Take Off S.p.A.

Apparel

Be Ready to "*Take Off*"!

ADD | Fair Value: €8.07 | Current Price: €4.33 | Upside: 86.4%

KT&PARTNERS

Initiation of Coverage

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€ Million	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Total Revenues	33.2	22.3	29.0	37.3	47.5	57.2
EBITDA	6.2	6.5	8.7	11.2	14.6	18.0
margin	*18.7%*	*29.1%*	*30.1%*	*29.9%*	*30.8%*	*31.4%*
Net Profit	3.5	3.8	4.9	6.5	8.2	10.1
margin	*10.7%*	*17.1%*	*17.1%*	*17.5%*	*17.2%*	*17.7%*
EPS	n.a.	n.a.	0.32	0.42	0.52	0.65

Source: Company data (2019–20), KT&Partners' elaboration (2021–24)

Overview. The Group is active in the Italian retail fashion market – through a network of 143 stores – offering families a complete product portfolio from adult off-price apparel – through its brand Take Off – to childrenswear – through its proprietary brand OverKids. As for Take Off, the Group has developed an innovative business model based on: i) a balanced mix of proprietary and third-party brands; ii) a network of 31 fashion outlet boutiques (of which 26 are directly operated) and stock reshuffling among stores to reduce unsold products to almost zero; and iii) an innovative discount pricing system based on the "divided by" paradigm (from ÷2 to ÷10). OverKids' network covers most of the Italian territory through 112 affiliated stores, offering full-price products. The Group is now planning to expand its retail network both by entering new Italian regions and increasing penetration in already covered markets.

Snapshot of the Market. The Group operates in two resilient markets – the off-price adults' apparel segment and children swear – which has also proved to be resilient during economic downturns. The Italian off-price retail market is expected to grow at a CAGR19–24 of +1.6%, reaching €408mn in FY24E, with Take Off positioned as the fourth player of the industry (2019 data) with a market share of 6%. Looking at the childrenswear market, in 2020 it showed greater resilience, than the adult segment overperforming by +4.5pp (a slowdown of 15% vs adults' slowdown of 19%), signaling that families are more inclined to save money on other types of expenditure in favor of children's clothes, according to children's growth needs.

Group historical figures. In FY20A the Group's revenues decreased by -34% YoY to €21.2mn from €32.1mn in FY19A, mainly due to the COVID-19 outbreak which caused a forced temporary closure of shops. However, in 1H21A the Group posted double-digit growth of +17% YoY on revenue, thanks to gradual easing of restrictions imposed by the COVID-19 pandemic. EBITDA margin soared from 18.7% in FY19A to 29.1% in FY20A (ca. +10pp YoY), leveraging on lower production costs and duties thanks to the shift of production from China to Bangladesh (for OverKids). In 1H21A EBITDA soared to €3.9mn (+50% YoY) with a remarkable margin of 32.8%, up by +8.7pp YoY.

IPO rationale & performance. On November 23rd, 2021, Take Off listed on the Euronext Growth Milan market with an IPO price of €4.00, raising €11.2mn (adjusted for IPO's costs). Since IPO, the stock price showed +8.3% return, reaching ca. €67.7mn market capitalization. The Management announced that IPO proceeds would be employed to speed up the retail network development by opening ca. 40 Take Off's stores within 2024 – ca. 70% as DOS – and ca. 90 Over's TPOS. Take Off is also considering accelerating its development by acquiring already existing small non-performing retail networks and convert them into Take Off stores. The network development is expected to boost the Group's revenues, profitability, and awareness.

Future estimates. According to our post-money estimates, we anticipate sales revenues to amount to €55.9mn in FY24E, growing at a CAGR19A–24E of 11.7%, mainly driven by: i) the opening of new stores, both Directly Operated Stores (DOS) and third-party operated stores (TPOS); ii) an increase in the average revenue per shop, also thanks to marketing support; and iii) a balanced mix between third-party and proprietary brands, with the latter accounting for ca. 60% of sales revenues by 2024. We therefore expect EBITDA to grow more than proportionally with respect to revenues (+23.6% CAGR19A–24E), also benefitting from economies of scale, reaching €18mn in FY24E, with EBITDA margin increasing by ca. +2.3pp, from 29.1% in 2020 to 31.4% by 2024.

Valuation. Our valuation – based on both DCF and EV/EBITDA multiple models – returns an equity value of €126.1mn or €8.07ps, +86.4% on current market price.

Market Data

Main Shareholders	
Summit S.p.A.	72.63%
Aldo Piccarreta	5.53%
Giorgia Lamberti Zanardi	1.84%
Mkt Cap (€ mn)	67.7
EV (€ mn)	60.7
Shares out.	15.6
Free Float	20.0%

Market multiples	2021E	2022E	2023E
EV/EBITDA			
Take Off SpA	7.0x	5.4x	4.1x
Comps Median	14.8x	13.3x	12.3x
Take Off SpA vs Median	-53%	-59%	-66%
P/E			
Take Off SpA	13.7x	10.4x	8.3x
Comps Median	22.8x	20.1x	18.0x
Take Off SpA vs Median	-40%	-48%	-54%

Stock Data

52 Wk High (€)	5.40
52 Wk Low (€)	4.10
Avg. Daily Trading 90d	422,667
Price Change 1w (%)	n.a.
Price Change 1m (%)	n.a.
Price Change YTD (%)	n.a.

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Key Figures – Take Off S.p.A.

Current price (€)	Fair Value (€)	Sector	Free Float (%)
4.33	8.07	Apparel	20.0%

Per Share Data	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**
Total shares outstanding (mn)	n.m.	n.m.	15.62	15.62	15.62	15.62
EPS	n.m.	n.m.	0.32	0.42	0.52	0.65
Dividend per share (ord)	n.a.	n.a.	n.a.	0.10	0.13	0.16
Dividend pay out ratio (%)	n.a.	28%	n.a.	25%	25%	25%
Profit and Loss (EUR million)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**
Total Revenues	33.2	22.3	29.0	37.3	47.5	57.2
EBITDA	6.2	6.5	8.7	11.2	14.6	18.0
EBIT	4.6	5.0	7.0	8.7	11.5	14.2
EBT	5.1	5.0	7.0	9.2	11.5	14.2
Taxes	(1.5)	(1.2)	(2.0)	(2.7)	(3.3)	(4.1)
Tax rate	30%	23%	29%	29%	29%	29%
Net Income	3.5	3.8	4.9	6.5	8.2	10.1
Net Income attributable to the Group	3.5	3.8	4.9	6.5	8.2	10.1
Balance Sheet (EUR million)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**
Total fixed assets	9.9	10.3	10.6	14.4	16.9	18.1
Net Working Capital (NWC)	(1.3)	0.5	2.1	4.1	4.7	5.7
Provisions	(0.5)	(0.7)	(1.0)	(1.4)	(1.9)	(2.5)
Total Net capital employed	8.1	10.1	11.7	17.1	19.7	21.3
Net financial position/(Cash)	(4.8)	(1.7)	(10.3)	(10.2)	(14.1)	(20.6)
Total Shareholder's Equity	12.8	11.8	22.0	27.3	33.8	41.9
Cash Flow (EUR million)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**
Net operating cash flow	0.1	5.4	6.7	8.6	11.3	13.9
Change in NWC	-	(1.8)	(1.6)	(2.1)	(0.6)	(1.0)
Capital expenditure	-	(0.8)	(1.4)	(1.8)	(1.9)	(1.8)
Other cash items/Uses of funds	-	0.2	0.3	0.4	0.5	0.6
Free cash flow	0.1	2.9	4.0	5.1	9.4	11.6
Enterprise Value (EUR million)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**
Market Cap	n.m.	n.m.	67.7	67.7	67.7	67.7
Minorities	-	-	-	-	-	-
Net financial position/(Cash)	(4.8)	(1.7)	(10.3)	(10.2)	(14.1)	(20.6)
Enterprise value	n.m.	n.m.	57.4	57.5	53.6	47.1
Ratios (%)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**
EBITDA margin	18.7%	29.1%	30.1%	29.9%	30.8%	31.4%
EBIT margin	13.9%	22.2%	24.2%	23.4%	24.2%	24.8%
Gearing - Debt/equity	-37.2%	-14.4%	-46.9%	-37.2%	-41.7%	-49.1%
Interest cover on EBIT	-9.7%	0.0%	0.6%	0.2%	0.0%	-0.2%
NFP/EBITDA	-76.7%	-26.2%	-118.3%	-90.9%	-96.4%	-114.5%
ROCE	57.0%	49.1%	60.1%	51.0%	58.4%	66.7%
ROE	27.6%	32.3%	22.5%	24.0%	24.1%	24.1%
EV/Sales	1.83x	2.72x	2.10x	1.63x	1.28x	1.06x
EV/EBITDA	9.77x	9.34x	6.96x	5.43x	4.15x	3.38x
P/E	19.12x	17.76x	13.69x	10.35x	8.30x	6.70x
Free cash flow yield	0.00x	0.05x	0.07x	0.08x	0.15x	0.19x
Growth Rates (%)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**
Sales	n.a.	-32.8%	29.9%	28.8%	27.3%	20.3%
EBITDA	n.a.	4.5%	34.2%	28.2%	31.0%	22.8%
EBIT	n.a.	7.4%	41.2%	24.6%	31.7%	23.6%
Net Income	n.a.	7.6%	29.8%	32.3%	24.8%	23.8%

Source: Company data, KT&Partners' elaboration

Contents

Investment Case

***An extended and capillary retail network with high profitability and low risk*.** The Group leverages on one of the largest retail networks operating through 143 stores, covering most of the Italian regions through Over's network (112 affiliated stores) and with a capillary presence in the center-southern regions with Take Off's network (31 stores of which 26 are directly operated). Furthermore, the Group – according to the management – bears low financial risk associated with network development as: i) investments needed to open new Take Off stores are limited to €300k of inventory (lower for OverKids) and €150k of set-up costs (and ca. €5–20k for TPOS); ii) costs for the eventual closure of non-performing stores are limited to ca. €100k for DOS - including both non-recoverable set-up investments and closure costs - and basically zero for TPOS.

***Take Off's innovative business model based on fashion outlet boutiques*.** Take Off has developed an innovative business model introducing the fashion outlet *boutiques*, offering a high-level customer experience within refined stores with personal sales assistance. Take Off offers a balanced mix of third-party and proprietary brands at a high quality–price ratio, reaching a wide client base thanks to a discount model based on the "divided by" paradigm (from ÷2 to ÷10). Take Off's model is a clear example of circular economy, as the retail network allows efficient stock management. Indeed, unsold products from each season (11% on average) are reshuffled to other stores to maximize profits and mean inventory destruction or depreciation is near to zero.

***Positioned on strongly resilient markets*.** The Group operates in two segments – the off-price fashion market for adults and the childrenswear market – which have proved to be strongly resilient during market downturns. By analyzing the US market, a study of Technavio shows that during market downturns off-price operators have suffered less than full-price players, as during difficult economic periods customers tend to shift towards low-costs options. We note that, according to the analysis, the off-price retailers' turnover in 2019 more than doubled with respect to 2005, while the overall apparel and accessories sales maintained a constant level. Looking at the childrenswear, it proved to be more resilient than the Italian adult segment, as during 2020 it slowed down by 15% while the adult market dropped by more than 19%, signaling that families are more inclined to save money on other types of expenditure in favor of purchasing children's clothes, thus responding to children's growth needs.

***Brilliant profitability and sound financial position*.** The Group enjoyed a revenue CAGR 2015–19 of 13% and great profitability reaching a 33% EBITDA margin in 1H21A thanks to its business model based on: i) a balanced mix of proprietary and third-party brands distributed through a capillary retail network of *boutiques;* along with ii) efficient and cost-saving purchasing policies. The strong profitability, combined with a low capital-intensive model, allowed the Company to maintain a positive net cash position (excluding IFRS 16 debt) of €7.8mn at the end of 1H21A (from €11.6mn of 2019), despite €3.8mn of dividend distribution during the 2020–1H21A period and €4mn of inventory increase associated with the COVID-19 outbreak in 2020 and the seasonality (entry of 21/22 Autumn–Winter collection) in 1H21A.

***IPO on Euronext Growth Milan*.** On November 23rd, 2021, Take Off has been admitted successfully to the Euronext Growth Milan (previously AIM Italia), with a gross capital raise of €12.5mn (or €11.21mn net of IPO's costs) and reaching an IPO market capitalization of €62.5mn. The IPO structure was based on a primary offer with a 12-month lock-up term. In addition, the Group would assign 1 warrant - out of 15,625,000 warrants issued - to each shareholder at FY21 Financial Statement approval by the shareholders' meeting. The warrant could be converted into new shares (exercise period in November of each year between 2022-24) with a ratio of four warrants per share at a strike price of: i) +30% on IPO price in the first window; ii) in the second window at a strike price of +15% with respect to first window strike price; iii) in the third window at a strike price of +15% on the second window strike price. The IPO proceeds would be employed to speed up the retail network development by opening ca.

40 Take Off's stores within 2024 – ca. 70% as DOS – and ca. 90 Over's TPOS. Furthermore, the Company plans to strengthen brand awareness by investing in social marketing and supports new openings with dedicated local marketing. Last but not least, the IPO would also strengthen Company awareness towards fashion brands, allowing the Company to directly buy products without dealing with intermediaries.

Statement of risk**.** The Group strategy – based on retail network development – entails an execution risk related to the necessity of finding the right location for the new stores and related to the financial performances of the new openings. However, the Group mitigates these risks thanks to: i) strong management know-how of the retail market; ii) agreements for the rent of the location which include a withdrawal right in case of bad store performances in the first months after the opening; iii) low set-up investments for new openings, €150k for DOS (partially recoverable in case of store closure) and €5k–20k for TPOS; iv) basically no risk in term of inventories needed in the new stores (ca. €300k for Take Off and a lower amount for Over) as the products could be reshuffled within the network in case of store closure following bad performances.

Company Overview

Take Off Group

Take Off group is active in the retail fashion market offering families a complete product portfolio from adult off-price apparel – through its brand Take Off – to childrenswear – through its proprietary brand OverKids. The Group leverages on a network of 143 stores, of which 26 are directly operated.

Take Off SpA innovated the Italian off-price fashion industry by introducing the concept of the fashion outlet *boutique* – refined stores with assisted sales differentiating them from traditional outlets – leading to a great customer experience at affordable prices. Furthermore, products are sorted by "gender" and "size" to ease the shopping experience.

Take Off Store

Source: Company website

The Company has developed one of the largest off-price personal goods chains in Italy, with 26 DOS and 5 TPOS, mainly located in Southern Italy. Over the years, the Group has developed an innovative and exclusive approach which leverages on: i) a product portfolio made by **third-party luxury brands** and **proprietary brands**, which leads to higher volumes and in turn to **higher profitability** compared to traditional off-price retailers; ii) an innovative pricing system based on the "divided by" paradigm (from ÷2 to ÷10); and iii) **stock reshuffling among stores**, reducing unsold items to almost zero – supporting profitability – and making the management of **warehouse flows more efficient**.

The Group completes its offer with **OverKids**, a **"full-price" proprietary brand for the childrenswear** market, managed by Over SpA. The Company has completely insourced every strategic activity, from the design to the prototype creation (300 prototypes for each season) and outsourced every low value-added phase of the production process. Since 2015, its products have been distributed through TPOS, today amounting to 112 in 14 Italian regions. Although a third party manages the stores, the Group keeps strict control over them, managing the product positioning, the store layout, and the warehouse management.

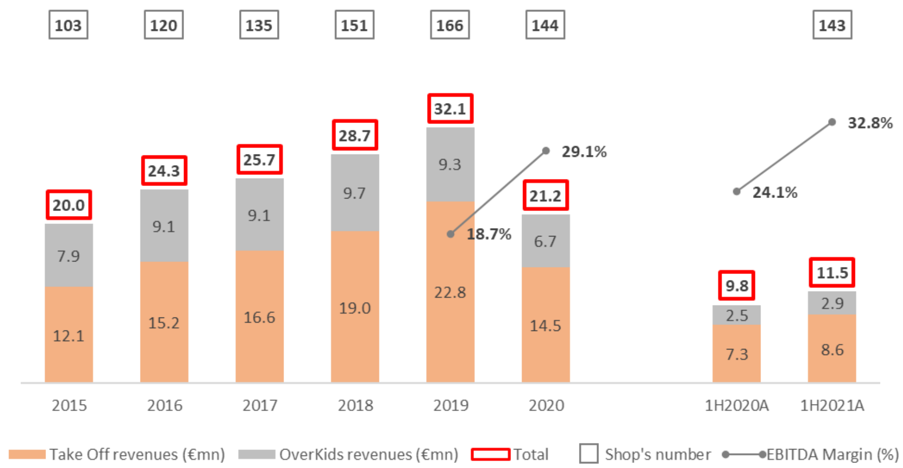
To support sales and brand awareness, the Group has launched online distribution channels: takeoffoutlet.com at the beginning of 2021 and www.overkids.it in 2019.

Leveraging on a balanced mix of proprietary and third-party brands, since 2015 the Group's sales revenues have grown at +12.6% CAGR2015A–19A, amounting to €32.1mn in FY19A. A positive performance was recorded by both Take Off SpA and Over SpA, which increased at a CAGR2015A–19A of 17.4% and 6.6%, reaching €22.8mn and €9.3mn, respectively.

The revenues growth path came to a halt in 2020 due to the COVID-19 outbreak and the related lockdown restrictions. Despite the slowdown in terms of 2020 revenues – due to temporary closure of shops – the Group has been able to increase its EBITDA – from €6.2mn to €6.5mn – experiencing a +10.4pp in terms of EBITDA margin, reaching 29.1%. In FY20 Profitability growth has been mainly driven by a reduction in average product acquisition costs – also associated with the relocation from China to Bangladesh for OverKids' production (Take Off production was already located in Bangladesh) – combined with higher selling prices (lower discounts).

The first half of 2021 showed double-digit growth in top lines, suggesting a return to 2019 levels in terms of revenues. Furthermore, the boost in profitability experienced during 2020 has also been confirmed in 1H21A, with the Group registering a significant 32.8% EBITDA margin.

Group's Sales, Profitability and Network Growth (€mn,%, units)



Source: Analyst presentation, KT&Partners' elaborations
We note that EBITDA 2018 and earlier are not available or comparable because IFRS has not been applied.

The 4Ps for Success: Product, Price, Point of Sale, People

The secret behind Take Off's business and profitability growth relies on a disruptive business model within the fashion retail ecosystem which leverages on: i) a balanced mix of third-party and proprietary brands; ii) an effective discount policy; iii) reshuffling stock among the stores in the network; and iv) highly experienced top management.

Product: A Balanced Mix of Third-Party and Proprietary Brands

The Group has developed a well-balanced portfolio of third-party and proprietary brands (29% and 71% of FY20 Group sales, respectively) which has allowed it to boost **cross-selling sales** and to register a higher level of profitability than traditional fashion chains (FY20A EBITDA margin at 29%).

Take Off SpA is a unicum within the off-price fashion market as it offers off-season top-quality brands (42% of FY20A Take Off SpA sales) – clothes, accessories, and footwear – along with a portfolio of proprietary brands for men and women (58% of FY20A Take Off SpA sales) born to satisfy the market's unmet needs. Collections of proprietary brands are developed based on periodic reports prepared by stores which collects clients' feedback regarding their customer experience and their apparel interests and needs. As of today, Take Off has launched **six proprietary brands**:

- Men's brands – 26% of total FY20 Group sales:
  - **Andrea Maggi** (4.7%) is the high-end line for men, characterized by exclusive design, high-quality materials and high price;
  - **Henry Smith** (15.9%) is the menswear line addressed to the adult male audience, offering more refined and elegant garments;
  - **One Two One** (5.4%) is the casualwear brand with the lowest price among Take Off's proprietary brands for men.
- Women's brands – 14% of total FY20 Group sales:
  - **Gaia Galli** (3.1%) is the high-end brand within the proprietary portfolio for women, characterized by exclusive design, high-quality materials (i.e. including cashmere and leather) and high prices;
  - **Stella Berg** (6.7%) is the womenswear line characterized not only by a more comfortable fit but also for more sophisticated cuts and colors;
  - **Yuko Hayate** (3.9%) is the casual line for young women with the lowest price within women's offer.

Some Third-Party Brands | **Proprietary Brands (% on total Group sales)**

Source: Company website, Analyst presentation

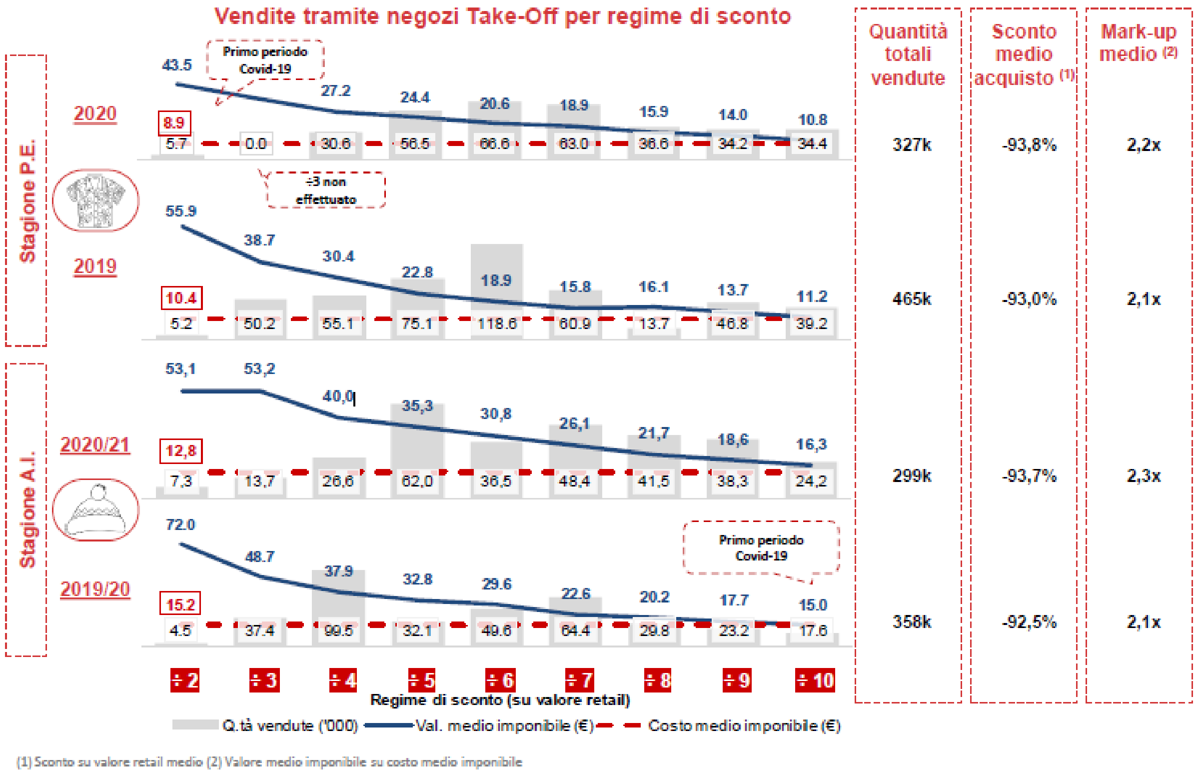
To meet needs of families, the Group – through its subsidiary Over SpA – completes its offer with its proprietary childrenswear line: OverKids. The offer – internally designed but produced through outsourcing – includes clothes, shoes, and accessories for children from 0 to 14 years old. All products are made of cotton and natural fibers, and they are tested before being sold by passing through a washing machine and tumble dryer, ensuring high quality at affordable prices.

Price: Effective Discount Policies

For all the items sold by Take Off SpA (third-party and proprietary brands), the Company has adopted the "**divided by**" paradigm discounting all items starting from ÷2, which cuts the label price in two, up to ÷10. Historically, the highest level of volume has been registered in the range of ÷5/÷6. The scale-up of the discount does not follow a planned timeline, but it is adapted to the financial performance recorded by each store, optimizing the sell-out of items. **Each season** (spring–summer / autumn–winter) **is exposed for 10 months**. At the end of the 10 months**, items unsold at ÷10** (on average 11% of the stores sell-in) are transferred to the central warehouse where they **are reconditioned and sent to another store based on customer preference analysis**. In this case, the price returns to the "divided by 2" level, ensuring greater profitability and **efficient stock management.** The average of unsold items decreases to almost 0% after two or three seasons.

It is worth noticing that over the 2019–1H21 period, Take Off SpA has recorded an average **mark-up of 2.2x** when comparing selling prices and average acquisition costs. This is the result of an efficient purchase policy which allows it to positively contribute to gross margin even at the "divided by 10" level.

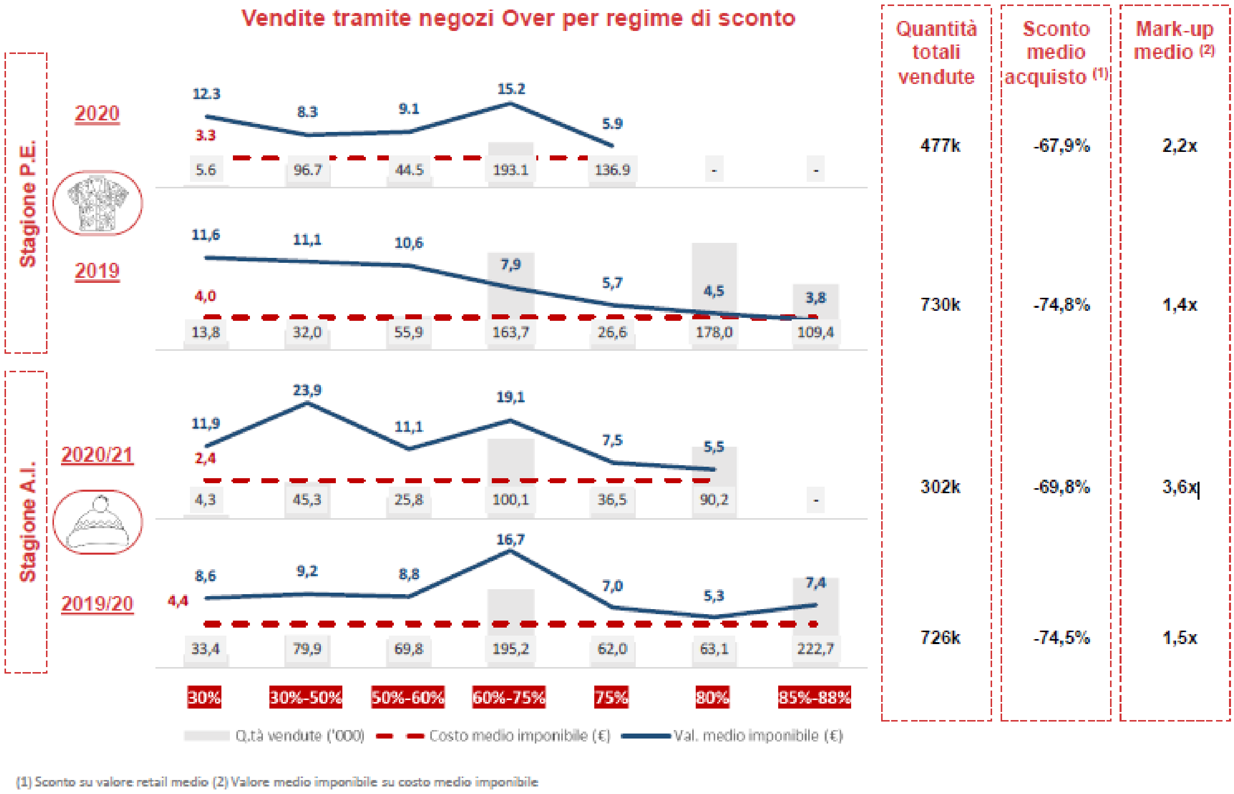
Take Off SpA: 2019–20 Average Mark-Up by Season



Source: Analyst presentation

As for OverKids, a traditional discount policy is adopted, from 30% up to 80%–85%. Even in this case, a positive contribution to gross margin is recorded at the highest level of discount. In 2019, the average mark-up was ca. 1.5x. Following the relocalization of production from China to Bangladesh and slightly higher selling prices (lower discounts), the average **mark-up** of the 2020 spring–summer season was **2.2x** (vs 1.4x of the previous year) and **3.6x** for the 2020–21 autumn–winter season (vs 1.5x of the previous year).

Over SpA: 2019–20 Average Mark-Up by Season



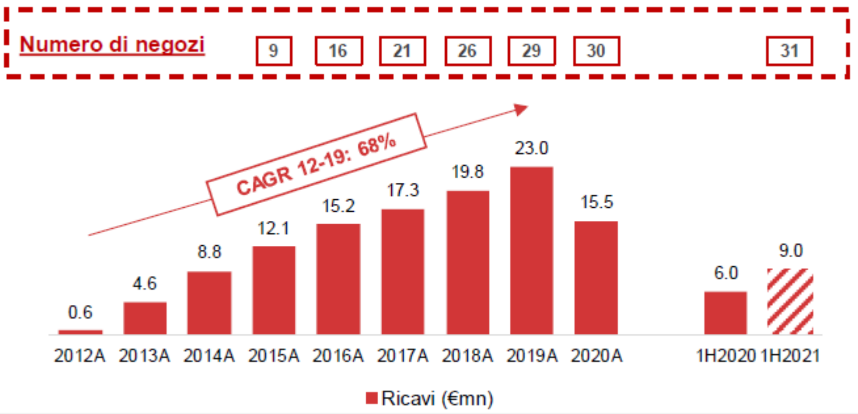
Source: Analyst presentation

Points of Sale: Fashion Boutique Shopping Experience and Stock Reshuffle Among Stores

Over the years, the Group's growth has been driven by the expansion of its network, reaching 143 stores (DOS and TPOS) in 1H21A (vs 103 in 2015).

Since 2015, Take Off SpA has more than tripled its stores – from 9 to 31 stores in 1H21A (of which 26 are DOS) with an average size of 200–250sqm, recording an average turnover per store of ca. €0.8mn. In FY20A, the average turnover per store decreased to €0.5mn, penalized by lockdown restrictions following the outbreak of the COVID-19 pandemic.

Take Off SpA: Total Revenue and Stores Evolution

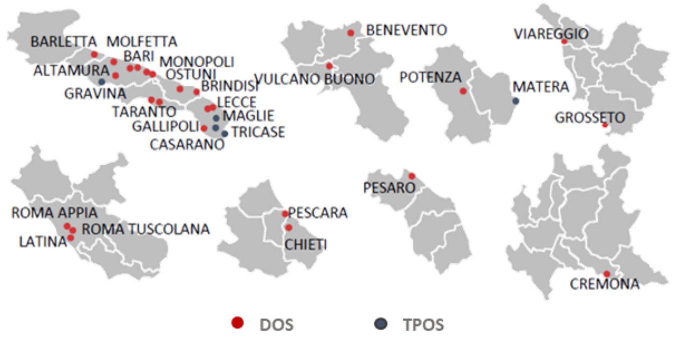


Source: Analyst presentation

According to the management, the investment need for a new DOS opening is ca. €150k, for store furniture, restructuring, systems, employee training, marketing, and other expenses. It is important to note that according to the management the average cost incurred to close a non-performing store is around €10–15k (in addition to initial investments) whereas inventories are moved to other stores within the network.

As of today, Take Off's stores are mainly in high-traffic areas or city centers of Southern Italy and are restocked weekly from the central warehouse. The Group aims at expanding like wildfire, strengthening its presence in Central and Northern Italy.

Take Off SpA: DOS and TPOS by Region



Source: Analyst presentation

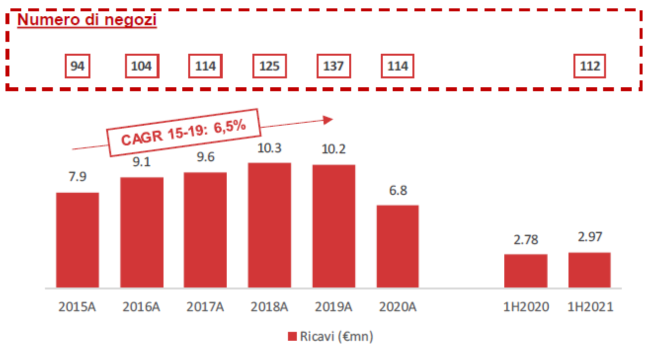
The strengths of Take Off SpA's business model rely on:

i) the ability to provide a **fashion boutique shopping experience** in refined stores and with personal sale assistance. Furthermore, the layout of stores is based on gender and size, easing the product purchasing process by differentiating from traditional outlets which usually provide chaotic experiences;

ii) the **reshuffling of stock among the stores of the network**, turning unsold items into opportunities and leading to better management of inventories. The replenishment is carried out by an inhouse logistics team to guarantee an efficient and fast service.

In contrast to Take Off SpA, Over SpA boasts a wider presence throughout Italy, leveraging on a network of 112 TPOS as of 1H21A (vs 94 in 2015), with an average size of 80–120sqm, located in shopping malls or city centers with almost 10k inhabitants. Of the 112 TPOS, almost **60% have partnered with Over for almost 3 years**, highlighting Company's ability in locking in its affiliates network, especially considering that the new business model based on an affiliated network and proprietary brands only started in 2015. Over 2015–19, the average turnover per store was ca. €80k, decreasing to ca. €60k in FY20A due to the COVID-19 pandemic.

Over SpA: Total Revenue and Stores Evolution Over SpA: TPOS by Region



Source: Analyst presentation

TPOS network development has low financial needs, as: i) new openings require low one-off investment of ca. €5k; ii) eventual low performances are born by the third parties.

The Group usually signs a three-year agreement with affiliated stores, with automatic renewal for other three years. The agreements entail a monthly turnover target, and in case of failure by the affiliate to reach this threshold for two consecutive months, the Group has the right to end the affiliation contract. The headquarter continuously oversees each TPOS, also managing their stocks – TPOS are restocked weekly with items selected by the headquarters – and discounting policies.

People: Key Resource for a Breakthrough Customer Experience

The Group is run by a highly experienced management team which – leveraging on its consolidated skills – has introduced a disruptive and profitable business model, shifting paradigms of the retail fashion chains.

Although it is a human-intensive business model, the staff is a key resource to ensure a breakthrough customer experience. As of today, the Group has 237 employees – with an average age of 37 years old – of which 77% are women. Sale assistances after a careful selection, participate in 10 days of training at the headquarters and to a shadowing period in stores.

Group's History

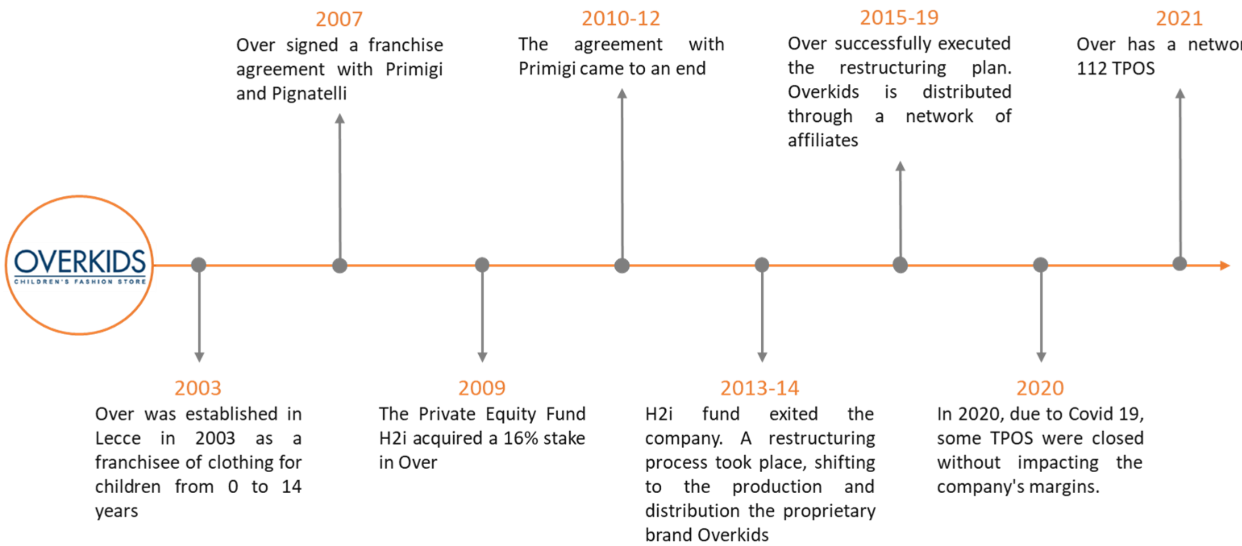
Leveraging on their experience in the retail market, Aldo Piccarreta set up Over S.p.A. in 2003 and, together with Giorgia Lamberti Zanardi, set up Take Off S.p.A. in 2012.

Over S.p.A.

Over has been active in the childrenswear market since 2003. The Company started operating in the market as a franchisee of third-party brands like Primigi and Pignatelli. In 2009, the Private Equity Fund H2i acquired a 16% stake in Over, exiting the Company five years later. Due to profitability reduction, Over was forced to enter a restructuring agreement in 2014. To relaunch the business, in 2015 Over shifted from a third-party brands distribution model to the production of its proprietary brand OverKids, commercialized only through a network of affiliate stores. The Company successfully completed the restructuring plan in April 2019.

As of today, Over has a widespread presence across Italy, leveraging on a network of 112 TPOS.

OverKids Timeline



Source: Analyst presentation

Take Off S.p.A.

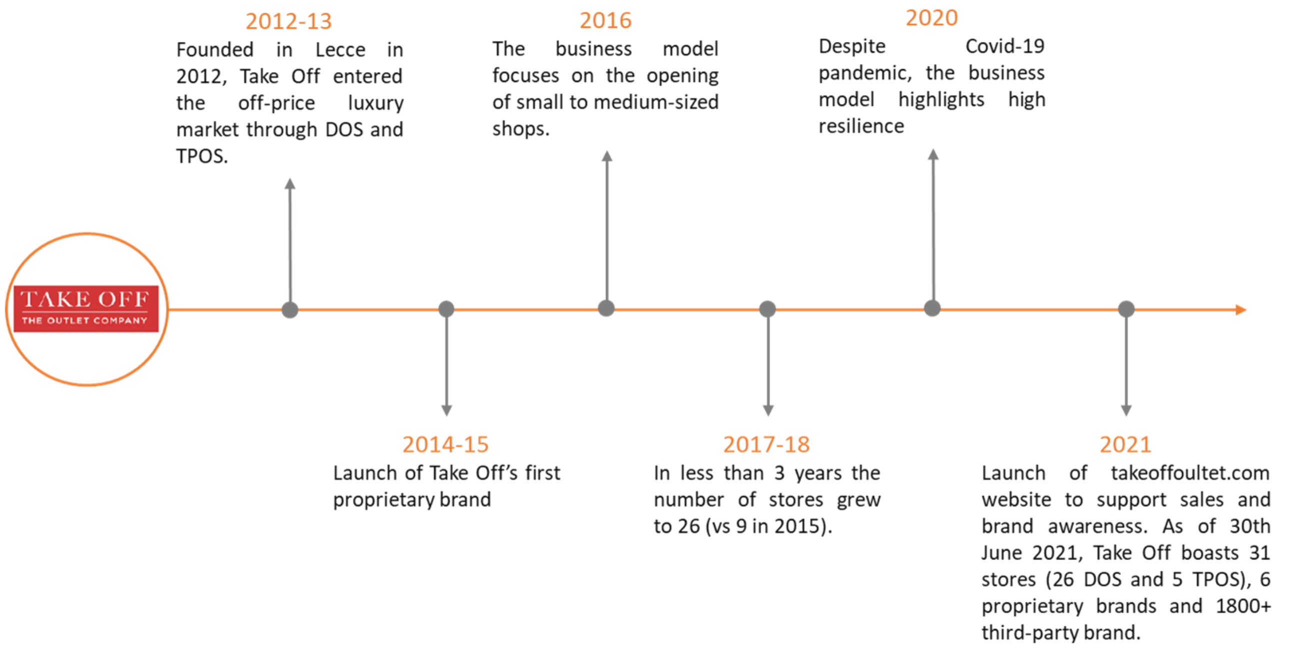
Founded in Lecce in 2012, Take Off S.p.A. was born as an off-price chain able to provide its customers with a fashion boutique experience. Since its foundation, the Company's growth has passed through the opening of DOS and TPOS and the adoption of circular management of the warehouse.

In 2014, the management had the idea of launching its first proprietary brands to satisfy unmet market demand.

As of June 30th, 2021, Take Off boasts a network of 31 stores located mainly in the south center of Italy, including 26 DOS and 5 TPOS and a product portfolio consisting of more than 1,800 brands of third-party and 6 proprietary brands.

To support sales and brand awareness, at the beginning of 2021 Take Off SpA launched its online distribution channel: takeoffoutlet.com.

Take Off Timeline



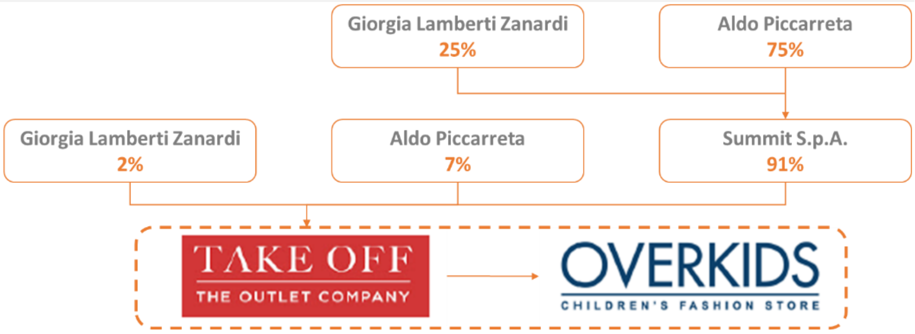
Source: Analyst presentation

Ownership and Group Structure

Take Off is a family-run Group, owned by Aldo Piccarreta (Founder and CEO) and Giorgia Lamberti Zanardi (Director). They indirectly control (91%) Take Off SpA through Summit SpA, the real-estate company managing the Group's assets. The remaining 7% and 2% are directly held by Aldo Piccarreta and Giorgia Lamberti Zanardi, respectively.

Following a reorganization process, Take Off SpA (the issuer) – active in the off-price retail market – now controls 100% of Over SpA – active in the childrenswear market.

Ownership and Group Structure



Source: Analyst presentation

Key People

Take Off is run by highly experienced professionals in the retail market, allowing the Group to offer its customers a unique and innovative shopping experience.

Aldo Piccarreta – Chairman and CEO

Aldo Piccarreta is the founder and CEO of Take Off Group. He has more than 20 years of experience in the production and sale of children's clothing. Prior to founding its own company, he worked from 1998 to 2001 at Gimel S.r.l.

Giorgia Lamberti Zanardi – Executive Director and Procurement and HR Manager

Giorgia Lamberti Zanardi joined the Group in 2008, initially working for Over SpA. In 2012, Giorgia founded, together with Aldo, Take Off SpA. Today she oversees the Group's procurement and HR management activities. From 1992 to 2008 she gained experience in the banking sector in the MPS group.

Pierluca Mezzetti – Executive Director and CFO

Pierluca Mezzetti has been CFO at Take Off since 2011. Before joining Take Off, he worked in the Corporate Finance division of Ernst & Young Corporate Finance. He currently also holds positions of responsibility in companies operating in the Retail, Real Estate and Food & Beverage sectors.

Fulvio Conti – Independent Director

Fulvio Conti held top management positions in Enel, Telecom, Ferrovie dello Stato, and Exxon Mobil Europe. He was also a member of the boards of RCS, Barclays and Vice President of Confindustria. He is currently Chairman of FIEE SGR and a member of the boards of Aon, Unidad Editorial and Istituto Italiano di Tecnologia.

Valentino Fabbian – Independent Director

He was a member of the Board of Directors of Cremonini until 2016 and the Chairman and CEO of Chef Express and Roadhouse until 2016. Since 2016 he has been a shareholder and Chairman of Alibert 1967 S.p.A.

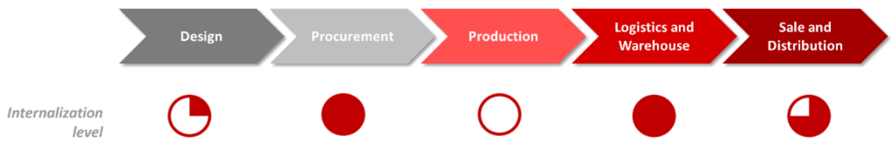
Business Model

Active in the market for off-price retailers for adults and childrenswear, the Group has developed a disruptive business model in the fashion retail ecosystem which has also allowed it to perform well during economic downturns.

The Group is active in almost all the phases of the retail value chain, having internalized all strategic and value-added activities – design, procurement, logistics and warehouse management – while outsourcing production. The Group's products are commercialized through DOS, TPOS and more recently, e-commerce.

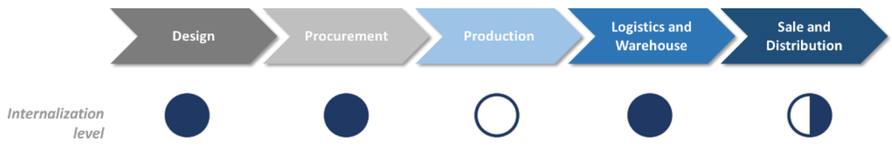
The procurement, sorting, distribution, and stock management are tracked with the **ERP system "BestStore"**, ensuring strict control over the entire value chain.

Take Off SpA's Business Model



Source: Analyst presentation

Over SpA's Business Model



Source: Analyst presentation

Design and Project Planning

Over the years, the Group has developed a product portfolio of proprietary brands to:

i. satisfy clients' unmet needs in terms of size, colors and models (Take Off SpA);
ii. offer high-quality items at affordable prices (Over SpA).

Take Off SpA's proprietary brands are designed – 6 months in advance of each season – by 30+ external suppliers. The so-called "ready-to-wear" items are instead designed under the supervision of Giorgia Zanardi Lamberti (Executive Director and Procurement and HR manager) on the back of market reports that collect feedback from clients.

The childrenswear line – OverKids – is designed and controlled by an internal team (5 employees) which creates more than 300 prototypes for each season with the CEO – Aldo Piccarreta – who personally controls product quality. The design is also continuously updated on the back of feedback from stores and quality tests on garments.

Procurement

The procurement phase is internally managed for both third-party and proprietary brands. All orders are tracked and registered by the purchasing department through the retail management software "Beststore".

Third-party brands are purchased by authorized wholesale through auction (as of today the number of items acquired directly by brands is almost zero). The process is directly supervised by Aldo Piccarreta (the Group's CEO) who, leveraging on his 20+ years of experience in the fashion market, is capable of striking good deals and avoiding buying counterfeit goods.

The purchase process of proprietary brands of Take Off SpA is carried out by the Company, which identifies at the beginning of each season the items to be acquired.

As for the childrenswear line, Over SpA relies on 30+ suppliers, with at least 3–4 suppliers for each type of fabric. Purchases are done through an auction to accept the best offer while staying within the budget decided by the CEO.

Production

Production of proprietary brands is outsourced to reliable partners in Italy, Albania and the Far East. The relationship with partners is directly managed by the Group without any third-party intermediation. In 2019, the Group also relocated the production of the childrenswear line from China to Bangladesh to benefit from lower production costs and lower duties while ensuring high-quality materials (cotton and natural fibers).

Logistics and Warehouse

The Group internally manages logistics and warehouse activities. Take Off SpA and Over SpA have two separate warehouses, both located in Monopoli (Apulia), covering a total of ca. 7,000sqm. According to the management, with the current warehouse capacity the Group would be able to cover all new stores that are expected to be opened according to the pre-money plan.

Once acquired, third-party and proprietary brands are labelled with a barcode and divided according to whether they are for a man/woman and by the type of product. Items are registered within the "Beststore" system only if they effectively match the corresponding order requirements.

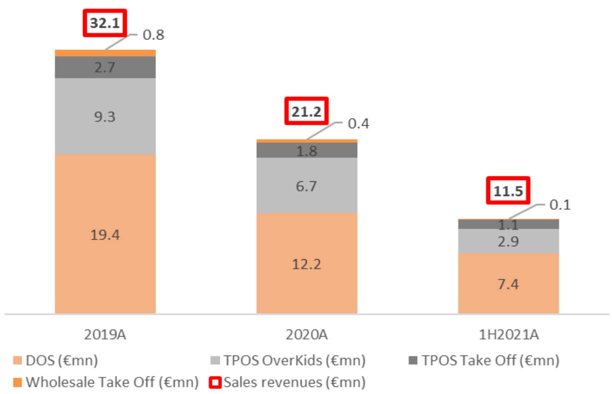
In the case of Take Off SpA, unsold items come back to the central warehouse where they are reconditioned before being reshuffled to a new store within the network ("**circular warehouse management**"). Over SpA follows instead a traditional warehouse management system, with stock being sold initially to discount retailers and then to foreign retailers.

Take Off SpA's items are shipped through proprietary vehicles to guarantee an efficient service, whereas product shipping of Over SpA is via express courier.

Sales, Distribution and Marketing

The Group commercialized its products through DOS, TPOS and more recently, e-commerce. In 2020, the main sales channel in terms of revenue was DOS with €12.2mn generated in 2020. The refurbishment of DOS and TPOS is done on a weekly basis by the headquarters.

2019A–1H2021A Revenues Breakdown by Channels (€mn)



Source: Company data

Historically, the Group has carried out low investments in publicity, as sales have been mainly driven by **word of mouth** and **upselling activities** on current clients which are directly reached through inbound marketing (i.e. messages, e-mail). As of today, the Group boasts **400k+ profiled clients**.

Market Overview

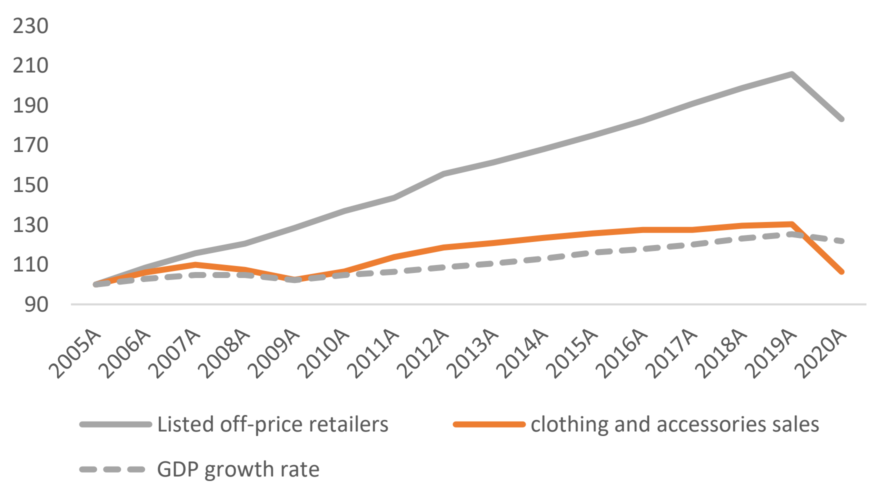
Following the COVID-19 pandemic, the 2021 was characterized by positive sentiments thanks to the vaccination campaign. However, some degree of uncertainty still persists due to: i) the evolution of the pandemic scenario in different worldwide regions; ii) the issue related to the global shortage of raw materials which has a negative impact on production costs and delays in the supply chain; and iii) the sharp rise in energy prices.

Despite macro-economic downturns, the Group has been able to limit the economic impact, as it is active in two retail market segments – off-price retail and childrenswear – which have historically proved to be resilient during downward periods.

Off-Price Retail Market

By analyzing the US market, a study of Technavio shows that during market downturns off-price operators have suffered less than full-price players, as during difficult economic periods customers tend to shift towards low-costs options. We note that, according to the analysis, the off-price retailers' turnover in 2019 more than doubled with respect to 2005, while apparel and accessories sales maintained a constant level.

2005–20 Aggregate Sales: US Off-Price Retailers vs US Apparel Stores *(2005 = 100)*

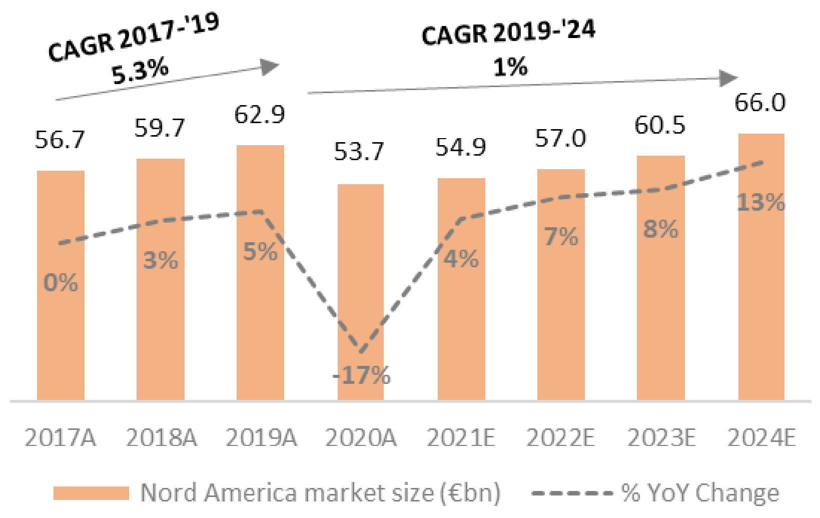


Source: Technavio, Analyst presentation

In recent years, consumer purchasing preferences have increasingly shifted towards quality products at affordable prices. According to the National Retail Federation, in 2018, around 45% of adults in the US preferred to buy clothing from off-price retailers.

The American off-price retail market increased at a CAGR2017–19 of 5.3% reaching ca. €63bn in 2019. In 2020, the market fell by 15% due to the COVID-19 outbreak. In the next years, the American off-price retail market is expected to grow at a slower pace of +1% CAGR2019–24, reaching a market size of €66bn in 2024.

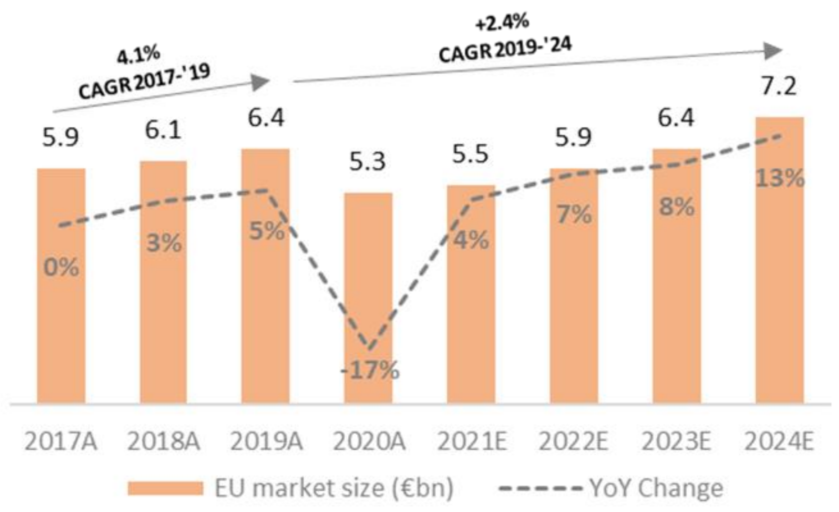
2017–24 North American Off-Price Retail Market Size (€bn)



Source: Technavio, Analyst presentation

In Europe the off-price retail market increased from €5.9bn in 2017 to €6.4bn in 2019 (+4.1% CAGR2017–19). In 2020, European countries recorded a slightly deeper slowdown than North America (-17% vs -15% YoY). However, over the 2019–24 period the European Market is expected to grow at a higher pace, outperforming the North America market by ca. +1.4pp per year. A catalyst for future growth could be the rules recently introduced at EU and Member State level aimed at preventing the destruction of unsold clothing leading to an expected increase in the supply of stock to off-price retailers.

2017–24 European Off-Price Retail Market Size (€bn)

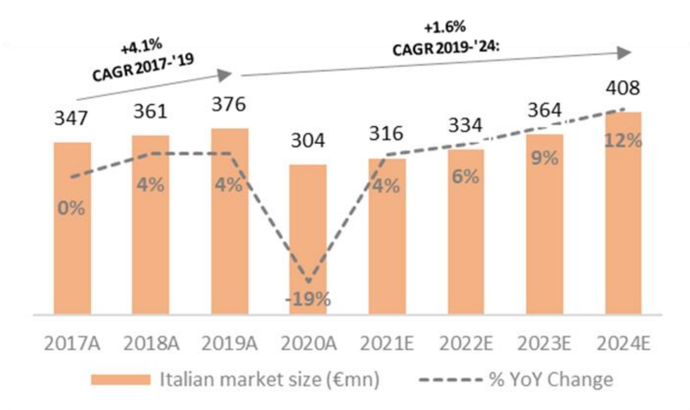


Source: Technavio, Analyst presentation

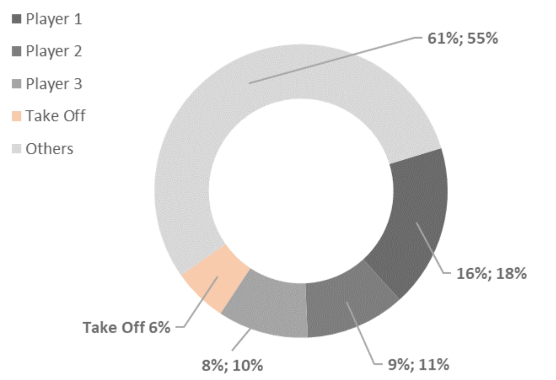
Focusing on Italy, in 2019 the off-price retail market was worth €0.4bn and Take Off SpA was the fourth largest player with a market share of 6%. In 2020 the Italian market was down by -19% YoY and it is expected to reach €0.3bn in 2021 and return to 2019 level only between 2023 and 2024, while the Take Off Group is expected to reach 2019 levels between 2021 and 2022. According to Sistema Moda Italia, in 2021 the Italian textile and clothing sector has been strongly affected by increases in the price of raw materials, such as cotton (+31.2%), wool (+42.0%), synthetic fibers (+51.6%) and raw silk (+30). Increases also affected several chemicals used in textile production, especially in the finishing of yarns and fabrics. Unfortunately, basic supplies come from countries that have not yet returned to 100% activity after the pandemic shutdowns. This has triggered heavy price increases for both fibers and chemical products and services related to transport logistics in the face of an excessive demand for made in Italy products compared to the actual supply capacity.

Over the 2019–24 period the Italian market is anticipated to increase at +1.6% CAGR2019–24, reaching €0.4bn by 2024.

2017–24 Italian Off-Price Retail Market Size (€bn)



2019 Take Off SpA's Market Share



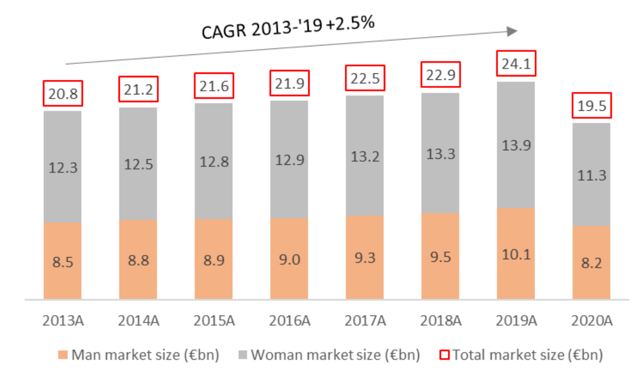
Source: Technavio, Analyst presentation

The Adult Clothing Segment in Italy

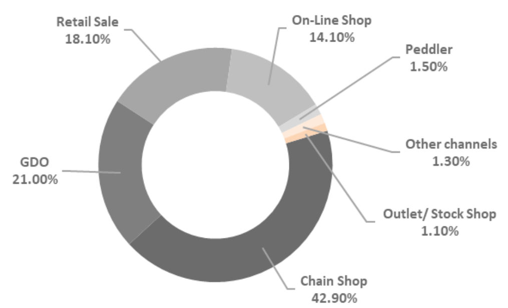
In 2020, the Adult Clothing segment dropped by -19.2% to €19.5bn, below to 2013 market size, with exports declining by 15.3%. In 2020, the Italian men's fashion industry recorded a -19.5% drop compared to 2019, showing however higher resilience compared to the women's segment with an incidence on total turnover of 42.9%, almost in line with the sell-out of chains recorded in the clothing market in 2019. E-commerce gained ground in 2020 in the men's segment, accounting for 14.1%.

The men's and women's apparel segments also recorded a slowdown in the first few months of 2021, with declining imports and exports. However, there was significant market growth in March, signaling a slow recovery of the industry.

2013–20 Italian Adult Clothing Segment (€bn)



2020 Men's Fashion Market by Channel (%)



Source: Sistema Moda Italia, Confindustria Moda

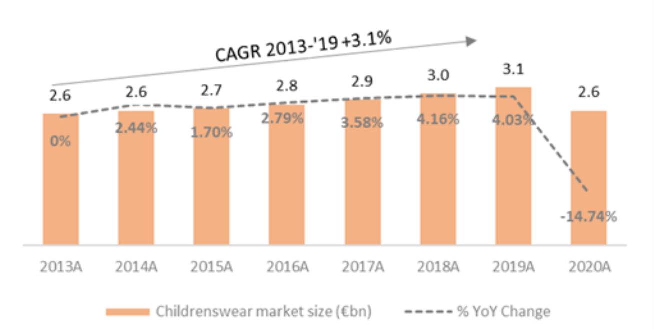
The Childrenswear Segment in Italy

In 2020, the childrenswear sector dropped by -14.7% to €2.6bn, back to the 2015 market size. Imports and exports both recorded a negative performance, decreasing by 15.9% and 13.7%, respectively. The childrenswear segment however proved to be more resilient than the Italian adult segment, signaling that families are more inclined to save money on other types of expenditure in favor of children's clothes, according to child's growth over the years.

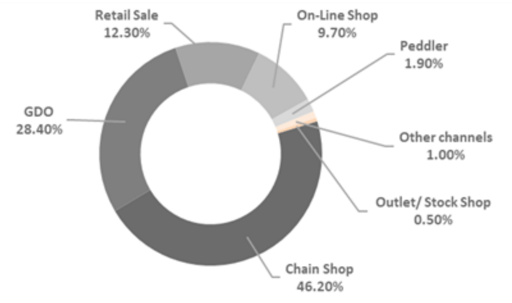
Breaking down turnover by distribution channel, chains continued to be the first channel for sell-outs, with an incidence of 46.2%, despite the sharp drop in sell-outs of 22.4% compared to 2019. The online channel recorded a remarkable performance boosted by the COVID-19 pandemic with a +33.1% increase in sell-outs, reaching a 9.7% share of the market.

Unlike the adult segment, 1Q21 started on a positive note for the childrenswear market, benefitting from the growth recorded by both imports +0.5% and exports +0.7%.

2013–20 Italian Childrenswear Market (€bn)



2020 Italian Childrenswear Market (%)



Source: Sistema Moda Italia, Confindustria Moda

Competitive Arena

With its innovative business model, the Group has shifted the paradigms of the retail fashion chains, enjoying good positioning within both the adult off-price and childrenswear markets.

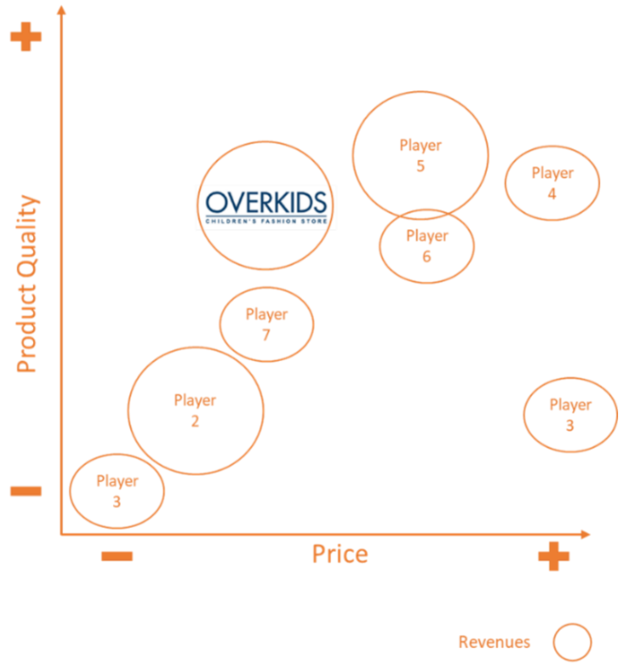
Childrenswear Segment

The main franchising brands operating in the childrenswear segment include Original Marines, Brums, Primigi and Cycleband. In addition to these, there are players operating both in the adults' and kids' segments like Benetton, OVS and Piazza Italia.

The competitive position in the childrenswear market is mainly driven by quality and price.

Over SpA, with its brand OverKids, offers items with a superior quality–price ratio, enjoying a strong competitive advantage compared to other market players.

Competitive Childrenswear Arena in Italy



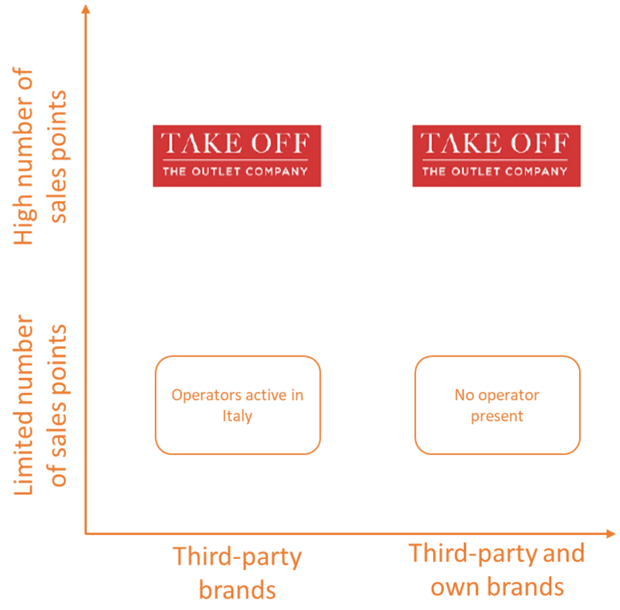
Source: Analyst presentation

Off-Price Retail

Take Off SpA enjoys a strong competitive positioning compared to traditional off-price retailers thanks to its innovative business model. Indeed, in Italy there are no players providing both proprietary and third-party brands and adopting a circular system to manage their inventory. Furthermore, traditional off-price retailers usually offer a chaotic customer experience while Take Off stores are refined and offer personal sales assistance, providing a fashion boutique customer experience.

In 2019, Take Off was the fourth main player within the Italian off-price market with a market share of 6%.

Competitive Off-Price Retail Arena in Italy



Source: Analyst presentation

Take Off's business model is a unicum in the retail market, allowing it to record higher financial performance compared to other players.

Examples of Other Clothing Groups and Chains

	Company Name	Revenues (€mn)		EBITDA (€mn)		EBITDA margin (%)		Net Income (€mn)		Net margin (%)		NFP (€mn)	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Apparel	Benetton Group S.r.l.	877.53	554.37	4.27	-79.91	0.5%	-14.4%	-143.22	-325.70	-16.3%	-58.8%	120.46	91.51
	OVS S.p.A.	1374.78	1457.15	98.62	260.10	7.2%	17.8%	25.54	-140.39	1.9%	-9.6%	374.54	306.18
	Piazza Italia S.p.A.	363.19	247.23	15.52	4.00	4.3%	1.6%	2.61	-22.98	0.7%	-9.3%	27.24	46.16
	IMAC S.p.A.	244.28	257.55	28.38	20.76	11.6%	8.1%	19.72	12.41	8.1%	4.8%	-3.30	-3.14
Childrenswear	Original Marines S.p.A.	161.08	127.72	-0.27	1.69	-0.2%	1.3%	-7.26	-8.89	-4.5%	-7.0%	47.44	57.97
	Tessival S.r.l. (Cycle Band)	26.92	12.37	-2.22	-3.58	-8.2%	-28.9%	0.25	-2.40	0.9%	-19.4%	9.75	9.62
	Preca Brummel S.p.A.	43.27	n.a.	-8.67	n.a.	-20.0%	n.a.	-7.43	-22.13	-17.2%	n.a.	0.57	n.a.
	Take Off SpA	**32.09**	**21.18**	**6.22**	**6.50**	**19.4%**	**30.7%**	**3.54**	**3.81**	**11.0%**	**18.0%**	**-4.77**	**-1.70**

Source: Leanus and KT&Partners' elaboration

Historical Financials

Take Off's key financials for FY20A are:

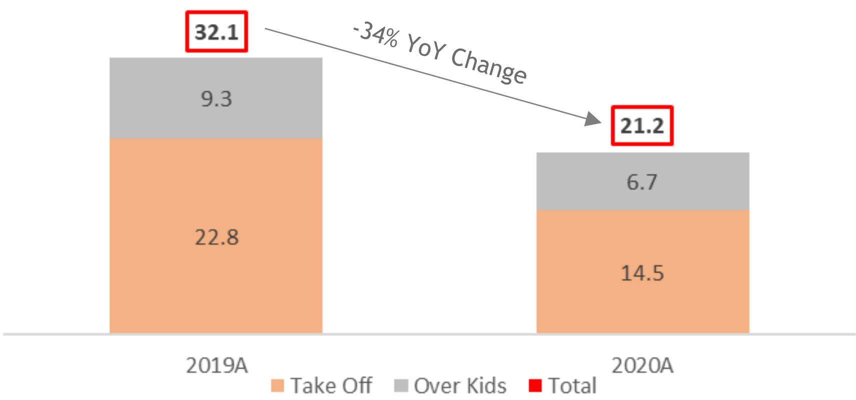
- Sales revenues at €21.2mn vs €32.1mn in FY19A (-34% YoY);
- EBITDA at €6.5mn (+4.5% YoY), with EBITDA margin at 29.1%;
- EBIT at €5mn (+7.4% YoY);
- Net income at €3.8mn (+7.6% YoY);
- Net cash position at €1.7mn, -€3.9mn compared to FY19A.

Revenues Breakdown

The Group operates through Take Off SpA – active in the fashion outlet industry for adults – and Over SpA – active in the childrenswear market.

In FY20A the Group's revenues decreased by -34% YoY to €21.2mn from €32.1mn in FY19A, mainly due to the COVID-19 outbreak which caused a forced temporary closure of shops.

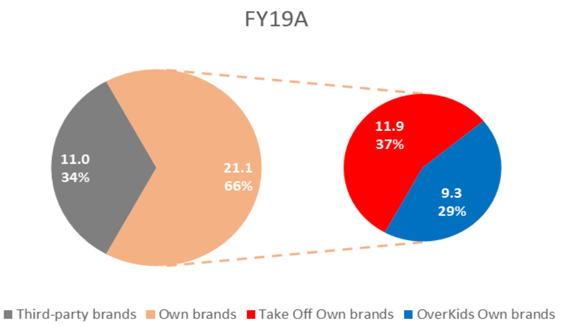
2019–20 Revenue breakdown by BU (€mn)

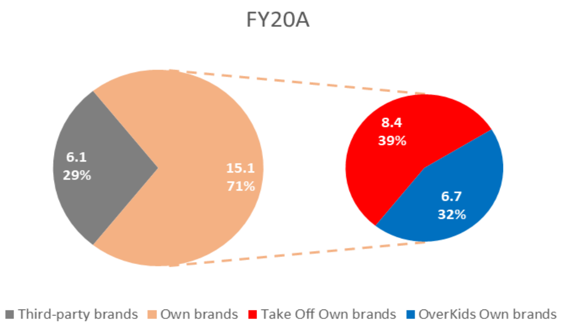


Source: Company data

Looking at the breakdown of revenues by brand, we note that proprietary labels accounted for the bulk of revenues in both FY19A and FY20A, contributing an average of ca. 70%. FY20A revenues from own brands reached €15.1mn, of which €8.4mn (–29.3% YoY) and €6.7mn (–27.7%) were from Take Off and OverKids, respectively.

2019–20 Revenue Breakdown by Brand (€mn)





Source: Company data

Profitability Analysis

Despite the COVID-19 outbreak the Group has been able to increase its gross margin by 12pp thanks to: i) the shift of production from China to Bangladesh for OverKids (lower production costs and lower duties); and ii) higher average selling prices. In 2020, thanks to the improvement in gross margin from 43% to 55%, gross profit decreased less than proportionally when compared to revenues (-13% vs -34%), reaching €12.3mn (from €14.2mn in FY19A).

The higher gross profit, combined with savings on overhead costs, pushed EBITDA to €6.5mn, higher than FY19A performance (€6.2mn). As a result, EBITDA margin soared from 18.7% in FY19 to 29.1% in FY20A (ca. +10pp YoY). Looking at EBITDA breakdown, Take Off contributed €3.2mn (from €5.0mn of FY19A) while Over contributed €3.3mn (vs €1.2mn of FY19A).

In FY20A, the Group showed a remarkable increase in net margin of ca. +6pp compared to the previous year, amounting to €3.8mn (+7.6% YoY) from €3.5mn in FY19A.

2019A–20A Consolidated Income Statement (€mn)

€ Millions	FY19A	FY20A	% YoY 19-20
Take Off	22.8	14.5	-36.6%
Over Kids	9.3	6.7	-27.7%
Sales Revenues	**32.1**	**21.2**	**-34.0%**
Other Revenues	1.1	1.1	1.3%
Total Revenues	**33.2**	**22.3**	**-32.8%**
Products and Raw materials	(19.0)	(10.0)	-47.4%
Gross Profit	**14.2**	**12.3**	**-13.4%**
Gross Margin	*42.8%*	*55.2%*	*12.4%*
Cost of Services	(2.3)	(1.7)	-28.3%
Personnel Expenses	(4.7)	(3.9)	-18.8%
Other Operating Expenses	(0.9)	(0.3)	-68.1%
EBITDA	**6.2**	**6.5**	**4.5%**
EBITDA margin	*18.7%*	*29.1%*	*10.4%*
D&A and Provisions	(1.6)	(1.5)	-3.8%
EBIT	**4.6**	**5.0**	**7.4%**
EBIT margin	*13.9%*	*22.2%*	*8.3%*
Financial Income and Expenses	0.5	-	n.m.
Extraordinary items	-	-	
EBT	**5.1**	**5.0**	**-2.2%**
Taxes	(1.5)	(1.2)	-24.8%
Tax Rate	*30.2%*	*23.2%*	*-7.0%*
Net Income	**3.5**	**3.8**	**7.6%**
Net margin	*10.7%*	*17.1%*	*6.4%*

Source: Company data

Capital Structure Analysis

Over the 2019–20 period, fixed assets increased by ca. €0.4mn, amounting to €10.3mn in FY20A, including €3.4mn effects of the spin-off of Horizon S.r.l from Take Off SpA to Summit S.p.A. (the holding controlling Take Off SpA). The aim was to separate real estate activities from the Group's core business.

Net working capital (NWC) increased by €1.8mn reaching €0.5mn in 2020. NWC incidence on revenue went from -4.1% in 2019 to 2.4% in 2020, due to higher incidence of inventory following revenues' contraction caused by shop closures.

Over the same period, the NFP worsened by €3.1mn, amounting to a net cash position of €1.7mn in FY20A from €4.8mn of net cash in FY19A. The worsening of the NFP was mainly due to: i) €1mn dividends payments; ii) NWC cash absorption caused by increasing inventory; and iii) €4.3mn CapEx of which €1.9mn was in tangible assets and €2.5mn in new leasing contracts (ROU IFRS 16). Finally, thanks to EBITDA improvement, the NFP/EBITDA ratio amounted to ca. 0.2x in 2020.

2019A–20A Consolidated Balance Sheet (€mn)

€ Millions	FY19A	FY20A
Fixed Assets	**9.9**	**10.3**
Trade receivables	0.7	0.2
Inventory	7.3	11.0
Trade Payables	(6.1)	(6.6)
Trade Working Capital	**1.9**	**4.6**
Other assets and liabilities	(3.2)	(4.1)
Net Working Capital	**(1.3)**	**0.5**
Other Provisions	**(0.5)**	**(0.7)**
Net Capital Employed	**8.1**	**10.1**
Total shareholders' equity	**12.8**	**11.8**
Short-term debt / Cash (-)	(11.1)	(12.4)
Long-term liabilities	6.3	10.7
Net Financial Position	**(4.8)**	**(1.7)**
Sources	**8.1**	**10.1**

Source: Company data

1H21 Financial Results

1H21A Sales revenues increased by +17.3% YoY to €11.5mn from €9.8mn in 1H20A thanks to gradual easing of restrictions imposed by the COVID-19 pandemic. Total revenues reached €11.9mn in 1H21 (+10.2% YoY), of which €9mn were attributable to Take Off and €3.0mn to OverKids.

Following 2020 production costs improvement, 1H21 gross margin increased by ca. 11pp YoY reaching 56.3%.

EBITDA soared to €3.9mn (+50% YoY) with a remarkable margin of 32.8%, up by +8.7pp YoY. This was the result of the improvement of gross margin, despite the increasing incidence of overhead costs by ca. 2pp. EBIT amounted to €3mn (+57.9% YoY) from €1.9mn in 1H20A. Net income grew by +23.5% to €2.1mn in 1H21A from €1.7mn 1H20A, notwithstanding higher taxes.

The 1H21A net cash position, despite the positive EBITDA performance, stood at €0.4mn from €1.7mn in FY20A, mainly due to €2.8mn cash-out for dividend payments.

1H21A Income Statement (€mn)

€ million	1H20A	1H21A	YoY %
Sales Revenues	**9.8**	**11.5**	**17.3%**
Other Revenues	1.0	0.4	-64.3%
Total Revenues	**10.8**	**11.9**	**10.2%**
Products and Raw materials	(5.9)	(5.2)	-12%
Gross Profit	**4.9**	**6.7**	**36.7%**
Gross Margin	*45.4%*	*56.3%*	*10.9%*
Cost of Services	(0.6)	(0.7)	17%
Personnel Expenses	(1.6)	(2.0)	25%
Other Operating Expenses	(0.1)	(0.1)	0%
EBITDA	**2.6**	**3.9**	**50.0%**
EBITDA margin	*24.1%*	*32.8%*	*8.7%*
D&A and Provisions	(0.7)	(0.9)	29%
EBIT	**1.9**	**3.0**	**57.9%**
EBIT margin	*17.6%*	*25.2%*	*7.6%*
Financial Income and Expenses	(0.1)	(0.2)	n.m.
Extraordinary items	-	-	
EBT	**1.8**	**2.8**	**55.6%**
Taxes	(0.1)	(0.7)	n.m.
Tax Rate	*5.6%*	*25.0%*	*19.4%*
Net Income	**1.7**	**2.1**	**23.5%**
Net margin	*15.7%*	*17.6%*	*1.9%*

Source: Company data

1H21A Balance Sheet (€mn)

€ Millions	FY20A	1H21A
Fixed Assets	**10.3**	**9.0**
Trade receivables	0.2	0.1
Inventory	11.0	10.6
Trade Payables	(6.6)	(4.1)
Trade Working Capital	**4.6**	**6.7**
Other assets and liabilities	(4.1)	(5.8)
Net Working Capital	**0.5**	**0.9**
Other Provisions	**(0.7)**	**(0.8)**
Net Capital Employed	**10.1**	**9.1**
Total shareholders' equity	**11.8**	**9.5**
Short-term debt / Cash (-)	(12.4)	(9.2)
Long-term liabilities	10.7	8.8
Net Financial Position	**(1.7)**	**(0.4)**
Sources	**10.1**	**9.1**

Source: Company data

Group's Strategy

The Group's strategy – both for Take Off and OverKids – is mainly based on the **retail network development** that could be boosted by acquisition of already existing retail chains.

Retail Network Development

In the next few years, the Group plans to expand its retail network, both for Take Off and OverKids. The idea is to replicate the success already achieved with the current network by:

- **Entering new geographical areas** in Italy to seize new markets opportunities, diversify revenue contribution and further optimize stock reshuffling among stores. The Group's strategy is to test the new area with a new store and then expand like wildfire;
- Further penetrate areas already covered to **strengthen business capillarity**.

We note that the expansion strategy does not entail a high financial risk as – according to the management – the stores require limited investments – when compared to traditional stores – and bring low financial impact when they need to be closed as they do not perform as expected (especially for TPOS).

Take Off Network Development

The Group plans to expand the **Take Off** network reaching 50 stores by 2024 – from 31 stores in 1H21A – by opening 6 new stores per year (net of eventual store closures) of which 4 will be new DOS and 2 new TPOS.

The aim is also to expand the Take Off network in the north of Italy where the Company currently operates with few stores, by following the current **guidelines**: i) location selection based on commercial appeal (traffic analysis based on adjacent stores' turnover); and ii) stores in a range of 200–300sqm according to the areas' needs.

A new DOS opening requires – according to the management – an ***initial investment of ca. €150k*** to set up the store and ca. €300k of products, while a new TPOS opening requires a small investment to set up the store and the same amount of products.

Last but not least, according to the Group, the **financial impact of a store closure is limited to**: i) €10–15k of closing costs; ii) ca. €50k of set-up costs, as most of the investment could be transferred to a new store; iii) the eventual losses suffered by the stores, even if, according to the management, historically the stores closed were at breakeven level; iv) no losses on the products as they would be reshuffled in the Company network; and v) limited losses on rental costs as the Company usually signs agreement with the withdrawal rights in the first months after the opening. In the case of TPOS, the financial impact would be really limited as the investments are carried out by affiliates.

Over Network Development

As for Over, the Group aims to expend the network, reaching 170 stores by 2024 – from 112 stores in 1H21A – following the actual strategy based only on TPOS. The new TPOS would be selected following the Company guidelines: i) location selection based on customer traffic in the center of the city or in commercial location of small and medium cities; ii) stores in a range of 60–80sqm according to the areas' needs; and iii) an approach based on the conversion of already existing stores at a set-up price – financed by the third party – lower when compared to competitors.

A **new TPOS opening** – according to the management – **only requires**: i) €5k of investments and ii) the products to be placed in the store – a lower investment when compared to Take Off as childrenswear products have a lower average cost than adults' ones.

For Over network stores, the **financial risk of non-performing stores is almost zero** as the investments are carried out by the partner and usually the affiliation agreement includes a withdrawal right when certain financial thresholds are not met.

M&A Investments

Take Off is also considering accelerating its development by acquiring already existing small non-performing retail networks and convert them into Take Off stores.

We note that we did not consider any M&As contribution in our financial forecasts.

IPO Rationale and Use of Proceeds

With a capital raise of €12.5mn (or €11.2mn adjusting for IPO's costs) the Group plans to further boost its growth through:

- The **acceleration of the retail network development** (ca. €6mn) reaching ca. 70 Take Off stores (ca. 50 in the pre-money plan) and ca. 200 Over Stores (ca. 170 in the pre-money plan);
- **Strengthen brand awareness** by investing ca. €2mn in social media marketing campaigns that are expected to further support group growth;
- **Support M&A** coming from non-performing fashion chains.

Moreover, the listing, combined with a great brand awareness, would enhance group reliability to deal directly with fashion brands – by-passing intermediaries – creating higher growth opportunities and supporting profitability.

Deconstructing Forecasts

Our financial projections over the 2021–24 period are based on Take Off's business model and strategy. No impact from future M&As has been taken into account.

Starting from the top line, we anticipate sales growing at a CAGR19A–24E of 11.7%, reaching €55.9mn in FY24E. We projected sales considering: i) the opening of new stores, both DOS and TPOS; and ii) an increase in the average revenue per shop starting from 2020 data, also thanks to marketing support. Looking at the two business units:

- **Take Off** is expected to grow at a CAGR19A–24E of 13.8%, reaching €43.6mn in FY24E. Growth will be mainly driven by: i) ca. 30 new openings (net of closures) by 2024, of which ca. 20 DOS and 10 TPOS; ii) an increase in the average revenues per shop, reaching almost €0.8mn per shop by 2024 (in line with 2019 level); and iii) a balanced mix between third-party and proprietary brands, with the latter accounting for ca. 60% of sales revenues by 2024;
- **OverKids** business line is anticipated to reach €12.3mn in FY24E, growing at CAGR19A–24E of 5.9%, mainly thanks to: i) ca. 60 TPOS new openings (net of closures) by 2024; and ii) a comeback to 2019 levels in terms of revenue per store.

We anticipate gross profit to be €16.1mn in FY21E and reaching €31.8mn by FY24E, experiencing a +17.5% CAGR19A–24E, growing at a higher pace than sales thanks to savings in terms of product purchasing costs already experienced by the Group during 2020 and 1H21A. Indeed, we forecast gross margin to remain quite stable and consistent with 2020, also following the relocation of production from China to Bangladesh carried out over the 2019–20 period. We therefore expect gross profit to go from 55.2% in FY20A to 55.7% in FY24E.

At the EBITDA level, we expect: i) service costs to remain at historical levels; and ii) personnel expenses to grow following business development, even if at a slower pace than revenues thanks to economies of scale. We therefore expect EBITDA to grow more than proportionally with respect to revenues, experiencing a CAGR19A–24E of +23.6%, reaching €18mn in FY24E, with EBITDA margin increasing by ca. +2.3pp, from 29.1% in 2020 to 31.4% by 2024.

Looking at the bottom line, we projected net income at €10mn in 2024, growing at a CAGR19A–24E of +23.1%, and a FY24E net margin of 17.5% (+0.4pp compared to FY20A). It worth to point out that we include €0.5mn of IPO's expenses tax credit for FY22E in our projections.

2019A–24E Consolidated Income Statement

€ Millions	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	CAGR 19A-24E
Take Off	22.8	14.5	20.7	27.1	35.7	43.6	13.8%
Over Kids	9.3	6.7	7.6	9.4	10.8	12.3	5.9%
Sales Revenues	**32.1**	**21.2**	**28.3**	**36.5**	**46.5**	**55.9**	**11.7%**
Other Revenues	1.1	1.1	0.7	0.8	1.0	1.2	2.1%
Total Revenues	**33.2**	**22.3**	**29.0**	**37.3**	**47.5**	**57.2**	**11.5%**
Products and Raw materials	(19.0)	(10.0)	(12.9)	(16.6)	(21.1)	(25.3)	
Gross Profit	**14.2**	**12.3**	**16.1**	**20.7**	**26.4**	**31.8**	**17.5%**
Gross Margin		*55.2%*	*55.6%*	*55.5%*	*55.6%*	*55.7%*	
Cost of Services	(2.3)	(1.7)	(2.3)	(3.2)	(3.9)	(4.5)	
Personnel Expenses	(4.7)	(3.9)	(4.4)	(5.5)	(6.7)	(7.9)	
Other Operating Expenses	(0.9)	(0.3)	(0.7)	(0.9)	(1.2)	(1.4)	
EBITDA	**6.2**	**6.5**	**8.7**	**11.2**	**14.6**	**18.0**	**23.6%**
EBITDA margin	*18.7%*	*29.1%*	*30.1%*	*29.9%*	*30.8%*	*31.4%*	
D&A and Provisions	(1.6)	(1.5)	(1.7)	(2.4)	(3.1)	(3.8)	
EBIT	**4.6**	**5.0**	**7.0**	**8.7**	**11.5**	**14.2**	**25.2%**
EBIT margin	*13.9%*	*22.2%*	*24.2%*	*23.4%*	*24.2%*	*24.8%*	
Financial Income and Expenses	0.5	-	(0.1)	(0.1)	(0.1)	(0.1)	
Extraordinary items	-	-	-	0.5	-	-	
EBT	**5.1**	**5.0**	**6.9**	**9.1**	**11.4**	**14.1**	**22.7%**
Taxes	(1.5)	(1.2)	(2.0)	(2.6)	(3.3)	(4.1)	
Tax Rate	*30.2%*	*23.2%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	
Net Income	**3.5**	**3.8**	**4.9**	**6.5**	**8.1**	**10.0**	**23.1%**
Net margin	*10.7%*	*17.1%*	*16.9%*	*17.3%*	*17.0%*	*17.5%*	

Source: Company data, KT&Partners' elaboration

As for the Group's balance sheet, we expect NWC to grow from €0.5mn in FY20A to €5.7mn in FY24E, mainly following business growth.

We foresee fixed assets to increase from €10.3mn in FY20A to €18.1mn in 2024, mostly related to IFRS 16 assets. Capex mainly includes investments for: i) the opening of new shops (€150k for DOS and ca. €5–20k for TPOS); ii) eventual restructuring activities of existing shops; and iii) the impact from IFRS 16 assets related to the rental agreements for new stores.

Looking at the Group's financial soundness, we expect NFP to progressively improve over the 2020–24 period, increasing its net cash position from €1.7mn in FY20A to €20.3mn in FY24E, (€32mn of net cash if excluding IFRS 16 related debts), mainly following Group's growth, profitability improvement and better working capital management.

We note that FY21E net cash position is expected to worsen compared to FY20A mainly following ca. €6mn dividend payment to existing shareholders, of which €2mn already paid while the remaining - already approved - will be distributed by the end of 2021. For 2022 onwards, our forecast reflects Group's intention to continue to pay dividends and we assume a payout ratio of ca. 25%, almost in line with previous years.

2019A–24E Consolidated Balance Sheet

€ Millions	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Tangible and Intagible (ROU Assets - IFRS16)	9.4	9.8	10.1	13.9	16.4	17.6
Other LT Assets	0.5	0.5	0.5	0.5	0.5	0.5
Fixed Assets	**9.9**	**10.3**	**10.6**	**14.4**	**16.9**	**18.1**
Trade receivables	0.7	0.2	0.5	0.6	0.8	0.9
Inventory	7.3	11.0	8.3	12.0	13.8	15.5
Trade Payables	(6.1)	(6.6)	(5.0)	(6.3)	(7.5)	(8.5)
Trade Working Capital	**1.9**	**4.6**	**3.8**	**6.3**	**7.0**	**8.0**
Other assets and liabilities	(3.2)	(4.1)	(1.7)	(2.2)	(2.3)	(2.2)
Net Working Capital	**(1.3)**	**0.5**	**2.1**	**4.1**	**4.7**	**5.7**
Other Provisions	**(0.5)**	**(0.7)**	**(1.0)**	**(1.4)**	**(1.9)**	**(2.5)**
Net Capital Employed	**8.1**	**10.1**	**11.7**	**17.1**	**19.7**	**21.3**
Group shareholders' equity	12.8	11.8	21.9	27.2	33.6	41.6
Minority shareholders' equity	-	-	-	-	-	-
Total shareholders' equity	**12.8**	**11.8**	**21.9**	**27.2**	**33.6**	**41.6**
Short-term debt / Cash (-)	(11.1)	(12.4)	(19.7)	(21.7)	(26.7)	(33.2)
Long-term liabilities	6.3	10.7	9.5	11.6	12.7	12.9
Net Financial Position/ (Cash)	**(4.8)**	**(1.7)**	**(10.3)**	**(10.0)**	**(13.9)**	**(20.3)**
Sources	**8.1**	**10.1**	**11.7**	**17.1**	**19.7**	**21.3**

Source: Company data, KT&Partners' elaboration

Valuation

Following our projections of Take Off's future financials, we carried out the valuations of the company by applying the DCF and market multiples methods:

1. EV/EBITDA and P/E multiples, which returns an equity value of €102.4mn or €6.56ps;
2. DCF analysis based on WACC of 9.2% and 1.5% perpetual growth, returns an equity value of €149.8mn or €9.59ps.

The average of the two methods yields a fair value of €8.07ps or an equity value of €126.1mn.

It is worth pointing out that in valuing Take Off we take into consideration NFP adjusted, factoring the cash-in from the IPO raise capital and the cash-out following the dividends payments and IFRS16 effects (only for market multiples method).

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	**107.3**	**6.87**
P/E	**97.6**	**6.24**
Average - multiples	**102.4**	**6.56**
DCF	**149.8**	**9.59**
Average	**126.1**	**8.07**

Source: FactSet, KT&Partners' elaboration

Peer Comparison

In order to define Take Off's peer sample, we carried out an in-depth analysis of listed companies active in the off-price and apparel market. In selecting potential peers, we consider Take Off's offering, business model, growth and profitability profile.

Looking at the Italian market, we note that there are not listed companies active in the off-price retail market, providing both third-party and proprietary brands. Among Italian companies, we selected Portobello as, like Take Off, it has developed a business model which creates value from third-party inventories.

For peer analysis, we built a sample of eight companies which includes:

- **B&M European Value Retail SA (BME-GB):** listed on the London Stock Exchange, with a market capitalization of ca. €7.4bn, the company is a general merchandise discount retailer. It offers FMCG brands and a variety of non-grocery products in a range of categories and price points. The company's product range is spread over several non-grocery merchandise categories, including housewares, DIY, electrical, toys and pet products. B&M European Value Retail was founded in 1978 and is headquartered in Luxembourg. In FY20A, the company's revenues amounted to €5.3bn.
- **Burlington Stores, Inc. (BURL-US):** listed on the NYSE, with a market capitalization of ca. €17.4bn, the company engages in retailing off-price apparel and home products. It offers women's ready-to-wear apparel, accessories, footwear, menswear, youth apparel, baby, coats, beauty, toys, and gifts. The company was founded in 1972 and is headquartered in Burlington, NJ. In FY20A, the company's revenues amounted to €5bn.
- **Dunelm Group Plc (DNLM-GB):** listed on the London Stock Exchange, with a market capitalization of ca. €3.2bn, the company is a homewares retailer, and sells its products to customers through stores, over the internet and via a catalogue. The company was founded by William Adderley and Jean Adderley in 1979 and is

headquartered in Charnwood, the United Kingdom. In FY20A, the company's revenues amounted to €1.2bn.

- **Fast Retailing CO., LTD. (9983):** listed on the Tokyo Stock Exchange, with a market capitalization of €58.4bn, it operates as a holding company that engages in the management of its group companies which center on casualwear. The company was founded by Hitoshi Yanai in March 1949 and is headquartered in Yamaguchi, Japan. In FY20A, the company's revenues amounted to €16.7bn.
- **Portobello SpA (POR-IT):** listed on the Borsa Italiana, with a market capitalization of ca. €112mn, the company operates through three business units active in the Media & Advertising, Retail and B2B sectors. The company deals with the resale of advertising space, owned or purchased by third parties, for a monetary consideration or alternatively through the barter system. The company also operates a chain of Portobello branded shops, both direct and franchised, as well as an e-commerce channel (portobelloclub.it). The company was founded by Simone Prete in 2016 and is headquartered in Rome, Italy. In FY20A, the company's revenues amounted to €63mn.
- **Ross Stores, Inc. (ROST-US):** listed on NASDAQ, with a market capitalization of ca. €35.2bn, the company engages in the operation of off-price retail apparel and home accessories stores. Its products include branded and designer apparel, accessories, footwear, and home fashions through the Dress for Less and dd's DISCOUNTS brands. The company was founded by Stuart G. Moldaw in 1957 and is headquartered in Dublin, CA. In FY20A, the company's revenues amounted to €10.9bn.
- **The TJX Cos., Inc. (TJX-US):** listed on NASDAQ, with a market capitalization of ca. €75.4bn, the company engages in the retail of off-price apparel and home fashion products. The Marmaxx segment sells family apparel including apparel, home fashions, and other merchandise. The HomeGoods segment offers an assortment of home fashions, including furniture, rugs, lighting, soft home, decorative accessories, tabletop and cookware as well as expanded pet, kids, and gourmet food departments. The company was founded by Bernard Cammarata in 1976 and is headquartered in Framingham, MA. In FY20A, the company's revenues amounted to €28bn.
- **Workman Co., Ltd**. **(7564-JP):** listed on the London Stock Exchange with a market capitalization of ca. €3.9bn, the company engages in the operation of franchise chain stores and directly managed stores that sell workwear, casualwear, family clothing, footwear, and work-related products. The company was founded on 1979 and is headquartered in Isesaki, Japan. In FY20A, the company's revenues amounted to €0.86bn.

We analyzed the peer companies by considering their average revenue and EBITDA growth, and compared them to Take Off's historical and expected financials. By looking at 2019–21 revenue growth, the peers average – composed by off-price, discount stores and apparel companies – are expected to grow by a CAGR19–21 of +5.7% while Take Off's revenues are expected to register a CAGR19–21 of -6.1%, lower than comparable growth due to the stricter restrictions experienced by the Group when compared to USA peers. Over the 2020–23 period Take Off's sales are expected to grow at a 13.1% CAGR vs 8.9% average of the peer's average. Looking at EBITDA, Take Off is expected to register a CAGR19–21 of 18.4%, outperforming the peers' average by ca. +9.8pp. According to our financial post-money projection, Take Off's EBITDA shows an expected 33% CAGR20–23, compared with expected growth of the peers' average of +12.6%.

Peers Comparison – Sales and EBITDA Growth 2019–23

Company Name	Sales					CAGR	CAGR
	2019	2020	2021	2022	2023	2019-'21	2020-'23
B&M European Value Retail SA	4,359	5,381	5,620	6,045	6,524	13.6%	6.6%
Burlington Stores, Inc.	6,526	5,012	8,409	9,004	9,919	13.5%	15.0%
Dunelm Group plc	1,248	1,205	1,554	1,724	1,821	11.6%	13.4%
FAST RETAILING CO., LTD.	18,312	16,713	16,113	17,646	19,148	-6.2%	1.5%
Portobello SpA	45	63	88	132	167	39.6%	54.3%
Ross Stores, Inc.	14,365	10,913	16,740	17,869	18,954	8.0%	9.7%
TJX Companies Inc	37,363	27,987	43,331	46,499	49,432	7.7%	9.8%
Workman Co., Ltd.	764	856	927	1,013	1,081	10.1%	12.3%
Peers Average	**10,373**	**8,516**	**11,598**	**12,491**	**13,381**	**5.7%**	**8.9%**
Take Off SpA	32	21	28	36	46	**-6.1%**	**13.1%**

Company Name	EBITDA					CAGR	CAGR
	2019	2020	2021	2022	2023	2019-'21	2020-'23
B&M European Value Retail SA	662	945	927	941	1,006	18.3%	2.1%
Burlington Stores, Inc.	754	-91	989	1,046	1,225	14.5%	17.5%
Dunelm Group plc	189	223	283	314	328	22.5%	20.2%
FAST RETAILING CO., LTD.	2,508	2,894	3,225	3,669	3,949	13.4%	16.4%
Portobello SpA	8	11	15	24	34	38.0%	62.5%
Ross Stores, Inc.	2,236	691	2,373	2,641	2,840	3.0%	8.3%
TJX Companies Inc	4,723	1,218	5,224	5,755	6,416	5.2%	10.8%
Workman Co., Ltd.	170	207	230	256	278	16.5%	17.9%
Peers Average	**1,406**	**762**	**1,658**	**1,831**	**2,010**	**8.6%**	**12.6%**
Take Off SpA	6	7	9	11	15	**18.4%**	**33.0%**

Source: FactSet, KT&Partners' elaboration

We then compared peers' marginalities with Take Off's historical and expected margins. The peer sample have a level of marginality which is almost in line with Take Off's FY19A results. However, the relocalization of production in 2020 allowed the Company to improve its margins significantly, reaching in 2020 an EBITDA margin which is almost 2x when compared to the panel.

Peer Comparison – EBITDA Margin, EBIT Margin and Net Margin 2019–23

Company Name	EBITDA Margin					EBIT Margin					Net Margin				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
B&M European Value Retail SA	15.2%	17.6%	16.5%	15.6%	15.4%	9.9%	13.1%	11.2%	10.3%	10.4%	5.1%	8.9%	7.9%	7.2%	7.1%
Burlington Stores, Inc.	11.6%	neg	11.8%	11.6%	12.3%	8.5%	neg	9.1%	8.9%	9.6%	6.4%	neg	6.6%	6.4%	7.1%
Dunelm Group plc	15.1%	18.5%	18.2%	18.2%	18.0%	12.1%	11.1%	12.2%	12.7%	12.6%	9.2%	8.3%	9.6%	9.9%	9.9%
FAST RETAILING CO., LTD.	13.7%	17.3%	20.0%	20.8%	20.6%	11.6%	8.5%	11.7%	12.5%	13.1%	7.1%	4.5%	8.0%	8.4%	8.8%
Portobello SpA	17.4%	16.8%	16.9%	18.3%	21.1%	14.9%	13.7%	13.9%	15.9%	18.8%	10.5%	9.5%	9.4%	10.7%	12.8%
Ross Stores, Inc.	15.6%	6.3%	14.2%	14.8%	15.0%	13.4%	3.4%	12.1%	12.6%	12.8%	10.4%	0.7%	8.9%	9.3%	9.5%
TJX Companies Inc	12.6%	4.4%	12.1%	12.4%	13.0%	10.6%	1.6%	10.2%	10.6%	11.0%	7.8%	0.3%	7.3%	7.7%	8.1%
Workman Co., Ltd.	22.2%	24.2%	24.9%	25.3%	25.7%	20.8%	22.6%	23.0%	23.0%	23.2%	14.5%	16.1%	15.6%	15.6%	15.8%
Peers Average	**15.4%**	**15.0%**	**16.8%**	**17.1%**	**17.6%**	**12.7%**	**10.6%**	**12.9%**	**13.3%**	**13.9%**	**8.9%**	**6.9%**	**9.2%**	**9.4%**	**9.9%**
Take Off SpA	**19.4%**	**30.7%**	**30.8%**	**30.6%**	**31.5%**	**14.4%**	**23.4%**	**24.7%**	**23.9%**	**24.7%**	**11.0%**	**18.0%**	**17.5%**	**17.9%**	**17.6%**

Source: FactSet, KT&Partners' elaboration

Market Multiples Valuation

Following the comps analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2021–23 data.

Peer Comparison – Market Multiples 2021–23

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	P/E 2021	P/E 2022	P/E 2023
B&M European Value Retail SA	London	7,384	1.7x	1.6x	1.5x	10.4x	10.3x	9.6x	15.3x	15.5x	14.3x	16.4x	16.5x	15.5x
Burlington Stores, Inc.	NYSE	17,382	2.4x	2.3x	2.0x	20.5x	19.4x	16.5x	26.4x	25.3x	21.2x	31.6x	29.9x	24.1x
Dunelm Group plc	London	3,242	2.2x	2.0x	1.9x	12.1x	10.9x	10.5x	18.2x	15.7x	14.9x	21.6x	18.9x	17.9x
FAST RETAILING CO., LTD.	Tokyo	58,401	3.2x	2.9x	2.7x	15.8x	13.9x	12.9x	27.1x	23.2x	20.4x	42.0x	36.6x	32.1x
Portobello SpA	Milan	112	1.4x	0.9x	0.8x	8.1x	5.1x	3.6x	9.8x	5.8x	4.0x	12.6x	7.5x	5.1x
Ross Stores, Inc.	NASDAQ	35,213	2.1x	2.0x	1.9x	14.8x	13.3x	12.4x	17.3x	15.6x	14.5x	22.4x	19.8x	18.0x
TJX Companies Inc	NYSE	75,417	1.9x	1.7x	1.6x	15.4x	14.0x	12.6x	18.2x	16.4x	14.8x	23.2x	20.3x	17.9x
Workman Co., Ltd.	JASDAQ	3,854	3.7x	3.4x	3.2x	14.9x	13.4x	12.3x	16.1x	14.7x	13.7x	26.0x	23.8x	22.0x
Average peer group		25,126	2.3x	2.1x	1.9x	14.0x	12.5x	11.3x	18.6x	16.5x	14.7x	24.5x	21.7x	19.1x
Median peer group		12,383	2.2x	2.0x	1.9x	14.8x	13.3x	12.3x	17.8x	15.6x	14.6x	22.8x	20.1x	18.0x
Take Off SpA	Milan	68	2.1x	1.7x	1.3x	7.0x	5.4x	4.1x	8.7x	7.0x	5.3x	13.7x	10.4x	8.3x

Source: FactSet, KT&Partners' elaboration

We based our evaluation upon our estimates of Take Off's EBITDA and net income for 2021, 2022 and 2023. Our valuation also includes a 25% liquidity/size discount.

For the EV/EBITDA valuation we have adjusted financial data for IFRS 16 impact (related to leasing contracts) by: i) adjusting EBITDA for the forecasted rental cash outflow; ii) adjusting NFP by excluding IFRS 16 related debt. We also adjusted FY20 NFP for the cash-out deriving from the dividend payment in 2021 (ca. €6mn) and cash-in from IPO proceeds.

EV/EBITDA Market Multiples Valuation

Multiple Valuation (€mn)	2021E	2022E	2023E
EV/EBITDA Comps	14.8x	13.3x	12.3x
Take Off EBITDA adj	7.2	9.4	12.4
Enterprise value	**106.6**	**124.9**	**152.7**
Take Off FY20 Net Debt/(Cash) Adj.	(15.0)	(15.0)	(15.0)
Equity Value	**121.7**	**140.0**	**167.7**
Average Equity Value		**143.1**	
Liquidity/Size Discount		*25%*	
Equity Value Post-Discount		**107.3**	
Number of shares (mn)		15.6	
Value per Share €		**6.87**	

Source: FactSet, KT&Partners' elaboration

P/E Market Multiples Valuation

Multiple Valuation (€mn)	2021E	2022E	2023E
P/E Comps	22.8x	20.1x	18.0x
Take Off SpA Net Income	4.9	6.5	8.2
Equity Value	**112.7**	**131.1**	**146.5**
Average Equity Value		**130.1**	
Liquidity/Size Discount		*25%*	
Equity Value Post-Discount		**97.6**	
Number of shares (mn)		15.6	
Value per Share €		**6.24**	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 10.4% cost of equity, 3% cost of debt and a D/E ratio of 18.2% (Damodaran for Apparel). The cost of equity is a function of the risk-free rate of 1.06% (Italian 10y BTP), 5.39% equity risk premium (Damodaran for a mature market) and a premium for size and liquidity of 3.41% (source: Duff&Phelps). We, therefore, obtained 9.2% WACC.

We discounted 2021E–24E annual cash flows and considered a terminal growth rate of 1.5%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

We adjusted FY20 NFP for the cash-out deriving from the dividend payment in 2021 (ca. €6mn) and cash-in from IPO proceeds.

DCF Valuation

€ Millions	2021E	2022E	2023E	2024E
EBIT	**7.0**	**8.7**	**11.5**	**14.2**
Taxes	(2.0)	(2.5)	(3.3)	(4.1)
D&A	1.7	2.4	3.1	3.8
Change in Net Working Capital	(1.6)	(2.1)	(0.6)	(1.0)
Change in Funds	0.3	0.4	0.5	0.6
Net Operating Cash Flow	**5.5**	**7.0**	**11.2**	**13.4**
Capex	(1.4)	(1.8)	(1.9)	(1.8)
FCFO	**4.0**	**5.1**	**9.4**	**11.6**
g	***1.5%***			
Wacc	***9.2%***			
FCFO (discounted)	4.0	4.7	7.8	8.9
Discounted Cumulated FCFO	25.4			
TV	154.0			
TV (discounted)	117.5			
Enterprise Value	**142.9**			
NFP/(Cash) FY20A - Adj	(6.9)			
Equity Value	**149.8**			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis

€ Millions		WACC				
		9.7%	9.4%	9.2%	8.9%	8.7%
Terminal growth Rate	1.0%	134.1	138.0	142.1	146.5	151.1
	1.3%	137.4	141.5	145.8	150.5	155.4
	1.5%	140.9	145.2	149.8	154.7	160.0
	1.8%	144.6	149.2	154.1	159.3	165.0
	2.0%	148.5	153.4	158.6	164.2	170.3

Source: Company data, KT&Partners' elaboration

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- ADD – FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD – FOR A FAIR VALUE < 15% o > -15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE

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