

# TAKE OFF

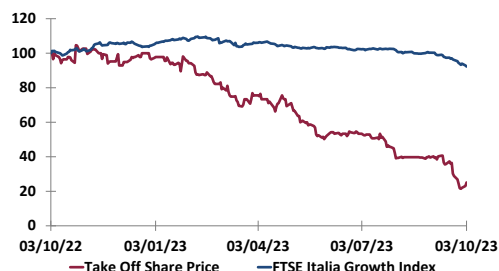
THE OUTLET COMPANY

## OUTPERFORM

**Current Share Price (€): 1.13**

**Target Price (€): 3.34**

### Take Off - 1Y Performance



Source: S&P Capital IQ - Note: 03/10/2022=100

### Company data

ISIN number	IT0005467425
Bloomberg code	TKF IM
Reuters code	TKF.MI
Industry	Apparel retail
Stock market	Euronext Growth Milan
Share Price (€)	1.13
Date of Price	03/10/2023
Shares Outstanding (m)	15.6
Market Cap (€m)	17.7
Market Float (%)	39.1%
Daily Volume	55,125
Avg Daily Volume YTD	12,811
Target Price (€)	3.34
Upside (%)	196%
Recommendation	OUTPERFORM

### Share price performance

	1M	3M	6M	1Y
Take Off - Absolute (%)	-37%	-52%	-66%	-75%
FTSE Italia Growth (%)	-8%	-9%	-13%	-7%
1Y Range H/L (€)			4.71	0.97
YTD Change (€) / %			-3.21	-74%

Source: S&P Capital IQ

### Analysts

Luigi Tardella - Head of Research

ltardella@envent.it

Viviana Sepe vsepe@envent.it

### EnVent Italia SIM S.p.A.

Via degli Omenoni, 2 - 20121 Milano (Italy)

Phone +39 02 22175979

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## Sales growth outweighed by cost increases, working to preserve profitability

### Stock performance: declining by over 70% over LTM

Take Off share price held the line until Feb-Mar 2023, trading in the range €4.70-€3.70, then, a downward trend started, bringing to its historical minimum in the region of €1. The share price lost 75% over LTM, underperforming the Italia Growth Index at -7%.

### Take Off outlet sales up by 20% in H1 2023, slowdown of expected openings, profitability remains under pressure

H1 2023 sales were €15.5m, +20% on H1 2022, driven by Take Off outlet sales at €12.6m, up by 24%, while Over had €2.9m sales, +7%. Trade margin on sales decreased at below 50%. EBITDA was €2.5m, -23% on H1 2022, 16% on sales vs 25% in H1 2022. EBIT was €1m and net income €0.5m. Net cash decreased from €7m at FY22 year-end to €2.9m as of June 2023, mainly for €8m TWC and capex outflows.

In H1 there were 3 Take Off store openings and 1 closure, bringing stores to 164, with breakdown: Take Off 50, Overkids 114. We acknowledge a slowdown in openings, attributable, according to management, to the repositioning in more performing locations. Take Off sales per store have been €500k, as in 2022. Average price per item, according to management, rose to €30 from €27 in FY22 for Take Off and from €8 to €9.5 for Over.

### Estimates revision

On the back of H1 results, considering the historical seasonality with concentration of sales in H2, we confirm our sales estimates, that we deem at reach. On the other side, we factor in the decrease in profitability, resulting in an EBITDA margin on sales in the region of 20%, consistent with the high side of management guidance 18-20% range. The Company is taking measures to balance the slowdown in profitability with cost containment. So far, Take Off was able to navigate through uncertain economic environment, with pressure on consumer discretionary disposable income after rising inflation and interest rates, suggesting prudence about the expected sales growth.

### Target Price €3.34 per share (from €6.41), OUTPERFORM rating confirmed

Our updated estimates and valuation reflect a picture of a rising risk profile in the short-term, as evidenced by market sentiment. In this scenario, the values based on profitability multiples become inconsistent, as such, for our rating we better rely on the DCF methodology providing a long-run view. At the same time, we see revenue-based multiples more significant, since reflecting the value of Take Off retail network, considered as value threshold, regardless of current financial performance. The revised target price is €3.34 per share, from €6.41 of our previous note, corresponding to 10x 2023E EV/EBIT, while Take Off currently trades at 3x. Given the substantial upside on current share price, we confirm the OUTPERFORM rating on the stock.

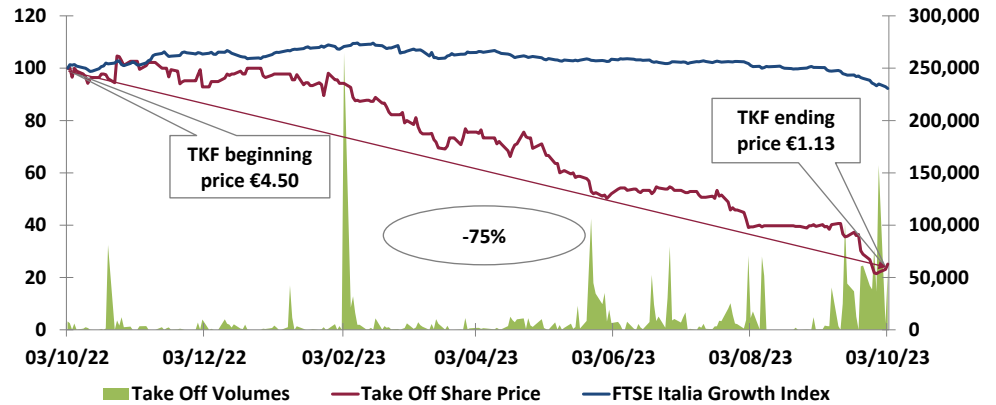
### KEY FINANCIALS AND ESTIMATES

€m	2019	2020	2021	2022	2023E	2024E	2025E
<b>Sales</b>	<b>32.1</b>	<b>21.2</b>	<b>26.4</b>	<b>29.8</b>	<b>35.9</b>	<b>37.1</b>	<b>40.4</b>
YoY %	-	-34%	25%	13%	20%	3%	9%
<b>EBITDA</b>	<b>6.2</b>	<b>6.5</b>	<b>9.5</b>	<b>7.3</b>	<b>7.3</b>	<b>7.6</b>	<b>8.3</b>
Margin on Sales	19%	31%	36%	24%	20%	20%	21%
<b>EBIT</b>	<b>4.6</b>	<b>5.0</b>	<b>7.7</b>	<b>5.0</b>	<b>4.8</b>	<b>4.5</b>	<b>4.5</b>
Margin on Sales	14%	24%	29%	17%	13%	12%	11%
<b>Net Income</b>	<b>3.5</b>	<b>3.8</b>	<b>5.6</b>	<b>3.5</b>	<b>3.3</b>	<b>3.0</b>	<b>3.1</b>
<b>Net (Debt) Cash</b>	<b>4.7</b>	<b>0.1</b>	<b>12.1</b>	<b>7.0</b>	<b>5.4</b>	<b>7.9</b>	<b>11.7</b>
<b>Equity</b>	<b>12.8</b>	<b>11.8</b>	<b>23.7</b>	<b>24.4</b>	<b>26.7</b>	<b>29.8</b>	<b>32.9</b>

Source: Company data 2019-22A, EnVent Research 2023-25E

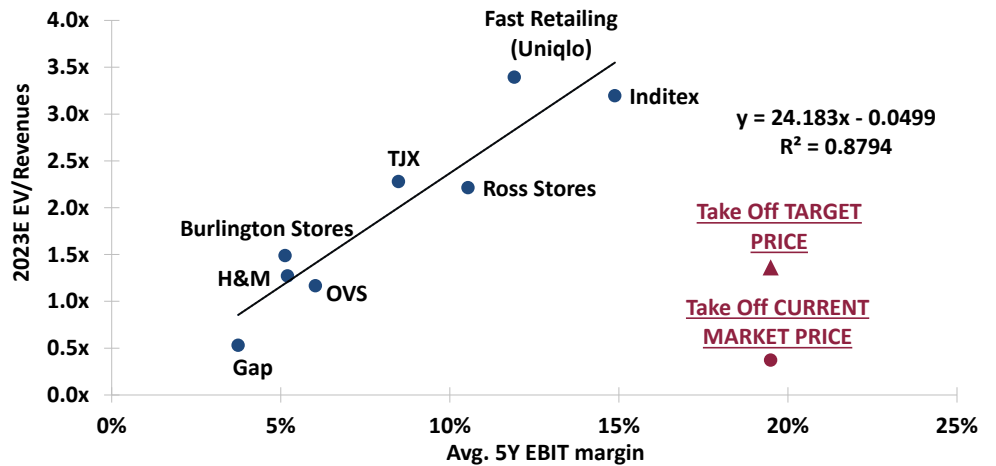
## Market update

### Take Off - 1Y Share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 03/10/2022=100

### Industry peers - Regression analysis and Take Off target positioning



Source: EnVent Research on S&P Capital IQ, October 2023

## Investment case

### The Italian fashion outlet

Take Off, listed on Euronext Growth Milan since 2021, is an Italian fashion value-for-money retailer which operates through a chain of stores selling women, men and children apparel. Central-Southern Italy is presently the core geolocation scope.

### Geographically focused

The Group operates with a joint business model, being an off-price retailer of products from designer brands and a typical vertically integrated apparel retailer with an internal team in charge of development of own brands and merchandise mix through external suppliers, with in-house logistics management.

### Differentiated business model

Take Off intends to pursue its store portfolio development in current market areas and unexplored geographies, especially Northern Italy regions, also through acquisition of small retail fashion networks. Overall mid-term targets could be doubling Take Off and Overkids stores. A mid-term step-up goal is accessing foreign markets, such as France, Germany and Switzerland.

### Strategy

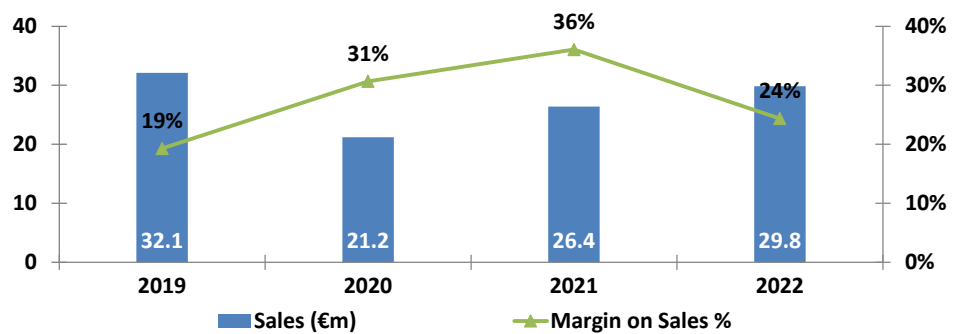
### Industry and Company drivers

- Fashion goods is a market driven by both need and impulse
- Resilient demand for value and quality goods: a countercyclical and defensive market segment
- Making the most of apparel inventory, a burden typical of manufacturers and other retailers
- Diversified brand portfolio, wide category of customers
- Opportunistic merchandise acquisition
- Customers' preferences analytics

### Challenges

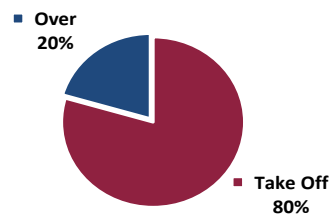
- Brand awareness and reputation buildup
- Market competitiveness and price pressure within the industry
- Geographic presence
- Inventory requirement
- Rise of e-tailers offering branded products at discount

### Historical Sales and EBITDA



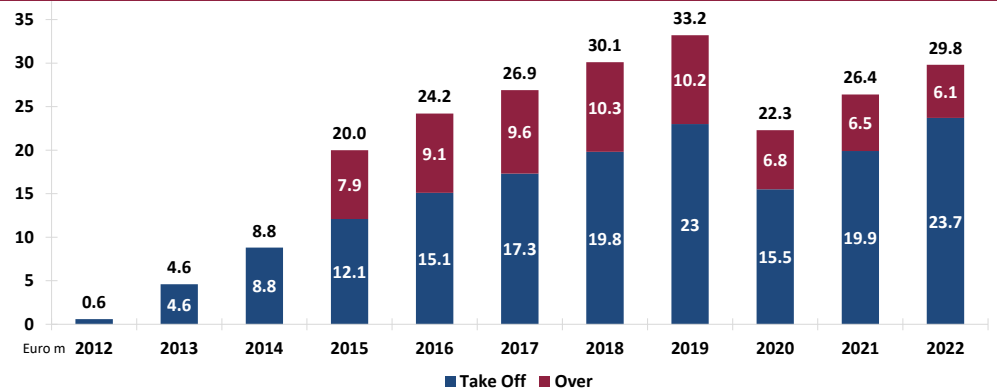
Source: Company data

### Sales breakdown, FY22



Source: Company data

### Historical aggregate Revenues



Source: Company data - Note: since FY21 sales

### Business update and corporate period facts

#### Retail network expansion

- In H1 2023 there were 3 Take Off store openings and 1 closure, bringing stores to 164, with breakdown: Take Off 50, Overkids 114. Openings were in Apulia, Campania, Molise. The retail network is made of 44 own stores and 120 franchised.

#### Warrants

- Take Off Warrant 2022-24 (IT0005467474) may be exercised during the second exercise period November 13-24, 2023, at a strike price of €5.98, with conversion ratio of 1 share:4 warrants - currently out of the money

#### Sustainability report

- Last May, Take Off released its FY22 sustainability report

## H1 2023 results

### Consolidated Profit and Loss

€m	H1 2022	H1 2023
Sales	12.9	15.5
Other income	0.6	0.1
<b>Revenues</b>	<b>13.5</b>	<b>15.6</b>
YoY %	13.0%	16.0%
Cost of sales	(5.8)	(8.3)
<b>Trade margin</b>	<b>7.6</b>	<b>7.4</b>
Margin on Sales	59.1%	47.6%
Personnel	(2.6)	(3.5)
Retail cost	(1.3)	(0.7)
<b>Store margin</b>	<b>3.8</b>	<b>3.1</b>
Margin on Sales	29.3%	20.0%
Services	(0.4)	(0.4)
Other operating costs	(0.1)	(0.2)
SG&A	(0.5)	(0.6)
<b>EBITDA</b>	<b>3.3</b>	<b>2.5</b>
Margin on Sales	25.4%	16.2%
Retail leases	(0.8)	(1.3)
<b>EBITDA Adj.</b>	<b>2.5</b>	<b>1.3</b>
Margin on Sales	19.1%	8.1%
D&A	(0.2)	(0.2)
<b>EBIT</b>	<b>2.2</b>	<b>1.0</b>
Margin on Sales	16.5%	6.5%
Interest	(0.4)	(0.1)
<b>EBT</b>	<b>1.9</b>	<b>0.9</b>
Margin	13.8%	5.7%
Income taxes	(0.4)	(0.4)
<b>Net Income (Loss)</b>	<b>1.4</b>	<b>0.5</b>
Margin	10.6%	3.2%

### Consolidated Cash Flow

€m	H1 2022	H1 2023
<b>EBIT</b>	<b>2.2</b>	<b>1.0</b>
Current taxes	(0.4)	(0.4)
D&A	0.2	0.2
Provisions	(0.0)	0.1
<b>Cash flow from P&amp;L operations</b>	<b>2.0</b>	<b>1.0</b>
Trade Working Capital	(1.3)	(4.1)
Other assets and liabilities	(1.3)	2.4
Capex / disposal	(0.2)	(0.6)
Retail leases - Right of use	(0.5)	(1.8)
<b>Operating cash flow after WC and capex</b>	<b>(1.3)</b>	<b>(3.1)</b>
Interest	(0.4)	(0.1)
Dividends	(2.8)	(1.0)
<b>Net cash flow</b>	<b>(4.4)</b>	<b>(4.2)</b>
Net (Debt) Cash - Beginning	12.1	7.0
Net (Debt) Cash - End	7.7	2.9
<b>Change in Net (Debt) Cash</b>	<b>(4.4)</b>	<b>(4.2)</b>

### Consolidated Balance Sheet

€m	H1 2022	2022	H1 2023
Inventory	10.8	12.1	15.0
Trade receivables	0.1	0.4	0.5
Trade payables	(4.3)	(6.2)	(5.2)
Trade Working Capital	6.6	6.3	10.3
Other assets (liabilities)	0.5	1.5	(0.9)
<b>Net Working Capital</b>	<b>7.1</b>	<b>7.7</b>	<b>9.4</b>
Retail leases - Right of use	7.1	8.9	10.6
Property, plant and equipment	1.4	1.8	2.1
<b>Non-current assets</b>	<b>8.5</b>	<b>10.6</b>	<b>12.8</b>
<b>Provisions</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.1)</b>
<b>Net Invested Capital</b>	<b>14.7</b>	<b>17.3</b>	<b>21.0</b>
Bank debt	6.0	2.7	2.2
Other financial debt	7.5	9.0	10.8
Non-current trade and other payables	1.0	0.8	0.6
Current financial assets	0.0	0.0	(0.8)
Cash and equivalents	(22.2)	(19.5)	(15.6)
<b>Net Debt (Cash)</b>	<b>(7.7)</b>	<b>(7.0)</b>	<b>(2.9)</b>
<b>Equity</b>	<b>22.3</b>	<b>24.4</b>	<b>23.9</b>
<b>Sources</b>	<b>14.7</b>	<b>17.3</b>	<b>21.0</b>

### Ratio analysis

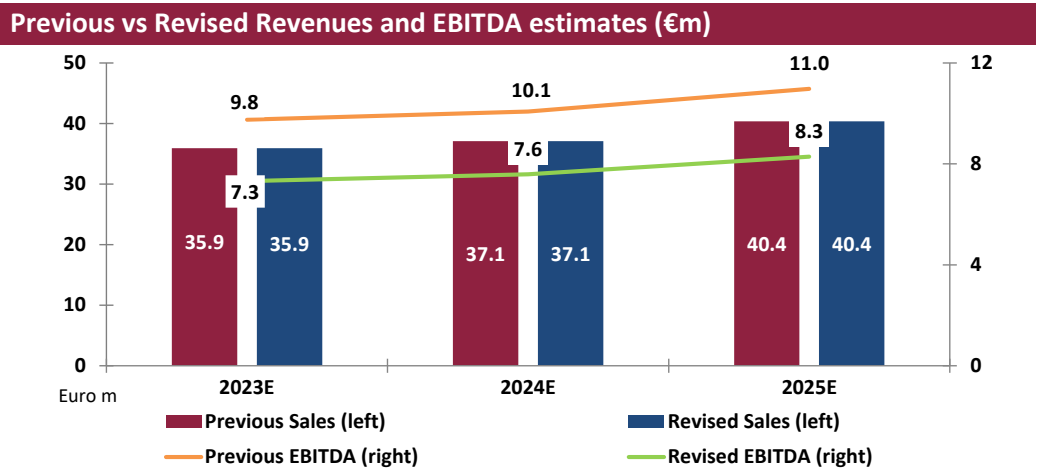
KPIs	H1 2022	H1 2023
ROE	22%	11%
ROS	17%	7%
ROIC	15%	5%
DSO	2	5
DPO	84	81
DOI	151	176
TWC/Sales	24%	32%
NWC/Sales	26%	29%
Net Debt/EBITDA	cash	cash
Net Debt/Equity	cash	cash
Net Debt/(Net Debt+Equity)	cash	cash
Cash flow from P&L operations/EBITDA	62%	38%
FCF/EBITDA	neg	neg

Source: Company data - Note: H1 KPIs calculated on LTM economics

## Estimates revision

On the back of H1 results and looking at the historical seasonality trend with concentration of sales in the second half of the year, we confirm our sales estimates, that we consider at reach. On the other side, we factor in the cost growth outweighing sales growth, resulting in a lower profitability in the region of 20% EBITDA margin on sales, in the upper end of management guidance 18-20% range. We reflect current TWC dynamics, adjusting mainly DOI from 140 to 150 to factor in the recent level.

## Change in estimates



Source: EnVent Research

€m	Revised			Previous			Change % (Rev vs Prev)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
<b>Sales</b>	35.9	37.1	40.4	35.9	37.1	40.4	0%	0%	0%
<b>Revenues</b>	36.2	37.4	40.7	36.7	37.9	41.2	-1%	-1%	-1%
<b>EBITDA</b>	7.3	7.6	8.3	9.8	10.1	11.0	-25%	-25%	-24%
<i>Margin on Sales</i>	20%	20%	21%	27%	27%	27%			
<b>EBIT</b>	4.8	4.5	4.5	7.3	6.9	7.2	-34%	-36%	-37%
<i>Margin on Sales</i>	13%	12%	11%	20%	19%	18%			
<b>Net Income</b>	3.3	3.0	3.1	4.9	4.7	4.9	-33%	-36%	-37%
<b>Net (Debt) Cash</b>	5.4	7.9	11.7	9.2	12.9	17.9	-41%	-39%	-35%

Source: EnVent Research

## Financial projections

### Consolidated Profit and Loss

€m	2019	2020	2021	2022	2023E	2024E	2025E
Sales	32.1	21.2	26.4	29.8	35.9	37.1	40.4
Other income	1.0	1.2	1.6	0.8	0.3	0.3	0.3
<b>Revenues</b>	<b>33.1</b>	<b>22.3</b>	<b>28.0</b>	<b>30.6</b>	<b>36.2</b>	<b>37.4</b>	<b>40.7</b>
YoY %	-	-32.6%	25.3%	9.4%	18.3%	3.2%	8.8%
Cost of sales	(19.0)	(10.0)	(12.1)	(14.3)	(18.7)	(19.0)	(20.5)
<b>Trade margin</b>	<b>14.1</b>	<b>12.4</b>	<b>15.9</b>	<b>16.4</b>	<b>17.5</b>	<b>18.4</b>	<b>20.2</b>
Margin on Sales	44.0%	58.4%	60.3%	54.8%	48.7%	49.7%	49.9%
Personnel	(4.7)	(3.9)	(4.3)	(5.6)	(7.1)	(7.4)	(7.8)
Retail cost	(2.1)	(1.3)	(1.1)	(2.3)	(1.8)	(2.1)	(2.6)
<b>Store margin before lease</b>	<b>7.3</b>	<b>7.2</b>	<b>10.5</b>	<b>8.4</b>	<b>8.6</b>	<b>9.0</b>	<b>9.7</b>
Margin on Sales	22.8%	33.8%	39.6%	28.3%	24.0%	24.1%	24.1%
Services	(0.5)	(0.4)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)
Other operating costs	(0.7)	(0.2)	(0.2)	(0.2)	(0.4)	(0.4)	(0.4)
SG&A	(1.1)	(0.7)	(0.9)	(1.2)	(1.3)	(1.4)	(1.5)
<b>EBITDA</b>	<b>6.2</b>	<b>6.5</b>	<b>9.5</b>	<b>7.3</b>	<b>7.3</b>	<b>7.6</b>	<b>8.3</b>
Margin on Sales	19.3%	30.7%	36.1%	24.4%	20.4%	20.4%	20.5%
Retail leases	(1.3)	(1.2)	(1.5)	(1.8)	(2.1)	(2.6)	(3.1)
<b>EBITDA Adj.</b>	<b>4.8</b>	<b>5.3</b>	<b>8.0</b>	<b>5.5</b>	<b>5.3</b>	<b>5.0</b>	<b>5.2</b>
Margin on Sales	15.1%	25.0%	30.3%	18.3%	14.6%	13.5%	12.9%
D&A	(0.2)	(0.3)	(0.3)	(0.5)	(0.4)	(0.6)	(0.7)
<b>EBIT</b>	<b>4.6</b>	<b>5.0</b>	<b>7.7</b>	<b>5.0</b>	<b>4.8</b>	<b>4.5</b>	<b>4.5</b>
Margin on Sales	14.4%	23.7%	29.1%	16.8%	13.4%	12.0%	11.2%
Interest	0.5	(0.0)	(0.5)	(0.4)	(0.2)	(0.2)	(0.2)
<b>EBT</b>	<b>5.1</b>	<b>5.0</b>	<b>7.2</b>	<b>4.6</b>	<b>4.6</b>	<b>4.2</b>	<b>4.3</b>
Margin	15.3%	22.3%	25.7%	15.0%	12.7%	11.3%	10.6%
Income taxes	(1.5)	(1.2)	(1.6)	(1.1)	(1.3)	(1.2)	(1.2)
<b>Net Income (Loss)</b>	<b>3.5</b>	<b>3.8</b>	<b>5.6</b>	<b>3.5</b>	<b>3.3</b>	<b>3.0</b>	<b>3.1</b>
Margin	10.7%	17.1%	20.1%	11.4%	9.1%	8.1%	7.6%

Source: Company data 2019-22A, EnVent Research 2023-25E - Note: aggregated financials for 2019

### Consolidated Balance Sheet

€m	2019	2020	2021	2022	2023E	2024E	2025E
Inventory	7.3	11.0	8.7	12.1	14.8	15.2	15.5
Trade receivables	0.7	0.2	0.2	0.4	0.5	0.5	0.5
Trade payables	(6.1)	(5.0)	(3.7)	(6.2)	(5.8)	(6.0)	(6.6)
Trade Working Capital	1.9	6.2	5.3	6.3	9.4	9.8	9.5
Other assets (liabilities)	(2.7)	(3.5)	(0.8)	1.5	1.7	1.8	1.9
<b>Net Working Capital</b>	<b>(0.8)</b>	<b>2.7</b>	<b>4.5</b>	<b>7.7</b>	<b>11.1</b>	<b>11.5</b>	<b>11.4</b>
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail leases - Right of use	6.7	7.8	6.6	8.9	9.3	9.3	8.7
Property, plant and equipment	2.7	2.0	1.4	1.8	2.1	2.4	2.5
<b>Non-current assets</b>	<b>9.5</b>	<b>9.8</b>	<b>8.0</b>	<b>10.6</b>	<b>11.5</b>	<b>11.7</b>	<b>11.2</b>
<b>Provisions</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.3)</b>	<b>(1.4)</b>	<b>(1.4)</b>
<b>Net Invested Capital</b>	<b>8.1</b>	<b>11.7</b>	<b>11.5</b>	<b>17.3</b>	<b>21.3</b>	<b>21.8</b>	<b>21.2</b>
<b>Net Debt (Cash)</b>	<b>(4.7)</b>	<b>(0.1)</b>	<b>(12.1)</b>	<b>(7.0)</b>	<b>(5.4)</b>	<b>(7.9)</b>	<b>(11.7)</b>
<b>Equity</b>	<b>12.8</b>	<b>11.8</b>	<b>23.7</b>	<b>24.4</b>	<b>26.7</b>	<b>29.8</b>	<b>32.9</b>
<b>Sources</b>	<b>8.1</b>	<b>11.7</b>	<b>11.5</b>	<b>17.3</b>	<b>21.3</b>	<b>21.8</b>	<b>21.2</b>

Source: Company data 2019-22A, EnVent Research 2023-25E - Note: aggregated financials for 2019

### Consolidated Cash Flow

€m	2020	2021	2022	2023E	2024E	2025E
<b>EBIT</b>	<b>5.0</b>	<b>7.7</b>	<b>5.0</b>	<b>4.8</b>	<b>4.5</b>	<b>4.5</b>
Current taxes	(1.2)	(1.6)	(1.1)	(1.3)	(1.2)	(1.2)
D&A	1.5	1.8	2.3	2.5	3.1	3.7
Provisions	0.2	0.2	0.1	0.3	0.1	0.1
<b>Cash flow from P&amp;L operations</b>	<b>5.5</b>	<b>8.2</b>	<b>6.2</b>	<b>6.3</b>	<b>6.5</b>	<b>7.1</b>
Trade Working Capital	(4.3)	0.9	(1.0)	(3.1)	(0.3)	0.3
Other assets and liabilities	0.8	(2.7)	(2.3)	(0.3)	(0.1)	(0.2)
Capex / disposal	0.4	0.3	(0.9)	(0.8)	(0.8)	(0.8)
Retail leases - Right of use	(2.3)	(0.4)	(4.0)	(2.5)	(2.5)	(2.5)
<b>Operating cash flow after WC and capex</b>	<b>0.2</b>	<b>6.3</b>	<b>(1.9)</b>	<b>(0.4)</b>	<b>2.7</b>	<b>4.0</b>
Interest	(0.0)	(0.5)	(0.4)	(0.2)	(0.2)	(0.2)
Paid-in capital - IPO proceeds 2021	0.6	12.0	0.0	0.0	0.0	0.0
Dividends	(1.0)	(6.8)	(2.8)	(0.9)	0.0	0.0
Change in equity	(4.4)	1.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>(4.6)</b>	<b>12.0</b>	<b>(5.1)</b>	<b>(1.6)</b>	<b>2.5</b>	<b>3.7</b>
Net (Debt) Cash - Beginning	4.7	0.1	12.1	7.0	5.4	7.9
Net (Debt) Cash - End	0.1	12.1	7.0	5.4	7.9	11.7
<b>Change in Net (Debt) Cash</b>	<b>(4.6)</b>	<b>12.0</b>	<b>(5.1)</b>	<b>(1.6)</b>	<b>2.5</b>	<b>3.7</b>

Source: Company data 2020-22A, EnVent Research 2023-25E

### Ratio analysis

KPIs	2019	2020	2021	2022	2023E	2024E	2025E
ROE	28%	32%	24%	14%	12%	10%	9%
ROS (EBIT/Revenues)	14%	23%	27%	16%	13%	12%	11%
DSO	7	3	3	4	4	4	4
DPO	83	125	78	105	80	80	80
DOI	83	189	121	148	150	150	140
TWC/Revenues	6%	28%	19%	21%	26%	26%	23%
NWC/Revenues	-3%	12%	16%	25%	31%	31%	28%
Net Debt/EBITDA	cash	cash	cash	cash	cash	cash	cash
Net Debt/Equity	cash	cash	cash	cash	cash	cash	cash
Net Debt/(Net Debt+Equity)	cash	cash	cash	cash	cash	cash	cash
Cash flow from P&L operations/EBITDA	na	85%	86%	86%	86%	85%	86%
FCF/EBITDA	na	3%	66%	-27%	-6%	36%	48%
Degree of operating leverage on EBITDA	na	na	189%	neg	3%	112%	104%
Basic EPS (€)	na	na	0.36	0.22	0.21	0.19	0.20
Fully-diluted EPS (€)	na	na	0.36	0.22	0.17	0.16	0.16
Dividend yield	na	na	4.1%	1.4%	na	na	na
Pay-out ratio	na	na	50%	27%	na	na	na

Source: Company data 2019-22A, EnVent Research 2023-25E

## Valuation

We have updated our DCF valuation and market multiples analysis.

### Discounted Cash Flows

Updated assumptions:

- Risk free rate: 4% (Italia 10-year government bonds interest rate - last 30 days average. Source: Bloomberg, October 2023)



- Market return: 12.5% (last 30 days average. Source: Bloomberg, October 2023)
- Market risk premium: 8.5%
- Beta: 1.2 (judgmental figure in absence of market volatility records, to recognize higher risk, from 1.0)
- Cost of equity: 14.2%
- Cost of debt: 5%, from 3.5%
- Tax rate: 24% IRES
- 40% debt/(debt + equity)
- WACC calculated at 10%, according to above data, vs previous 8.2%
- Perpetual growth rate after explicit projections (G): 2.5%
- Terminal Value assumes a normalized sustainable EBIT margin of 17%, within peers scale, from 20.5%

### DCF Valuation

€m	2019	2020	2021	2022	2023E	2024E	2025E	Perpetuity
<b>Revenues</b>	<b>33.1</b>	<b>22.3</b>	<b>28.0</b>	<b>30.6</b>	<b>36.2</b>	<b>37.4</b>	<b>40.7</b>	<b>41.7</b>
<b>EBITDA Adj.</b>	<b>4.8</b>	<b>5.3</b>	<b>8.0</b>	<b>5.5</b>	<b>5.3</b>	<b>5.0</b>	<b>5.2</b>	<b>7.9</b>
<i>Margin on Sales</i>	<i>15.1%</i>	<i>25.0%</i>	<i>30.3%</i>	<i>18.3%</i>	<i>14.6%</i>	<i>13.5%</i>	<i>12.9%</i>	<i>19.0%</i>
<b>EBIT</b>	<b>4.6</b>	<b>5.0</b>	<b>7.7</b>	<b>5.0</b>	<b>4.8</b>	<b>4.5</b>	<b>4.5</b>	<b>7.1</b>
<i>Margin on Sales</i>	<i>14.4%</i>	<i>23.7%</i>	<i>29.1%</i>	<i>16.8%</i>	<i>13.4%</i>	<i>12.0%</i>	<i>11.2%</i>	<i>17.0%</i>
Taxes	(1.3)	(1.4)	(2.1)	(1.4)	(1.3)	(1.2)	(1.3)	(2.0)
<b>NOPAT</b>	<b>3.3</b>	<b>3.6</b>	<b>5.5</b>	<b>3.6</b>	<b>3.5</b>	<b>3.2</b>	<b>3.3</b>	<b>5.1</b>
D&A					0.4	0.6	0.7	0.8
Provisions					0.3	0.1	0.1	0.0
<b>Cash flow from operations</b>					<b>4.2</b>	<b>3.8</b>	<b>4.0</b>	<b>5.9</b>
Trade Working Capital					(3.1)	(0.3)	0.3	(0.2)
Other assets and liabilities					(0.3)	(0.1)	(0.2)	0.0
Capex					(0.8)	(0.8)	(0.8)	(0.8)
Retail leases - Right of use					(2.5)	(2.5)	(2.5)	0.0
<b>Yearly unlevered free cash flow</b>					<b>(2.5)</b>	<b>0.1</b>	<b>0.8</b>	<b>4.9</b>
<b>- H1 unlevered free cash flow</b>					<b>4.2</b>			
<b>Free Cash Flow to be discounted</b>					<b>1.7</b>	<b>0.1</b>	<b>0.8</b>	<b>4.9</b>
WACC	10.0%							
Long-term growth (G)	2.5%							
<b>Discounted Cash Flows</b>					<b>(2.4)</b>	<b>0.1</b>	<b>0.7</b>	
Sum of Discounted Cash Flows	(1.7)							
<b>Terminal Value</b>								<b>64.7</b>
Discounted TV	51.0							
<b>Enterprise Value</b>	<b>49.3</b>							
Net Cash as of 30/06/23	2.9							
<b>Equity Value</b>	<b>52.2</b>							
<b>Equity Value per share (€)</b>	<b>3.34</b>							

Source: EnVent Research

<b>DCF - Implied multiples</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EV/Revenues	2.2x	1.8x	1.6x	1.4x	1.3x	1.2x
EV/EBITDA Adj	9.3x	6.2x	9.0x	9.4x	9.8x	9.4x
EV/EBIT	9.8x	6.4x	9.9x	10.2x	11.0x	10.9x
P/E	13.7x	9.3x	15.0x	15.8x	17.2x	16.9x
<b>Discount of current market price vs DCF</b>	<b>-70%</b>					
<b>Current market price - Implied multiples</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EV/Revenues	0.7x	0.5x	0.5x	0.4x	0.4x	0.4x
EV/EBITDA Adj	2.8x	1.9x	2.7x	2.8x	2.9x	2.8x
EV/EBIT	2.9x	1.9x	3.0x	3.1x	3.3x	3.3x
P/E	4.6x	3.1x	5.1x	5.3x	5.8x	5.7x

Source: EnVent Research

### Market multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
TJX	2.1x	2.3x	2.0x	19.0x	19.3x	16.4x	22.7x	23.0x	19.3x	29.3x	28.6x	23.6x
Ross Stores	2.2x	2.2x	2.0x	14.5x	17.4x	15.0x	16.5x	20.9x	18.1x	24.2x	26.9x	22.0x
Burlington Stores	1.8x	1.5x	1.3x	16.7x	18.8x	14.2x	21.6x	31.3x	22.1x	33.5x	32.9x	22.5x
Inditex	2.7x	3.2x	2.9x	13.3x	12.2x	10.6x	17.3x	18.5x	15.5x	23.8x	26.0x	20.6x
H&M	1.0x	1.3x	1.2x	14.2x	8.2x	7.0x	32.2x	21.1x	14.8x	50.4x	26.1x	17.6x
Fast Retailing (Uniqlo)	3.3x	3.4x	3.1x	21.6x	16.3x	14.8x	24.0x	24.8x	21.8x	29.8x	na	na
Gap	0.6x	0.5x	0.5x	7.0x	13.9x	9.2x	11.0x	nm	23.3x	16.8x	neg	14.6x
OVS	1.2x	1.2x	1.1x	9.0x	na	na	13.3x	16.1x	13.2x	12.0x	7.6x	6.4x
Monnalisa	0.9x	na	na	5.3x	na	na	7.3x	na	na	neg	na	na
Giglio.com	0.7x	0.4x	0.3x	neg	nm	9.2x	neg	neg	23.8x	neg	neg	37.1x
<b>Mean</b>	<b>1.7x</b>	<b>1.8x</b>	<b>1.6x</b>	<b>13.4x</b>	<b>15.1x</b>	<b>12.1x</b>	<b>18.4x</b>	<b>22.3x</b>	<b>19.1x</b>	<b>27.5x</b>	<b>24.7x</b>	<b>20.6x</b>
<b>Median</b>	<b>1.5x</b>	<b>1.5x</b>	<b>1.3x</b>	<b>14.2x</b>	<b>16.3x</b>	<b>12.4x</b>	<b>17.3x</b>	<b>21.1x</b>	<b>19.3x</b>	<b>26.7x</b>	<b>26.5x</b>	<b>21.3x</b>
<b>Take Off</b>	<b>2.0x</b>	<b>0.4x</b>	<b>0.4x</b>	<b>11.1x</b>	<b>2.5x</b>	<b>2.7x</b>	<b>12.2x</b>	<b>2.8x</b>	<b>3.0x</b>	<b>19.5x</b>	<b>4.9x</b>	<b>5.3x</b>

Source: S&P Capital IQ, 03/10/2023

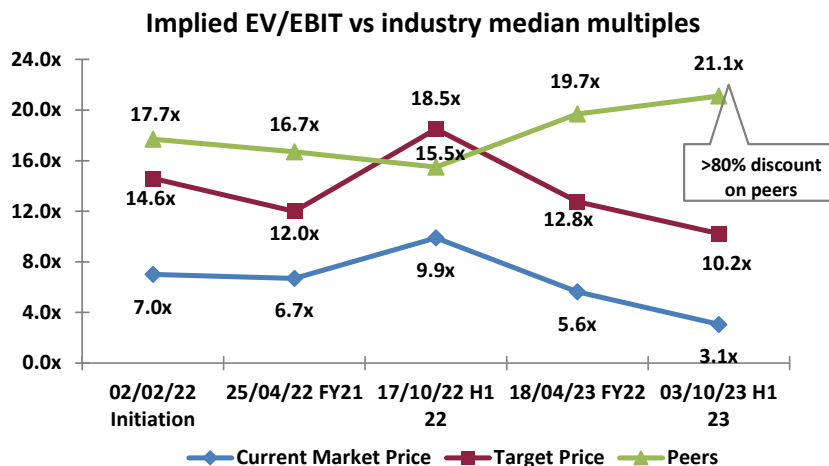
We have applied to our 2023-24 estimates the multiples from the peer group.

### Application of market multiples

€m							
Take Off (€m)		Market Multiples	EV	Net cash 31/12/22	Equity value	Equity value per share (€)	
2023E Sales	35.9	1.5x	53.5	2.9	56.4	3.61	
2024E Sales	37.1	1.3x	47.2	2.9	50.0	3.20	
Mean			50.3		53.2	3.40	
2023E EBITDA Adj	5.3	16.3x	85.5	2.9	88.4	5.66	
2024E EBITDA Adj	5.0	12.4x	62.5	2.9	65.3	4.18	
Mean			74.0		76.9	4.92	
2023E EBIT	4.8	21.1x	101.8	2.9	104.7	6.70	
2024E EBIT	4.5	19.3x	86.2	2.9	89.1	5.70	
Mean			94.0		96.9	6.20	
2023E Earnings	3.3	26.5x			87.5	5.60	
2024E Earnings	3.0	21.3x			64.7	4.14	
Mean					76.1	4.87	

Source: EnVent Research

## Target Price



Source: EnVent Research on S&P Capital IQ, 03/10/2023

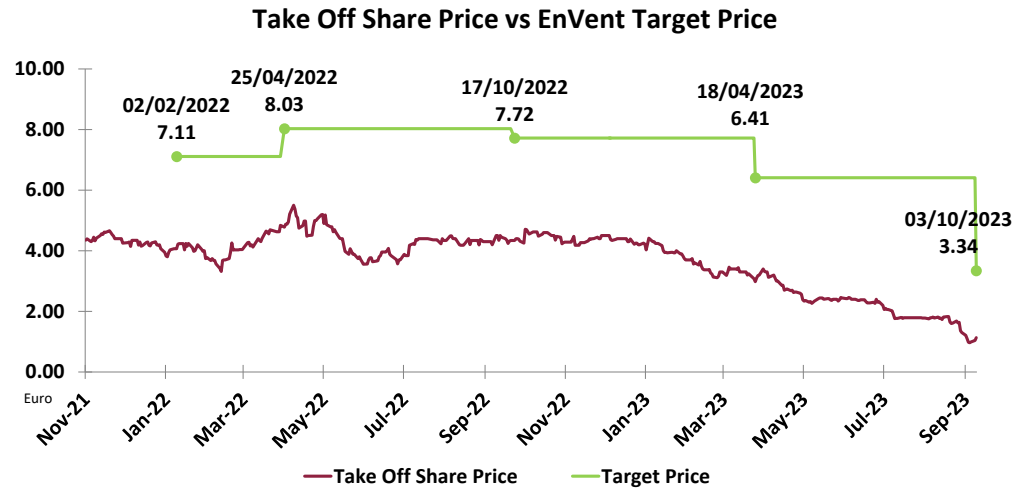
With the share price drop in the last months, the market sentiment evidences a picture of changing and rising risk profile. In this scenario, profitability-based multiples provide too wide results, which are inconsistent with the downsizing of Group profitability. As such, we deem profitability-based multiples less suitable and, for our rating, we prefer to rely on the DCF methodology, which provides a long-run view with normalized industry-like profitability. At the same time, we consider revenue-based multiples more reliable, since reflecting the value of Take Off retail network, considered as value threshold, regardless of current financial performance. We also note that the results of revenue-based multiples point in the same direction as the DCF.

Our updated estimates and valuation duly reflect our above assessment, resulting in a revised Target Price of €3.34 per share, from €6.41 of our prior note. Given the persisting substantial upside on current share price, we confirm the OUTPERFORM rating on Take Off stock.

<b>Take Off Price per Share</b>	€
<b>Target Price</b>	<b>3.34</b>
Current Share Price (03/10/2023)	1.13
<b>Premium (Discount)</b>	<b>196%</b>

Source: EnVent Research

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Source: EnVent Research, 03/10/2023

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Equity ratings and valuations are issued in absolute terms, not relative to market performance.

Rating system and rationale (12-month time horizon):

OUTPERFORM: stocks are expected to have a total return above 10%;

NEUTRAL: stocks are expected to have a performance between -10% and +10% consistent with market or industry trend and appear less attractive than Outperform rated stocks;

UNDERPERFORM: stocks are among the least attractive in a peer group, with the target price 10% below the current market price;

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Some flexibility on the limits of the total return rating ranges is permitted, especially during high market volatility cycles.

The stock price indicated in the report is the last closing price on the day of Production.

Date and time of Production: 03/10/2023 h. 6.20pm

Date and time of Distribution: 03/10/2023 h. 6.45pm

## DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
01/02/2022	OUTPERFORM	7.11	4.07
25/04/2022	OUTPERFORM	8.03	4.84
17/10/2022	OUTPERFORM	7.72	4.34
31/01/2023	OUTPERFORM	7.72	4.30
18/04/2023	OUTPERFORM	6.41	3.08
03/10/2023	OUTPERFORM	3.34	1.13

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