ROE	28.3	18.5	5.3	5.3	14.3	25.0	36.9	26.5	11.9	25.1	6.6
	FCF Yield (%)	5.8	7.6	2.9	12.6	7.2	6.3	7.8	13.2	13.3	10.1	n.a.
	DPS	0.71	1.28	0.15	0.00	0.53	14.92	1.13	0.00	0.11	4.04	0.00
Dvd Yield	2.4%	1.9%	1.0%	0.0%	1.3%	2.6%	3.0%	0.0%	0.1%	1.4%	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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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
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

