

# FERRAGAMO

Sector: Consumers

## NEUTRAL

Price: Eu10.91 - Target: Eu12.00

## Recovery Still Out of Sight, Estimates Cut

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### Stock Rating

**Rating:** Unchanged

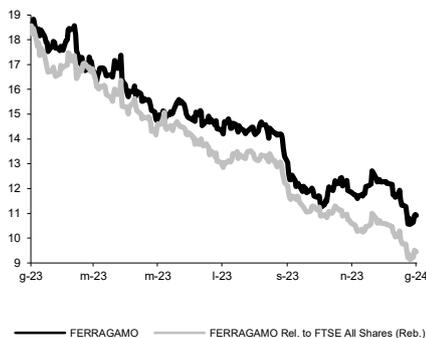
**Target Price (Eu):** from 13.50 to 12.00

	2023E	2024E	2025E
<b>Chg in Adj EPS</b>	-13.6%	-43.4%	-38.4%

### Next Event FY23 Results

Results out: 6 March 2024

### FERRAGAMO - 12M Performance



### Stock Data

**Reuters code:** SFER.MI

**Bloomberg code:** SFER IM

Performance	1M	3M	12M
Absolute	-11.1%	-6.7%	-41.2%
Relative	-10.7%	-17.5%	-56.5%
12M (H/L)		18.83/10.56	
3M Average Volume (th):		227.61	

### Shareholder Data

No. of Ord shares (mn):	169
Total no. of shares (mn):	169
Mkt Cap Ord (Eu mn):	1,841
Total Mkt Cap (Eu mn):	1,841
Mkt Float - Ord (Eu mn):	535
Mkt Float (in %):	29.0%
Main Shareholder:	
Ferragamo Family	65.0%

### Balance Sheet Data

Book Value (Eu mn):	749
BVPS (Eu):	4.58
P/BV:	2.4
Net Financial Position (Eu mn):	-243
Enterprise Value (Eu mn):	1,509

■ **4Q23 revenues weak in both channels, broadly in line with consensus.** 4Q23 revenues came to Eu312.5mn, down 5.6% YoY (-5.9% at constant ForEx), 12.7% lower than our estimate but broadly in line with most recent consensus forecasts. By channel, Retail revenues fell 12.2% YoY to Eu224.7mn, featuring a negative performance at constant currency to the tune of 9.9% (well below our estimate), while Wholesale turnover was up 3.5% YoY to Eu78.4mn (+7.5% YoY at constant ForEx), likely to have been sustained by an initial recovery in Asian travel retail stores. Looking at geographical trends (at constant ForEx), APAC revenues were up 2.2 % YoY, not a brilliant result considering the easy comparison (6-week lockdown in China in 4Q22); the 2-year stock sales trend showed a deceleration compared to 3Q23. Business in Japan was also quite weak, down 6.5% YoY. Trends in North America remained poor (-13.8% YoY), while Europe was the best performing region, witnessing 4.8% YoY growth, a significant acceleration compared to 3Q23.

■ **Management comments.** In the press release, CEO Marco Gobbetti said the group had made significant progress with its repositioning plan in 2023, with steady product renovation and increasing investments in communication. According to the CEO, in 4Q23 there are some pleasing signs from new products. Next month Ferragamo will launch a new store concept, which will be revealed in the Milan Women store. However, the recent slowdown in luxury demand may impact the timing of hitting business plan targets.

■ **Change in estimates.** In this report we are cutting our estimates to broadly align our assumptions to the most recent consensus. In terms of revenues, we expect Ferragamo to continue to underperform the industry in 2024, assuming a mere 2% revenue growth, partly because we expect the wholesale contribution to remain flattish; we remain more constructive on 2025 revenue performance (+6.6%). In terms of margins, we see the 2023 EBIT margin at 5.8% and project a 50bp improvement in 2024. All in all, we are cutting our 2023 and 2024 EPS forecasts by 13.6% and 43.4%.

■ **NEUTRAL confirmed; target from Eu13.5 to Eu12.0.** Quarterly figures were weak and we remain NEUTRAL on the stock pending greater visibility on top line recovery, which is yet to materialise. The company mentions positive signs, but without providing clear indicators to the market. Our target reflects a change in fundamental value (Eu10.9 from Eu12.5) and a 10% weight for a speculative scenario (in which we value the company at Eu22.5p.s.). Speculation over a possible takeover represents the main risk to our cautious view on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,136	1,252	1,157	1,180	1,258
EBITDA Adj (Eu mn)	305	299	244	257	294
Net Profit Adj (Eu mn)	79	70	25	31	52
EPS New Adj (Eu)	0.466	0.412	0.151	0.185	0.305
EPS Old Adj (Eu)	0.466	0.412	0.175	0.327	0.496
DPS (Eu)	0.340	0.280	0.076	0.092	0.153
EV/EBITDA Adj	8.7	8.1	9.0	5.9	5.1
EV/EBIT Adj	18.5	18.9	32.4	20.4	14.8
P/E Adj	23.4	26.5	72.2	59.0	35.7
Div. Yield	3.1%	2.6%	0.7%	0.8%	1.4%
Net Debt/EBITDA Adj	0.7	0.7	1.0	0.9	0.8