

TAKE OFF

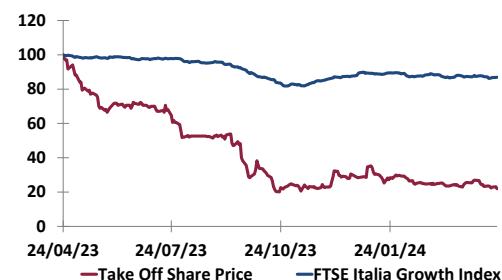
THE OUTLET COMPANY

OUTPERFORM

Current Share Price (€): 0.75

Target Price (€): 1.90

Take Off – 1Y Performance



Source: S&P Capital IQ - Note: 24/04/2023 = 100

Company data

ISIN number	IT0005467425
Bloomberg code	TKF IM
Reuters code	TKF.MI
Industry	Apparel retail
Stock market	Euronext Growth Milan
Share Price (€)	0.75
Date of Price	23/04/2024
Shares Outstanding (m)	15.6
Market Cap (€m)	11.7
Market Float (%)	39.1%
Daily Volume	53,950
Avg Daily Volume YTD	93,128
Target Price (€)	1.90
Upside (%)	154%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
Take Off - Absolute (%)	-6%	-22%	1%	-78%
FTSE Italia Growth (%)	-1%	-3%	6%	-13%
1Y Range H/L (€)			3.40	0.69
YTD Change (€) / %			-0.22	-23%

Source: S&P Capital IQ

Analysts

Luigi Tardella - Head of Research
ltardella@envent.it
Mauro Durante mdurante@envent.it

EnVent Italia SIM S.p.A.

Via degli Omenoni, 2 - 20121 Milano (Italy)
Phone +39 02 22175979

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Focus on profitability

Trading update

The bearish trend hitting Take Off share price since 2023 is still ongoing so far, resulting in -78% LTM, while in the same period the FTSE Italia Growth index lost 13%.

FY23: sales stable, profitability over expectations

Take Off group FY23 sales were €29.9m, in line with previous year, driven by Take Off at €24.6m (+3.9% YoY) while Over sales went down by 13.1% at €5.3m. Total revenues at €32.3m, +5% YoY, including €2.2m gain from settlement agreement with supplier. We recall that according to management sales have been affected by the high inflation framework which is shrinking customers disposable income and by weather conditions shifting in seasons. Trade margin decreased, slightly under 50% on sales from 55%. EBITDA slowdown at €4.9m, -32% YoY, due to higher cost of sales and personnel from unperforming stores; profitability margin at 16.5% from 24% but over previously announced management expectation (15%). Net income at €1.0m. Net cash almost stable, €6.4m from €6.9m as of December 2022, after €0.9m FY22 dividends distribution and €4.2m working capital and capex outflow.

Current trading: stores relocation strategy

As commented in our prior note, Take Off is following with the stores repositioning strategy, resulting in 12 closedowns, of which 9 located in department stores in northern and central Italy. Accordingly with stores reduction, Q1 2024 results recently disclosed by management are lower than previous year: sales at €6.2m from €8.4m in Q1 2023 (-25% YoY), from Take Off sales at €5.3m (-21%) and Over at €0.9m (-43%). According to management, average transaction price in Q1 2024 rose close to €6 from €4.3 in the same period of 2023 for Over, while decline from €27.9 to €25.6 for Take Off, resulting in an average transaction price for Take Off group of €17.1, +28% YoY. We recall that management focus for 2024 will be preserving a healthy financial profile and profitability through cost containment measures; furthermore, management reach an agreement to sale stock of past years inventories during 2024.

Target price and OUTPERFORM rating confirmed

From our previous flash note, we have updated our mid-term estimates factoring in Q1 results, resulting in lower sales in 2024-25E, and we fine-tuned cost, working capital and capex dynamics in line with 2023 results and ongoing relocation strategy; we also add 2026 to our estimates period. Take Off stock value drop might look disproportionate considering the retail network value. Moreover, analytical and market valuation methodologies converge in potential value upside, even applying substantial discounts to larger market peers. Our valuation confirms the €1.90 target price per share, +154% on current share price, with OUTPERFORM rating.

KEY FINANCIALS AND ESTIMATES

€m	2022	2023	2024E	2025E	2026E
Sales	29.8	29.8	26.5	29.5	31.0
YoY %	13%	0%	-11%	11%	5%
EBITDA	7.3	4.9	4.1	5.3	6.2
Margin on Sales	24%	17%	16%	18%	20%
EBIT	5.0	1.5	0.8	1.9	2.6
Margin on Sales	17%	5%	3%	7%	9%
Net Income	3.5	1.0	0.5	1.2	1.7
Net (Debt) Cash	6.9	6.4	9.7	12.4	16.4
Equity	24.4	24.4	24.8	26.1	27.8

TP - IMPLIED MULTIPLES

EV/Revenues	0.7x	0.9x	0.8x	0.7x
EV/EBITDA Adj	9.7x	15.5x	8.7x	6.8x

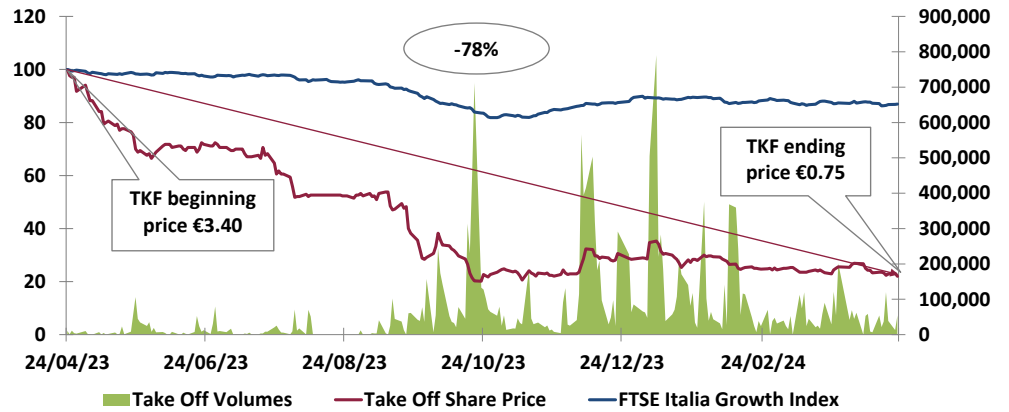
Source: Company data 2022-23A, EnVent Research 2024-26E

Market update

Take Off – 1Y Share price performance and trading volumes

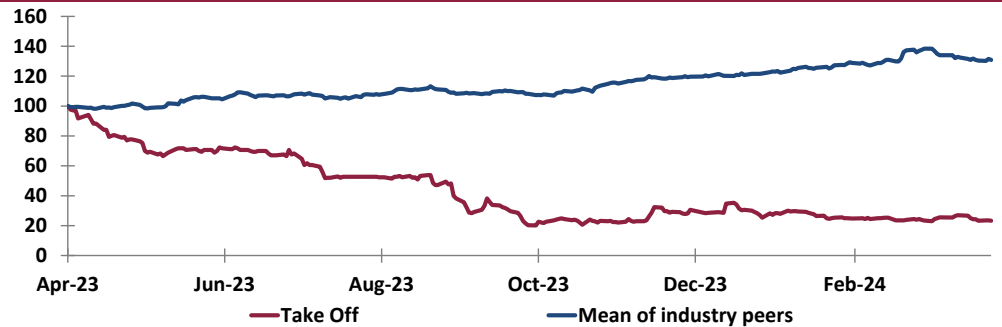
Trading price range €0.69-3.40 per share

-78% for Take Off, vs
-13% of the Italia Growth Index



Source: EnVent Research on S&P Capital IQ - Note: 24/04/2023=100

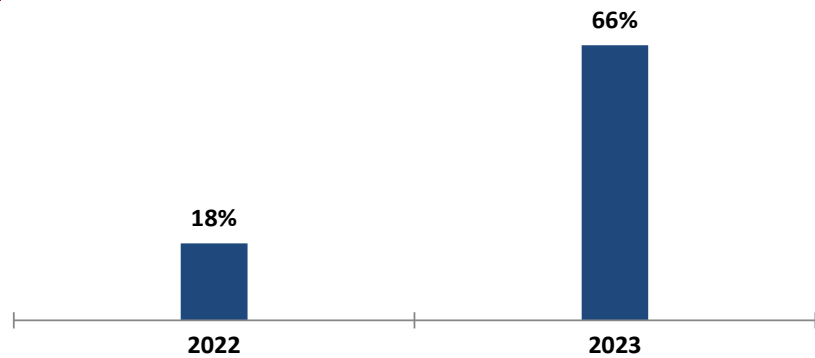
Industry peers – 1Y Market performance



Source: EnVent Research on S&P Capital IQ - Note: 23/04/2023=100

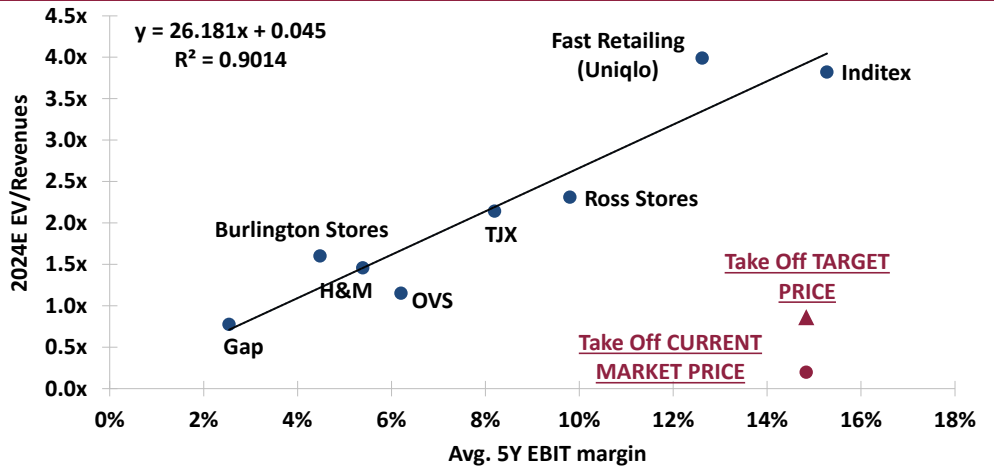
Take Off – Liquidity analysis and velocity turnover

Record trading volumes with
2023 bearish trend



Source: EnVent Research on S&P Capital IQ – Velocity turnover=ratio of tot. traded shares on tot. ordinary shares

Industry peers – Regression analysis and Take Off target positioning



Source: EnVent Research on S&P Capital IQ, April 2024

Fair correlation among industry players

Investment case

The Italian fashion outlet

Take Off, listed on Euronext Growth Milan since November 2021, is an Italian fashion value-for-money retailer which operates through a chain of 49 stores selling women and men apparel and 114 stores selling childrenswear. Central-Southern Italy is presently the core geolocation scope and organic growth over the medium term will be supported also by increasing territorial coverage.

Geographically focused

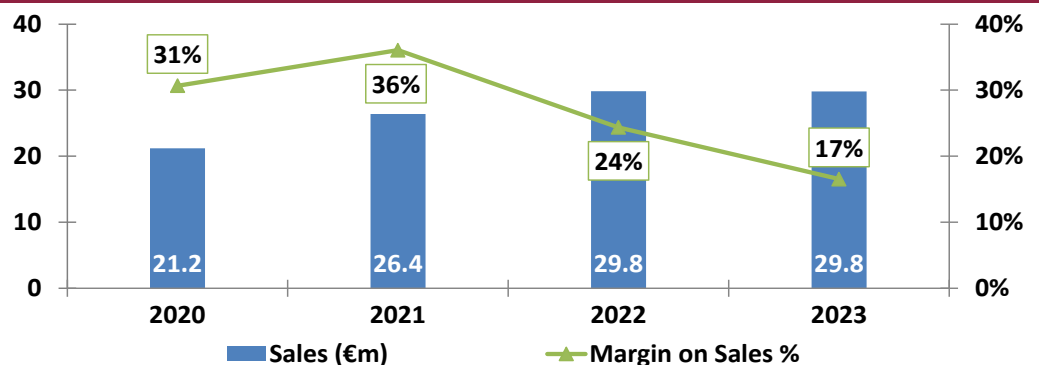
The Group operates with a joint business model, being an off-price retailer of products from designer brands and a typical vertically integrated apparel retailer with an internal team in charge of development of own brands and merchandise mix through external suppliers, with in-house logistics management.

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.

Strategy

Historical Sales and EBITDA



Source: Company data

Drivers

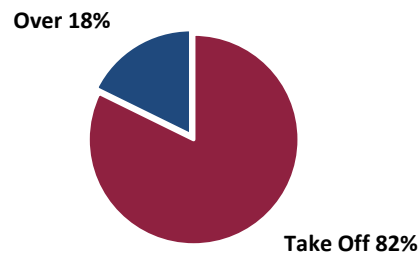
Industry and company drivers

- 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 and balanced brand portfolio
- Selling proposition to serve a wide category of customers
- Growth without huge capex
- Opportunistic merchandise acquisition
- Customers' preferences analytics
- Efficient franchising network

Challenges

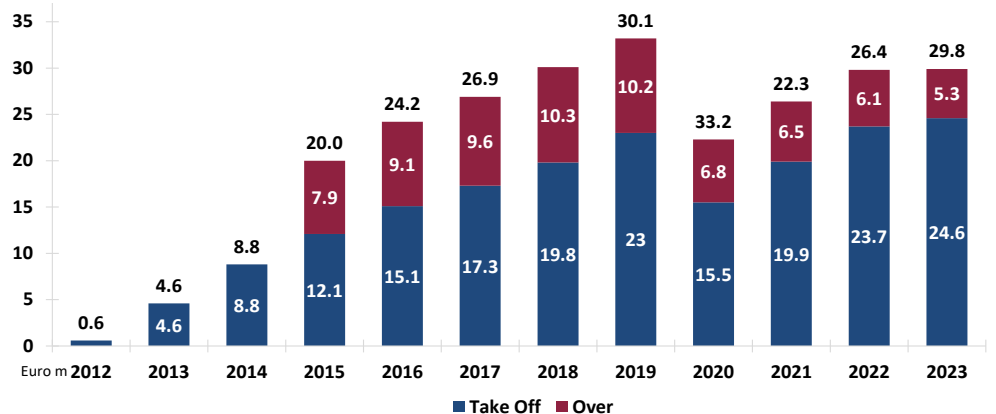
- Brand awareness and reputation buildup
- Market competitiveness and price pressure within the industry
- Geographic presence time to market
- Rise of e-tailers offering branded products at discount
- Inventory requirement

Sales breakdown, 2023



Source: Company data

Historical aggregated revenues



Source: Company data

Risk profile

Competitive forces			Materiality of risk map			
Force	Factors					
Competitive rivalry	<ul style="list-style-type: none"> High rivalry among retailers Competition on price vs quality Brand concept dominant 	<p>The materiality of risk map is a 2x2 grid. The vertical axis represents risk level (Higher risk at the top, Lower risk at the bottom) and the horizontal axis represents impact level (Lower impact on the left, Higher impact on the right). Bubbles of varying sizes and colors represent different competitive forces: Competitive rivalry (large yellow bubble, high risk/high impact), Customers (medium yellow bubble, high risk/high impact), New entrants (medium green bubble, low risk/high impact), Suppliers (medium green bubble, low risk/low impact), and Substitutes (small green bubble, low risk/low impact). The overall risk profile is labeled as MEDIUM-LOW.</p>				
Customers	<ul style="list-style-type: none"> Well informed, tech savvy, can choose and switch between vendors Consumer experience is key 					
New entrants	<ul style="list-style-type: none"> Low barriers to entry Main barriers: investment in brand, marketing, product differentiation 					
Suppliers	<ul style="list-style-type: none"> High number of material suppliers and outsourcing manufacturers; rules set by buying brands and retailers Excess inventory endemic to the apparel industry 					
Substitutes	<ul style="list-style-type: none"> No substitute products 					

Source: EnVent Research

Business update

- As of April 2024, Take Off has 163 stores, of which 49 are Take Off stores and 114 are Overkids stores. Overall, the retail network is composed of 42 own stores and 121 franchised stores.
- During the second exercise period between November 14-25, 2022 (strike price of €5.20) no warrant has been exercised, being out of the money

Industry outlook: uncertainty

According to consulting firm McKinsey, in 2023 the fashion industry overall faced persistent and deepening challenges: Europe saw slow growth throughout the year, while China's performance faded in the second half; even the resilient luxury segment recorded slow sales and uneven performance in the latter part of the year. The prospect of subdued economic growth, persistent inflation, and weak consumer confidence makes 2024 landscape uncertain: 2-4% growth is predicted for the year ahead globally, in line with 2023. Once again, luxury segment is expected to record higher growth (+3-5% vs 5-7% in 2023), even if companies will be challenged by the tough economic environment, as consumers hold down expenses. European market will likely expand only by 1-3%, in line with H2 2023 but lower than H1 performance (5%). Slumping consumer confidence and declining household savings are expected to

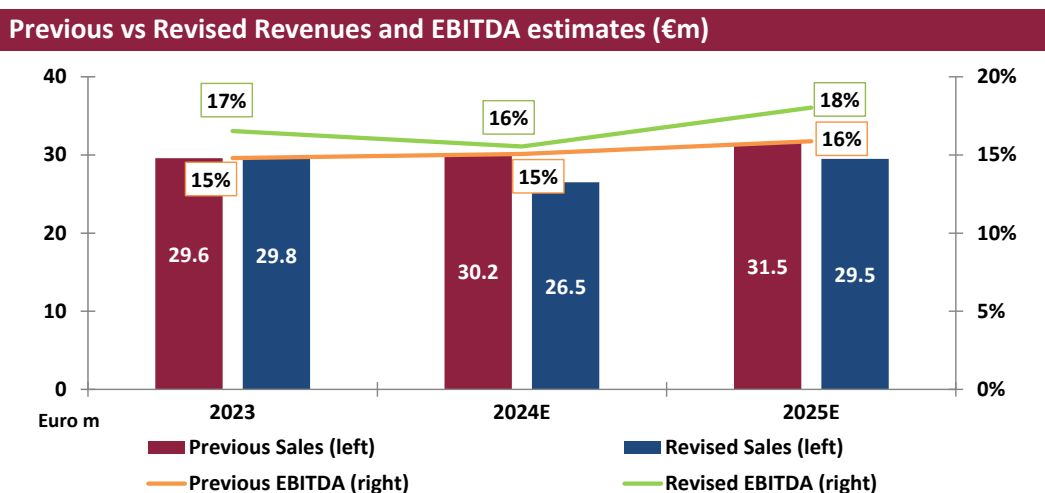
Resilience in the luxury fashion industry, uncertainties for other segments

be the most probable causes of restrained spending. In an uncertain world, consumer discretionary spending will be addressed toward hard luxury goods from trusted brands, reflecting their potential investment value in tough economic times, also preferring emotional connections and authenticity over celebrity endorsements (source: BoF and McKinsey, *The state of fashion 2024*, November 2024).

Estimates revision

Based on FY23 results, Q1 2024 current trading and repositioning strategy, which include reduction of stores, we restate our projections of store openings and sales per stores, resulting with a 6% to 12% decrease in 2024-25E sales expectation. We factor in 2023 higher operating costs, fine tuning profitability expectation to moderate performance, working capital and capex dynamics. We also introduce 2026E to the forecasting period.

Change in estimates



Source: EnVent Research

€m	Revised			Previous			Change % (Rev vs Prev)		
	2023	2024E	2025E	2023E	2024E	2025E	2023	2024E	2025E
Sales	29.8	26.5	29.5	29.6	30.2	31.5	1%	-12%	-6%
Revenues	32.3	27.0	30.0	29.9	30.5	31.8	8%	-12%	-6%
EBITDA	4.9	4.1	5.3	4.4	4.6	5.0	12%	-10%	6%
<i>Margin on Sales</i>	17%	16%	18%	15%	15%	16%			
EBIT	1.5	0.8	1.9	1.4	1.7	2.0	12%	-51%	-3%
<i>Margin on Sales</i>	5%	3%	7%	5%	6%	6%			
Net Income	1.0	0.5	1.2	0.8	1.1	1.3	21%	-58%	-2%
Net (Debt) Cash	6.4	9.7	12.4	4.2	6.9	10.5	51%	40%	19%

Source: EnVent Research

Financial projections

Consolidated Profit and Loss

€m	2022	2023	2024E	2025E	2026E
Sales	29.8	29.8	26.5	29.5	31.0
Other income	0.8	2.5	0.5	0.5	0.5
Revenues	30.6	32.3	27.0	30.0	31.5
YoY %	9.4%	5.3%	-16.3%	11.2%	4.9%
Cost of sales	(14.3)	(17.5)	(15.0)	(14.9)	(15.6)
Trade margin	16.4	14.8	12.0	15.1	15.9
Margin on Sales	54.8%	49.5%	45.4%	51.3%	51.4%
Personnel	(5.6)	(6.5)	(5.6)	(6.4)	(6.5)
Retail cost	(2.3)	(1.8)	(1.1)	(2.0)	(1.9)
Store margin before lease	8.4	6.4	5.4	6.8	7.6
Margin on Sales	28.3%	21.6%	20.4%	23.0%	24.5%
Services	(0.9)	(1.1)	(0.9)	(1.1)	(1.1)
Other operating costs	(0.2)	(0.4)	(0.3)	(0.4)	(0.2)
SG&A	(1.2)	(1.5)	(1.3)	(1.5)	(1.4)
EBITDA	7.3	4.9	4.1	5.3	6.2
Margin on Sales	24.4%	16.5%	15.5%	18.0%	20.0%
Retail leases	(1.8)	(2.5)	(2.6)	(2.7)	(2.8)
D&A	(0.5)	(0.9)	(0.7)	(0.7)	(0.8)
EBIT	5.0	1.5	0.8	1.9	2.6
Margin on Sales	16.8%	5.1%	3.2%	6.6%	8.5%
Interest	(0.4)	0.0	(0.2)	(0.2)	(0.2)
EBT	4.6	1.5	0.6	1.7	2.4
Margin	15.0%	4.8%	2.4%	5.8%	7.7%
Income taxes	(1.1)	(0.6)	(0.2)	(0.5)	(0.7)
Net Income (Loss)	3.5	1.0	0.5	1.2	1.7
Margin	11.4%	3.0%	1.7%	4.2%	5.5%

Source: Company data 2022-23A, EnVent Research 2024-26E

Consolidated Balance Sheet

€m	2022	2023	2024E	2025E	2026E
Inventory	13.9	12.3	11.3	12.1	12.3
Trade receivables	0.4	0.3	0.4	0.4	0.4
Trade payables	(6.2)	(2.9)	(2.9)	(3.1)	(3.1)
Trade Working Capital	8.1	9.7	8.7	9.5	9.6
Other assets (liabilities)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital	7.8	9.5	8.6	9.3	9.4
Intangible assets	0.0	0.0	0.0	0.0	0.0
Retail leases - Right of use	8.9	7.6	5.3	3.1	0.8
Property, plant and equipment	1.9	2.2	2.3	2.4	2.5
Non-current assets	10.8	9.8	7.7	5.6	3.3
Provisions	(1.0)	(1.3)	(1.1)	(1.3)	(1.3)
Net Invested Capital	17.5	18.0	15.2	13.6	11.4
Net Debt (Cash)	(6.9)	(6.4)	(9.7)	(12.4)	(16.4)
Equity	24.4	24.4	24.8	26.1	27.8
Sources	17.5	18.0	15.2	13.6	11.4

Source: Company data 2022-23A, EnVent Research 2024-26E

Consolidated Cash Flow

€m	2022	2023	2024E	2025E	2026E
EBIT	5.0	1.5	0.8	1.9	2.6
Current taxes	(1.1)	(0.6)	(0.2)	(0.5)	(0.7)
D&A	2.3	3.4	3.3	3.4	3.6
Provisions	0.1	0.3	(0.2)	0.2	0.0
Cash flow from P&L operations	6.2	4.6	3.7	5.0	5.5
Trade Working Capital	(2.8)	(1.6)	1.0	(0.8)	(0.1)
Other assets and liabilities	(0.5)	(0.2)	(0.0)	0.0	0.0
Capex / disposal	(1.0)	(1.2)	(0.8)	(0.8)	(0.8)
Retail leases - Right of use	(4.0)	(1.2)	(0.4)	(0.4)	(0.5)
Operating cash flow after WC and capex	(2.1)	0.4	3.5	3.0	4.2
Interest	(0.4)	0.0	(0.2)	(0.2)	(0.2)
Dividends	(2.8)	(0.9)	0.0	0.0	0.0
Change in equity	0.0	(0.1)	0.0	0.0	0.0
Net cash flow	(5.2)	(0.5)	3.3	2.8	4.0
Net (Debt) Cash - Beginning	12.1	6.9	6.4	9.7	12.4
Net (Debt) Cash - End	6.9	6.4	9.7	12.4	16.4
Change in Net (Debt) Cash	(5.2)	(0.5)	3.3	2.8	4.0

Source: Company data 2022-23A, EnVent Research 2024-26E

Ratio analysis

KPIs	2022	2023	2024E	2025E	2026E
ROE	14%	4%	2%	5%	6%
ROS (EBIT/Revenues)	16%	5%	3%	6%	8%
DSO	4	3	4	4	4
DPO	105	41	50	50	50
DOI	170	151	155	150	145
TWC/Sales	27%	33%	33%	32%	31%
NWC/Revenues	25%	30%	32%	31%	30%
Net Debt/EBITDA	cash	cash	cash	cash	cash
Net Debt/Equity	cash	cash	cash	cash	cash
Net Debt/(Net Debt+Equity)	cash	cash	cash	cash	cash
Cash flow from P&L operations/EBITDA	86%	94%	91%	94%	89%
FCF/EBITDA	-28%	9%	85%	56%	67%

Source: Company data 2022-23A, EnVent Research 2024-26E

Valuation

We have updated our Take Off valuation through the Discounted Cash Flows and market multiples methods.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.3% (Italian 10-year government bonds interest rate – last 30 days average. Source: Bloomberg, April 2024)
- Market return: 11.9% (last 30 days average. Source: Bloomberg, April 2024)
- Market risk premium: 8.6%

- Beta: 1.2 (judgmental)
- Cost of equity: 13.6%
- Cost of debt: 5.0%
- Tax rate: 24% (IRES)
- 40% debt/(debt + equity) as target capital structure
- WACC 9.7%, according to above data
- Perpetual growth rate after explicit projections (G): 2.5%
- Terminal Value assumes a 8.5% EBITDA margin

DCF Valuation

€m	2023	2024E	2025E	2026E	Perpetuity
Revenues	32.3	27.0	30.0	31.5	32.3
EBIT	1.5	0.8	1.9	2.6	2.7
<i>Margin on Sales</i>	5.1%	3.2%	6.6%	8.5%	8.5%
Taxes	(0.4)	(0.2)	(0.5)	(0.7)	(0.8)
NOPAT	1.1	0.6	1.4	1.9	2.0
D&A	0.9	0.7	0.7	0.8	0.8
Provisions	0.3	(0.2)	0.2	0.0	0.0
Cash flow from operations	2.2	1.1	2.3	2.7	2.8
Trade Working Capital	(1.6)	1.0	(0.8)	(0.1)	(0.2)
Other assets and liabilities	(0.2)	(0.0)	0.0	0.0	0.0
Capex	(1.2)	(0.8)	(0.8)	(0.8)	(0.8)
Retail leases - Right of use	(1.2)	(0.4)	(0.4)	(0.5)	0.0
Yearly unlevered free cash flow	(2.0)	0.8	0.3	1.3	1.7
Free Cash Flow to be discounted		0.8	0.3	1.3	1.7
WACC	9.7%				
Long-term growth (G)	2.5%				
Discounted Cash Flows		0.8	0.2	1.0	
Sum of Discounted Cash Flows	2.0				
Terminal Value					24.2
Discounted TV	18.4				
Enterprise Value	20.4				
Net cash as of 31/12/23	6.4				
Equity Value	26.7				
DCF - Implied multiples	2023	2024E	2025E	2026E	
EV/Revenues	0.6x	0.8x	0.7x	0.6x	
EV/EBITDA Adj	8.5x	13.5x	7.6x	6.0x	
EV/EBIT	13.3x	24.0x	10.5x	7.7x	
P/E	27.4x	58.5x	21.4x	15.3x	
Discount of current market price vs DCF	-74%				
Current market price - Implied multiples	2023	2024E	2025E	2026E	
EV/Revenues	0.2x	0.2x	0.2x	0.2x	
EV/EBITDA Adj	2.2x	3.5x	2.0x	1.6x	
EV/EBIT	3.5x	6.3x	2.7x	2.0x	
P/E	12.0x	25.6x	9.4x	6.7x	

Source: EnVent Research

Market multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
TJX	2.2x	2.1x	2.0x	19.5x	17.3x	15.9x	23.1x	23.7x	18.5x	30.0x	24.9x	23.1x
Ross Stores	2.5x	2.3x	2.2x	19.7x	17.4x	15.6x	23.6x	20.8x	18.7x	30.3x	25.1x	22.8x
Burlington Stores	1.8x	1.6x	1.4x	24.6x	17.9x	14.6x	nm	27.9x	22.0x	nm	30.8x	23.9x
Inditex	3.6x	3.8x	3.6x	17.4x	14.0x	12.9x	21.2x	20.3x	18.5x	29.7x	26.8x	24.4x
H&M	1.5x	1.5x	1.4x	16.6x	8.1x	7.7x	25.4x	17.1x	15.5x	33.5x	20.5x	18.4x
Fast Retailing (Uniqlo)	3.7x	4.0x	3.6x	24.0x	18.4x	17.0x	26.5x	26.6x	23.9x	36.7x	na	na
Gap	0.8x	0.8x	0.8x	26.1x	11.1x	9.0x	neg	22.6x	15.5x	neg	17.9x	14.7x
OVS	1.1x	1.2x	1.1x	11.2x	7.8x	9.1x	18.9x	14.4x	13.5x	15.2x	8.5x	7.8x
Monnalisa	0.9x	0.7x	0.7x	10.7x	5.4x	4.6x	neg	neg	36.5x	neg	neg	neg
Giglio.com	0.4x	0.2x	0.2x	neg	8.2x	4.9x	neg	nm	7.9x	neg	nm	13.5x
Mean	1.9x	1.8x	1.7x	18.9x	12.6x	11.1x	23.1x	21.7x	19.1x	29.2x	22.1x	18.6x
Median	1.7x	1.5x	1.4x	19.5x	12.5x	11.0x	23.3x	21.7x	18.5x	30.1x	24.9x	20.6x
Take Off	0.2x	0.2x	0.2x	2.2x	3.5x	2.0x	3.5x	6.3x	2.7x	12.0x	25.6x	9.4x

Source: EnVent Research on S&P Capital IQ, 23/04/2024

We have applied to our 2024-25 estimates the corresponding median multiples from the peer group.

Multiples application

€m							
Take Off (€m)		Market Multiples	EV	Net cash as of 31/12/23	Equity value	Equity value per share (€)	
2024E Sales	26.5	1.5x	40.5	6.4	46.9	3.00	
2025E Sales	29.5	1.4x	42.0	6.4	48.3	3.09	
Mean			41.2		47.6	3.05	
2024E EBITDA Adj	1.5	12.5x	18.9	6.4	25.3	1.62	
2025E EBITDA Adj	2.7	11.0x	29.3	6.4	35.6	2.28	
Mean			24.1		30.5	1.95	
2024E EBIT	0.8	21.7x	18.4	6.4	24.8	1.59	
2025E EBIT	1.9	18.5x	36.1	6.4	42.4	2.72	
Mean			27.2		33.6	2.15	
2024E Earnings	0.5	24.9x			11.4	0.73	
2025E Earnings	1.2	20.6x			25.7	1.65	
Mean					18.6	1.19	

Source: EnVent Research

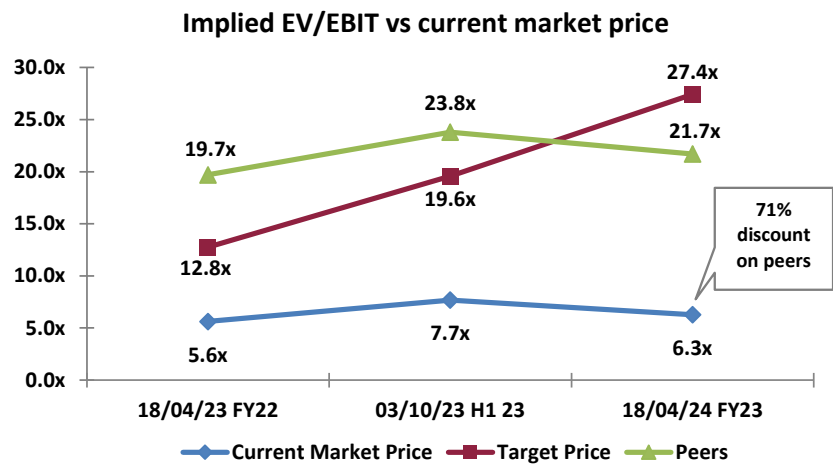
Target Price

We have updated our expectations for 2024 and years to come, with already revised estimates in our last note, backed by the performances of full-scale stores in central and southern Italy. We notice that Take Off stock value drop appears disproportionate in view of the described retail network value. Analytical and market valuation methodologies converge in potential value upside, even applying substantial discounts to larger market peers. Our updated estimates and valuation based on DCF and multiples confirm the previous €1.90 target price, implying a 154% upside on Take Off current stock price, and OUTPERFORM rating on the stock.

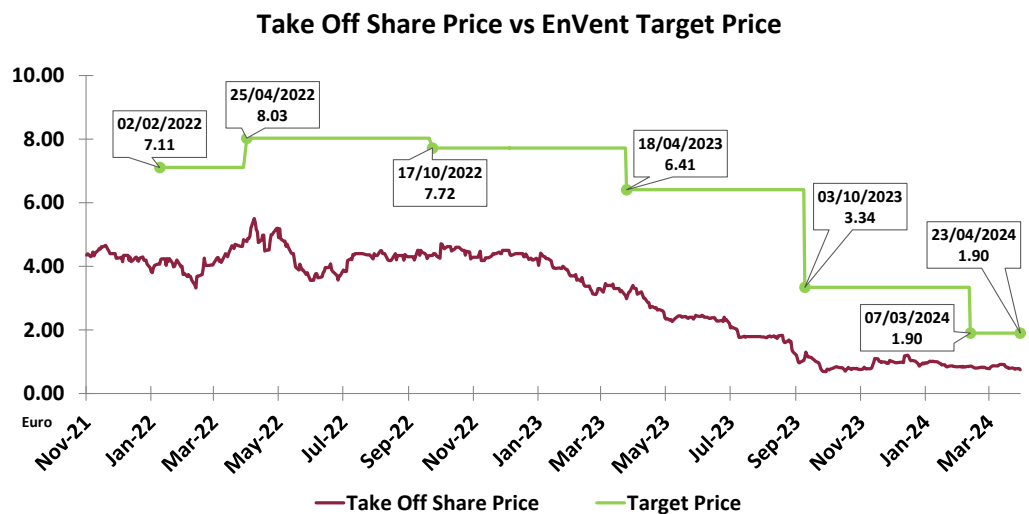
Please refer to important disclosures at the end of this report.

Take Off Price per Share	€
Target Price	1.90
Current Share Price (23/04/2024)	0.75
Premium (Discount)	154%

Source: EnVent Research



Source: EnVent Research on S&P Capital IQ, 23/04/2024



Source: EnVent Research on S&P Capital IQ, 23/04/2024

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

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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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Date and time of Production: 23/04/2024 h. 7.00pm

Date and time of Distribution: 23/04/2024 h. 7.20pm

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
07/03/2024	OUTPERFORM	1.90	0.86
23/04/2024	OUTPERFORM	1.90	0.75

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Number of companies covered:	25	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
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