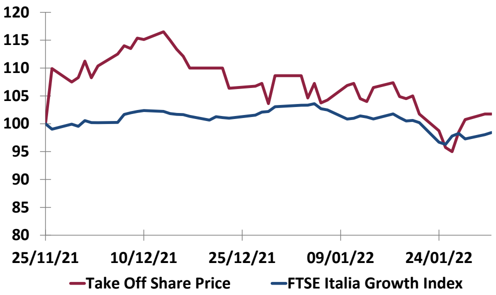
TAKE OFF THE OUTLET COMPANY

The Italian fashion outlet way

OUTPERFORM

Current Share Price (€): 4.07
Target Price (€): 7.11

Take Off - Performance since IPO



Source: S&P Capital IQ - Note: 25/11/2021 (IPO offer price) =100

Company data

ISIN number	IT0005467425
Bloomberg code	TKO IM
Reuters code	TKO.MI
Industry	Apparel retail
Stock market	Euronext Growth Milan
Share Price (€)	4.07
Date of Price	02/02/2022
Shares Outstanding (m)	15.6
Market Cap (€m)	63.6
Market Float (%)	20.0%
Daily Volume	0
Avg Daily Volume YTD	52,844
Target Price (€)	7.11
Upside (%)	75%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
Take Off - Absolute (%)	-6%	na	na
FTSE Italia Growth (%)	-4%	-2%	44%
Range H/L (€) since IPO		4.66	3.80
YTD Change (€) / %		-0.27	-6%

Source: S&P Capital IQ

Analysts

Franco Gaudenti - Head of Research
fgaudenti@enventcapitalmarkets.co.uk
Luigi Tardella - Co-Head of Research
ltardella@enventcapitalmarkets.uk

EnVent Capital Markets Limited
42, Berkeley Square - London W1J 5AW (UK)
Phone +44 (0) 20 35198451

This Note is issued by arrangement with MIT SIM, Issuer's Specialist

This document may not be distributed in the United States, Canada, Japan or Australia or to U.S. persons.

We initiate coverage of Take Off: OUTPERFORM rating, Target Price €7.11 per share.

Take Off, listed on Euronext Growth Milan since November 2021, is an Italian *value-for-money* fashion retailer with a chain of 31 stores selling women and men apparel and 112 stores selling childrenswear. Combined sales €26.7m (FY21), pre-pandemic revenue CAGR from inception above 20%, EBITDA in the 30% region, EBIT above 20%. Take Off operates with a joint business model: off-price retailer of designer luxury fashion brands and a typical vertically integrated retailer. In-house teams develop own brands, select merchandise mix through external suppliers and drive shifting of inventories among stores. Central-Southern Italy is presently core geolocation scope. Organic growth over the medium-term will be pursued by increasing territorial coverage and possibly complemented by acquisition of small retail fashion networks.

Outlook: the trendy *value-for-money* format

In disruption times urgent rethinking and change are the secret words to make opportunities arise at the same pace of risks. We believe that traditional brands are challenged more than others. Online sales can not fully substitute physical stores, because of the unbeatable value of the shopping experience, likely to create emotional connections with customers, especially true for apparel. During the pandemic tail, domestic outlets may play a double role: ensure affordability and invite to *treasure hunting*, while waiting for the comeback of normal social mobility and traveling. In this fast-changing environment we see room for new brands to become popular, sustained by light investments, whose cost would be a fraction of those of the past. We also expect acquisition opportunities, taking advantage of reasonable valuations and network rightsizings in the industry.

Attractive industry fundamentals, rewarding multiples

In the last decade peers in the traditionally most important fashion markets, like Europe, the USA and other fashion areas around the globe, have been consistently enjoying high growth rates, sound financials, rewarding profitability and market multiples that reflect the continuing outperformance of the industry.

Substantial further growth opportunity

We see the combination of profitability at the upper side of the industry segment with a lean and capex-light business model and appealing opportunities to grow organically, leveraging on the high fragmentation of the Italian apparel market and on the customers increasing migration among emerging channels to seek great merchandise value.

Target Price €7.11 per share, OUTPERFORM recommendation

Our valuation yields a target price of €7.11 per share, 75% upside on the current price of €4.07 and +78% on the IPO price of €4.00. As a consequence, we initiate the coverage of Take Off with an OUTPERFORM rating on the stock.

Key financials and estimates

€m	2019	2020	2021E	2022E	2023E	2024E
Revenues	**33.1**	**22.3**	**26.7**	**33.1**	**46.7**	**54.9**
YoY %	-	*-32.6%*	*19.5%*	*24.1%*	*41.1%*	*17.5%*
Adjusted EBITDA	**4.8**	**5.3**	**7.1**	**8.7**	**12.2**	**15.0**
Margin	*14.6%*	*23.7%*	*26.6%*	*26.3%*	*26.1%*	*27.3%*
EBIT	**4.6**	**5.0**	**6.6**	**7.8**	**10.8**	**13.2**
Margin	*14.0%*	*22.5%*	*24.9%*	*23.6%*	*23.2%*	*24.0%*
Net Income	**3.5**	**3.8**	**4.7**	**5.5**	**7.7**	**9.4**
Net (Debt) Cash	**4.7**	**1.7**	**13.8**	**16.7**	**22.8**	**30.7**
Equity	**12.8**	**11.8**	**27.7**	**33.2**	**40.9**	**50.3**

Source: Company data 2019-20A, EnVent Research 2021-24E

1. INVESTMENT CASE

Company

Take Off SpA (Take Off), listed on Euronext Growth Milan since November 2021, is an Italian fashion *value-for-money* retailer which operates through a chain of 31 stores selling women and men apparel and 112 stores selling childrenswear, with combined sales of €26.7m (FY21). Central-Southern Italy is presently its core geolocation scope and organic growth over the medium term will be supported also by increasing territorial coverage.
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.

Drivers

Industry drivers

Fashion goods: a market driven by both need and impulse. Sales of fashion and luxury goods are driven by both replacement needs and impulse for a personal feeling of satisfaction, enjoyment, desirability and immediate possession. The *treasure hunt* experience typical of off-price stores and outlets triggers into consumers a sense of excitement and urgency for shopping.

Resilient demand for value and quality goods: a countercyclical and defensive market segment. The fashion industry, especially at the two ends of the price spectrum, shows resiliency as experienced in previous cases of crisis or turmoil. In these cases, growth slowed down but still overperformed other segments. The off-price is a flexible and defensive market segment capable of surviving even in times of economic slowdown.

Making the most of apparel inventory. Value and off-price retailers take advantage of a burden typical of manufacturers and other retailers: inventory. Manufacturers still have to deal with the capacity to plan pre-season sales volumes and make inventory commitments. Value and off-price retailers buy at discount merchandise that regularly arise from production and inventory flows of apparel brands, unsold items, closeouts, special productions, order cancellations, manufacturers' overruns.

Company drivers

Diversified and balanced brand portfolio. Take Off trades a wide and diversified product range, as per target category and age (men, women, kids), brand, pricing level. This represents a competitive advantage that allows to contemporarily operate in several segments, while diversifying risk and capturing wide segments of customers. Take Off has a portfolio of own emerging lifestyle brands and recognizable iconic fashion brands at discount.

Selling proposition to serve a wide category of customers. Take Off offer targets a wide category of value-conscious customers who are technologically savvy and increasingly able to compare prices in order to seek for the best quality at discount.

Growth does not mean huge capex. Investments in extending its retail network are limited to ca. €300k in inventory and €150k in set-up costs per store for Take Off directly operated stores. Investments in advertising are also limited, since sales are mainly driven by word of mouth and inbound marketing on current customers.

Opportunistic merchandise acquisition. Take Off takes advantage of opportunities to acquire at discount merchandise regularly arising from production and inventory flow in the apparel marketplace. Some luxury brands also enter agreements with Take Off for inventory optimization.

Customers' preferences analytics. Take Off database as a whole includes over 400,000 profiled contacts, representing a valuable source of industry data. Customers' preferences are monitored by a continuous communication about updates and discounts. Product allocation among stores also occurs based on the available data about customers' preferences.

Efficient franchising network. Over has developed through the franchising chain model a stable affiliate network over time. 60% of current affiliated stores have been in the network for more than three years. The strategic locations and the integrated management of garment supply support affiliated stores.

Challenges

Brand awareness and reputation buildup. Significant marketing and communication resources should be devoted to build awareness and improve the perception around Take Off and Overkids brands, presently popular mainly at a regional level.

Market competitiveness and price pressure within the industry. The competitive arena is highly fragmented and competitive. Take Off operates in the off-price and value segments of the apparel industry, where the main marketing lever is pricing. Pressure on prices by new and existing competitors and the use of promotions are permanent challenges to growth and profitability targets.

Geographic presence. Despite its extended presence in Italy, Take Off has a widespread retail network mostly in the central and southern regions. A more capillary presence in every Italian region would help to recognize Take Off as a national player. The buildout of a greater penetration into unexplored regions may require time and significant investment.

Rise of e-tailers offering branded products at discount. E-commerce for Take Off currently represents a negligible portion of sales, given the recent launch of its platform. Online sales are expanding fast in Italy and the increasing popularity of e-tailers offering branded products at a discounted price may represent a significant competitive threat.

Inventory requirement. Increasing investment in inventory is required in view of the opening of new stores and may imply increasing working capital and transportation cost.

Covid-19 prolonged impact. Social distancing and shutdowns of nonessential businesses in major markets around the world have hit the apparel market. The pandemic continues to affect operations in several industries and geographies, with disruptions to retail operations and supply chains, also causing in some cases the closure of retail operations or delays in store opening plans. In addition, since 2020, Covid-19 pandemic has led to an accelerated shift from offline to online due to restrictions on visits to physical stores. At the same time market demand decreased as a result of economic uncertainties and the drop of occasions for which consumers would have bought new fashion items.

2. PROFILE

The Italian fashion outlet way

Take Off operates in the Italian retail fashion market, offering off-price designer brands apparel, accessories and footwear with its own labels, plus childrenswear under its own brand Overkids.

The retail chain

The retail chain consists of 143 stores in Italy, mostly located in central-southern regions, of which 26 directly operated and 117 affiliated stores.

Take Off has currently a staff of around 220 people (October 2021).

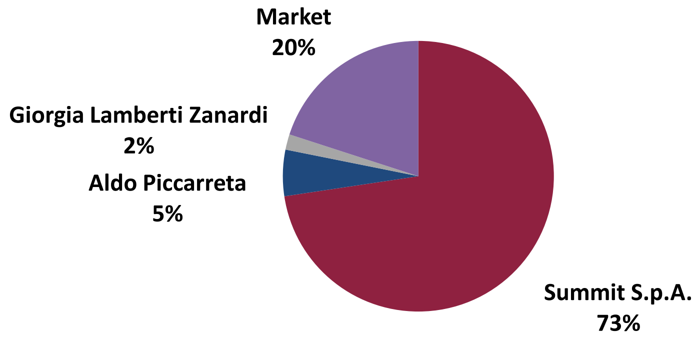
Source: Company data

History milestones

2012-13	Founding of Take Off, with the opening of the first directly operated and affiliated stores in the Apulia region
2014-15	*Henry Smith London* and *121 one two one* trademarks filing
2016-18	- Addition of new own brands - New business model focused on small-medium sized stores, reaching 26 stores
2019	- New openings in northern Italy - Registration of new own brands - Logistics hub opening
2021	- Launch of e-commerce takeoffoutlet.com - Acquisition of 100% of Over's share capital (founded in 2003 as retailer of childrenswear; operating until 2012 as a retailer of brands in license, such as Primigi and Pignatelli; from 2013-14 retailer of the own brand Overkids through a network of affiliated stores) - IPO on Euronext Growth Milan
2022	- Launch of *Massimo Moresco* brand

Source: Company data

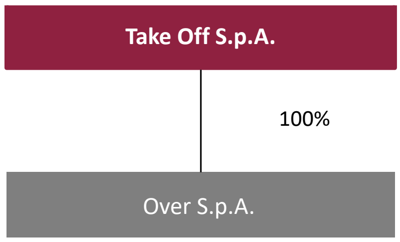
Shareholders



Source: Company data

Summit SpA manages the real estate assets of the group and is controlled by Aldo Piccarreta for 75% of the shares and for the remaining 25% by Giorgia Lamberti Zanardi.

Group structure



Source: Company data

Key people

Aldo Piccarreta ***Chairman and CEO***	▪ Founder of Take Off ▪ Over 20y experience in children's clothing production and sale (Gimel, Over)
Pierluca Mezzetti ***Executive Director and CFO***	▪ Take Off CFO since 2011 ▪ Currently holds several positions in Retail and F&B companies ▪ Until 2011: Corporate Finance division of EY ▪ 2011-13: Partner, Accuracy Corporate Finance
Giorgia Lamberti Zanardi ***Executive Director Procurement and HR Manager***	▪ 2008-12: Several roles in Over, then in Take Off ▪ 1992-2008: MPS Group

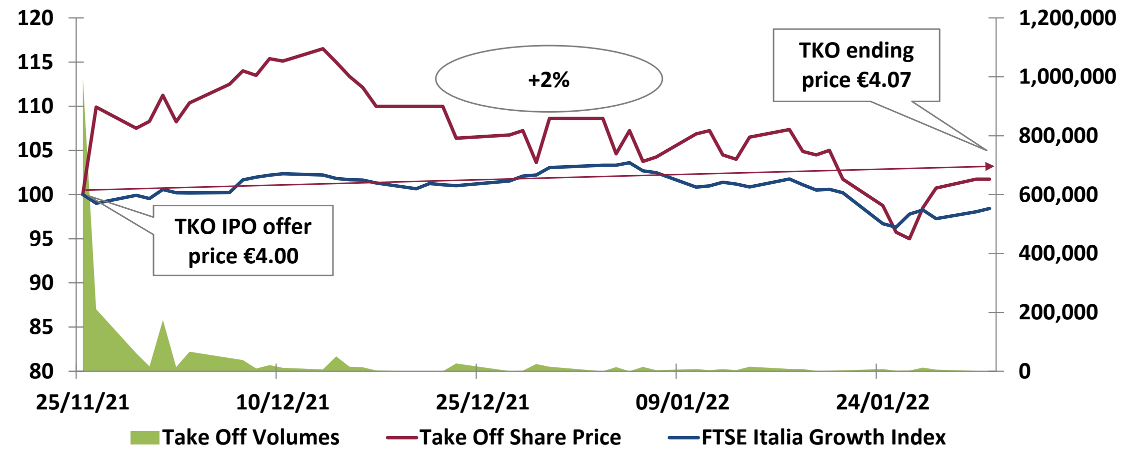
Source: Company data

IPO and stock market performance on EGM

Take Off on Euronext Growth Milan	
Stock market	Euronext Growth Milan
Bloomberg code	TKO IM
Reuters code	TKOF.MI
IPO date	25/11/2021
Offer Price (€)	4.00
Money raised (€m)	12.5
Market Cap at IPO (€m)	62.5
Free float at IPO	20.0%
Ordinary shares - ISIN number	IT0005467425
Shares outstanding	15,624,800
Current Share Price (€)	4.07
Current Market Cap (€m)	63.6

Source: Company data and S&P Capital IQ, update 02/02/2022

Share price performance and volumes since IPO



Source: S&P Capital IQ, update 02/02/2022

3. INDUSTRY INSIGHTS

Industry logics

Purchase decisions in the apparel and fashion industry

Impulse drives shopping

Major factors impacting shopping decisions in the apparel and fashion industry are basic needs, personal feeling of satisfaction/enjoyment/desirability, immediate possession, pricing. In addition to these, main peculiarities and values are quality of fabrics and materials, branding, taste, public use and visibility, sustainability and durability.

Impulse purchasing is very common in the fashion industry and even more peculiar in online shopping and off-price stores. The *treasure hunt* experience typical of off-price stores and factory outlets triggers in consumers a sense of excitement and urgency for shopping.

Polarization in fashion: midrange brands and affordable luxury vanishing, value for money and luxury brands consolidating

Value and luxury brands in the best position to expand

Consumer demand in the first decade of the century has surged for products at either end of the price spectrum, luxury and value for money, witnessing the erosion of the middle market with midrange brands and the so-called affordable luxury. Many of such companies were clear losers, while the budget retailers such as H&M and Zara, together with off-price retailers and luxury players ended up as clear winners. Online communication facilitates brand circulation and comparison, with the likely effect of dilution of established brands and easier emergence of new brands.

Keeping up with value conscious and digitally savvy customers

Changing consumer habits mean business models are changing industry-wide

Nowadays apparel retailers need to keep up with smarter, more sophisticated and technologically savvy shoppers. Consumers are highly digital and social and tend to use the web to source information for their needs. Thanks to the ease of information available on the web showing an array of alternative offers and consumers' continuous web engagement, today's digital shoppers are increasingly able to compare prices and to find the best purchase price or a specific shipping offer.

According to McKinsey, almost 90% of US consumers shop from discount retailers, including off-price, outlet and dollar stores, and nearly two-thirds of these value consumers are buying more on sale today than five years ago (Source: McKinsey, *Powerful pricing: The next frontier in apparel and fashion advanced analytics*, 2018).

Customer priorities

- Price: Mass market stores, e-commerce
- Store quality: luxury, fashion, specialty brands
- Service specialty brands, quality retailers

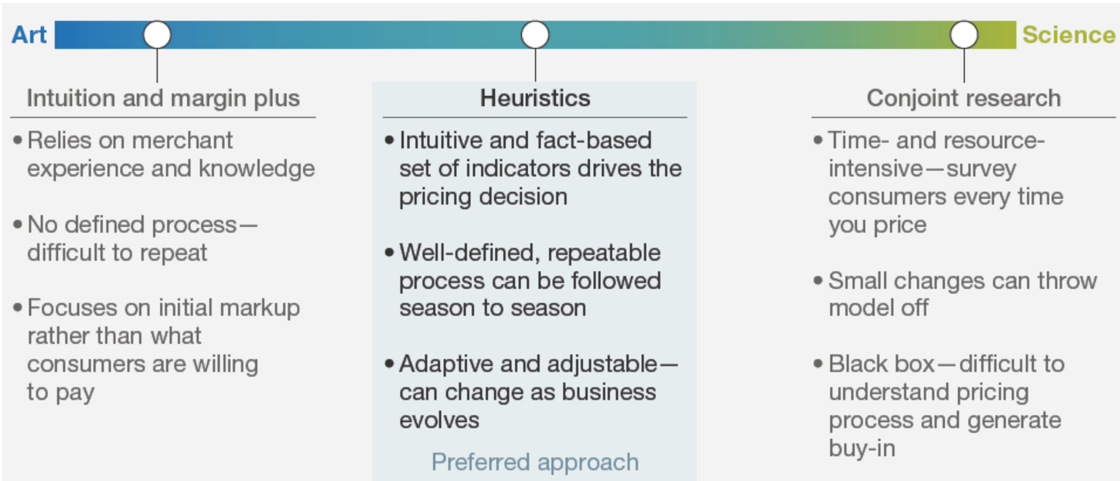
Evolving retail business models and competitive scenario: emergence and outperformance of value retailers

Retailers are constantly adjusting their business models, promotional activities and pricing strategies to keep up with changing conditions and digital trends. As such, the competitive landscape is rapidly shifting as new price leaders capture market share.
A new breed of players, such as fast-fashion retailers, flash sales, ultra-value players, digital native brands, and even Amazon, have entered the fashion marketplace and heightened consumer expectations for convenience, engagement and shared values. These new value players have lowered the opening price point in many categories.
Between 2012 and 2017, according to McKinsey, only the value segment of apparel retail with off-price retailers, experienced growth, as both the middle and premium tiers shrank (Source: McKinsey, *Powerful pricing: The next frontier in apparel and fashion advanced analytics*, 2018).

Pressure on pricing

In the described competitive environment, the use of promotions has intensified in past years, adding downward pressure on prices. Some retailers use responsive and smart pricing analytics to align their pricing strategy with customers' willingness to pay. In addition to smart pricing solutions, seasonality and ever-changing fashion trends require a pricing approach combining art with science, which addresses some of the issues.

Pricing and promotion in apparel: a combination of art and science



Source: McKinsey, *Powerful pricing: The next frontier in apparel and fashion advanced analytics*, 2018

Making the most of apparel inventory

Excess inventory is endemic to retail, driven by unpredictable product demand, weather fluctuations, supply chain disruption, consumer preference shifts, off-season product, overproduction, manufacturing errors, closeouts, special productions, order cancellations, manufacturers' overruns. Consumer preferences in the fashion retail industry regarding fashion, design, quality, price and sustainability change rapidly.
Value and off-price retailers take advantage of the excess inventory, buying at discount the merchandise that regularly arise from production and inventory flows of apparel brands. They operate in a flexible way to capture arising opportunities and follow fashion trends, in order to

rapidly adjust their sourcing strategy. They usually have lean inventory levels compared to traditional merchants.
Manufacturers still have to deal with the capacity to plan pre-season sales volumes and make inventory commitments, while retailers deal with the cost of shipping inventory between stores and between channels. Understanding consumer demand enough to manage markdown timing and depth, and the optimal channel and location, is a must.

Retail key operational metrics, a quest for value drivers

Typical industry metrics adopted to measure and benchmark retailers' performance are:

- **Sales per Square Meter**: compares store revenue with the amount of floor space the store occupies and company-wide efficiency compared to competition. Sales per square meter also indicate breakeven thresholds and help comparing store performance from multiple points of view: same and different geographies and locations, different store sizes, etc.
- **Year/Quarter-Over-Year/Quarter Sales**: seasonality considerations suggest tracking sales by comparing quarterly sales with those of the previous year. This indicator is useful to compare like-for-like store performance, time needed to bring at full speed new stores, and contribution of network acquisitions.
- **Average Unit Retail (AUR), Units per Transaction (UPT) and Average Transaction Value over Periods**: the combination of these metrics may indicate higher value or more popular products, buyers in large quantities each visit, but also revenue and margins trends.
- **Sell Through**: tracking the percentage of units sold vs. total available units it is possible to evaluate a product's performance, to compare with other products, to measure the ability to outperform competition by efficiency of procurement, pricing strategies, rightsizing of purchase volumes and network synergies.
- **Trade margin** (sales net of merchandise cost) and **Store margin** (less network cost): key measures for evaluating the operating efficiency and profitability of a retail network.
- **Revenue per employee:** compares store by store trade-off between service quality and labor cost and company-wide efficiency compared to competition.

Other key metrics are: trade and store margin per format, companywide sales per store, sales growth like-for-like (on prior period stores), sales maturity curve for new stores opening.

KPIs about customer attitude and satisfaction

- **Customer Retention Rate**: this is a key store vs. store and entire company management effectiveness measure since metrics may tracks several records: how many customers come back to a store, how frequently, when, how much they spend, etc.
- **Customer Satisfaction**: complex and subjective, but indispensable mean to evaluate the life-or-death perspective of a business.
- **Traffic**: Applicable to both physical stores as well as online shops, it tracks how many people visit stores or websites. It can measure advertising or product launch, or popularity of different locations.

4. MARKET TRENDS AND OUTLOOK

Fashion and apparel market framework

The fashion industry is no longer the simple business of making clothes: even if the apparel understood as functional clothing will always be a human need, this conception is now outdated. The modern apparel industry encloses conception, production, promotion, and marketing of style based on desire. According to *The Dynamics of Fashion*, the infrastructure of the fashion world is traditionally based on four levels:

1. textile production
2. designers, manufacturers, wholesalers, and vendors
3. retail, which includes all types of stores
4. an auxiliary level, consisting of all those players who interact with the other previous levels in the process that brings the garment to the end customer

Historically there has always been tension between retailer and manufacturer, in competition with each other to grab more profits and margins: the degree to which each side benefits financially from apparel's sale has changed over the decades when the retailer, in many cases, has taken on the role of the manufacturer and manufacturers have become retailers of their own designs. The styles evolution has always been closely linked with evolution in the industry, both in the fields of manufacturing and merchandising as well as in design, with some brands that, expanding their scope, have gradually become those known since the early 2000s as *lifestyle* brands.

The trendy low-cost revolution

The birth of fast fashion

In the late 1990s, fast fashion became the high-street standard. Fast fashion retailers produce clothes that embody the DNA of the modern consumerist world: they transform the designs of high society brands (such as Louis Vuitton or Prada), the outfits and styles seen on catwalks worldwide into their own mass-produced affordable items, selling them at a high volume within a two-week turnaround. Companies such as H&M, Zara, followed by Uniqlo and Forever 21 in the 21st century, produce low-cost knockoffs and basic essential pieces that rotate company stores frequently. Currently, the large segment of the pret-à-porter and direct sales fashion market is mainly occupied by brands that aggregate and distribute medium-low level products, characterized by a continuous turnover and a very articulated choice. This market segment included some Italian companies up to the 1990s, such as Benetton or Stefanel, while today it's characterized by the presence of multinationals. This success is linked to:

- wide range of products, with continuous warehouse renewals
- focus on design and less attention to quality
- production in countries with low labor costs
- customers who vary greatly in their wardrobe, less attentive to quality (young people with low-medium income and adults interested in following the prevailing style).

Fast fashion brands can keep their prices low by relying on streamlined supply chains, globally integrated policies as well as a quick implementation process. This method of conducting business is extremely valuable in this fashion industry segment, considering that fashion market no longer follows a four-season fashion calendar, but rather 52 micro-seasons. Fast fashion

retailers also keep very limited stock on all their items: in this way, they can adjust inventory based on changes in consumer interest.
Fast fashion companies are capable to influence, support and at the same time respond to middle class demand: thanks to this, these groups continue to grow during crisis, as they simultaneously respond to the purchasing needs of a European mid-income middle class and an Asian/global middle class not particularly interested in quality, duration, and customization of the items. Although it is a consistent phenomenon over time, it's not sure if this can last for a long time. Luxury is the sector that survives any crisis and normally sees the quickest return of customers: in periods of economic recovery or stability, the improvement in the income conditions of the global middle class allows customers to look for higher cost/quality products and exclusivity, characteristics that belong to luxury fashion brands. Fast fashion companies must have sufficient product differentiation and global branding to demand a higher price, otherwise they will always be seen as cheap alternatives.

The off-price solution

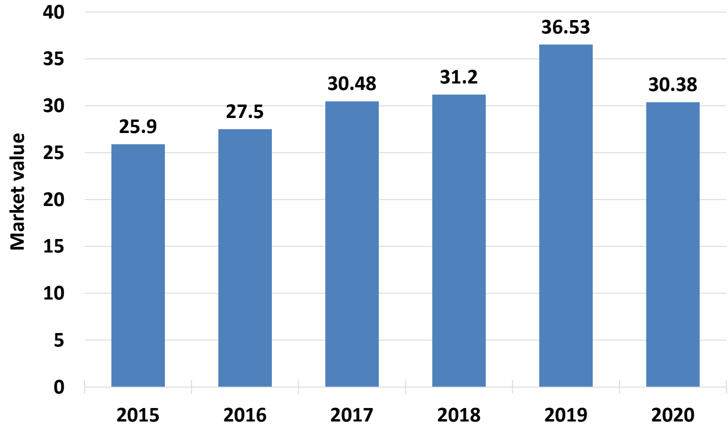
Off-price fashion was born as a compromise between suppliers' and buyers' demand: on the one hand, shoppers demand for lower prices and ask for higher quality, while on the other hand clothing producers and retailers need channels for clearing out their excess inventory. This is currently especially true for e-commerce retailers, since they have to deal with around 20% of returns (Source: McKinsey, *Returning to order: Improving returns management for apparel companies*, 2021).
Survived luxury companies have been facing a dilemma: clear away more goods and bear a reputational damage or keep the inventory and their exclusivity. Some luxury brands want to maintain their brand exclusivity at all costs, and thus they are not willing to offer discounts (i.e. Louis Vuitton). They are also cautious when it comes to selecting resellers and distributors, especially if those operate in the off-price sector. Consequently, more and more mono-label outlet stores and multi-brand off-price concept stores appear where people go *treasure hunting*.

The global outlet luxury goods market

Before the pandemic: a sustained growth

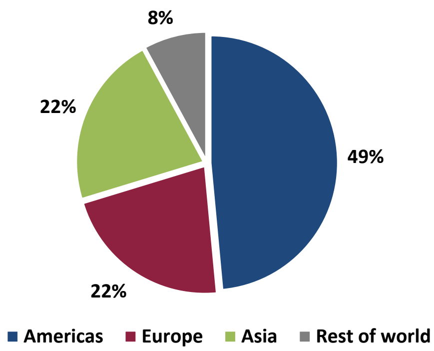
According to Statista, a data analyst company, the global outlet luxury industry has been growing at a CAGR 2015-19 of 18%. Valued at nearly €36.53bn in 2019, the industry showed no signs of slowing as the market until 2020, when the pandemic caused a setback, with market value returning to pre-2017 levels at €30.4bn.

Global outlet personal luxury goods market (€bn)



Source: Statista

Off-price personal luxury goods market share worldwide by region, 2019



Source: Statista

The Italian retail apparel market

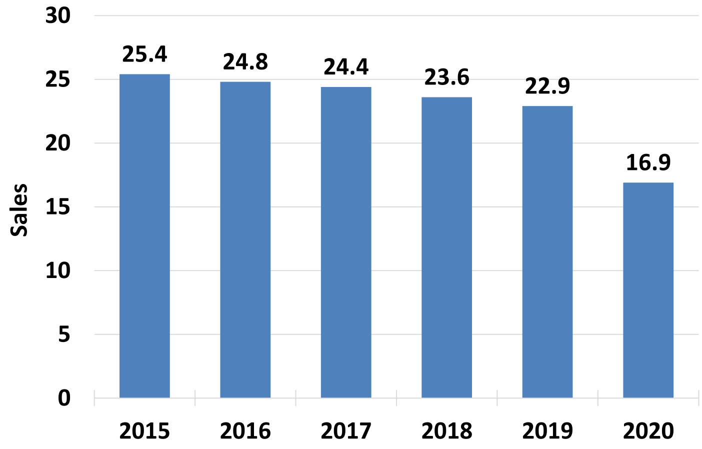
Over 25% drop during pandemic

In 2020, the Covid-19 pandemic caused a slowdown in almost all sectors (ITA real consumption -11.7%), with customers forced to turn to online stores, not being able to go to physical stores. According to the analysis of Osservatorio Non-Food, monitoring center managed by GS1 Italy, clothing and footwear sales in Italy in 2020 fell by -26.5%, due to lockdowns and the stop to social life, settling at €16.9bn (CAGR 2016-20 -32%).

Post-pandemic: the rise of e-commerce?

Retail e-commerce gained from this situation. In 2020, e-commerce has seen a significant increase in Italy, with the growth of pure sector players eroding market share from physical retail: online sales in the clothing sector increased by 13% and reached 14%, same market share as stores specialized in clothing and footwear. Despite this, in the luxury sector, online shopping is still marginal: 80% of luxury products are purchased in boutiques and physical stores. Even outside of the luxury world the in-store shopping experience is still considered crucial for the fashion industry: territory is vital in the pursuit to attain a healthy presence in the market.

Clothing and footwear market in Italy (€bn)

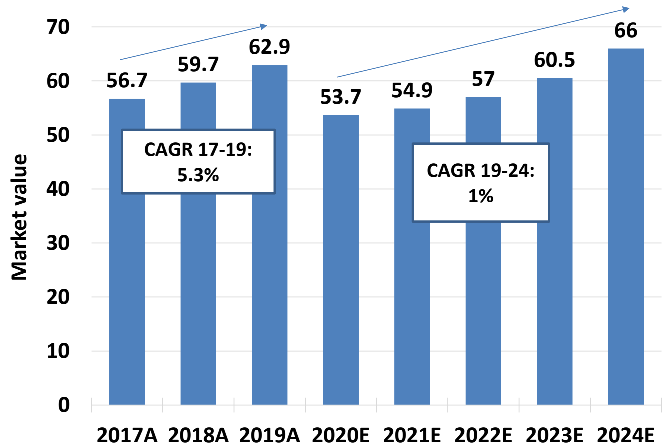


Source: GS1 Italy, *Osservatorio Non Food* 2019-21

2021 was the first year of recovery, although the pandemic scenario is still uncertain. In July 2021, apparel sales grew by 15% YoY, focusing on large-scale distribution and neighborhood stores, as well as online. The actual scenario remains unpredictable: in H2 2021 two further ingredients aggravated the macroeconomic situation, namely the shortage of raw materials and the increase in energy prices, with the related consequences on production costs and delays.
The adult clothing segment fell to €19.5bn in 2020, -19% YoY. 2021 initial estimate show slowdowns, followed in March by the first weak signs of recovery, concurrently with a rebound of e-commerce sales at +14% in 2020. Childrenswear segment, on the other hand, shows better performances: the 2020 decline was limited to ca. 15%, from €3.1m to €2.6m, and 2021 has also shown a promising start, being the segment more resilient than others. Also in this case, although the main sales channel remains the physical one (46% of total sales), online sales have been pushed by the pandemic to ca. 10% of sales (+33% YoY).

The off-price retail market

Off-price retail clothing market - North America ($bn)



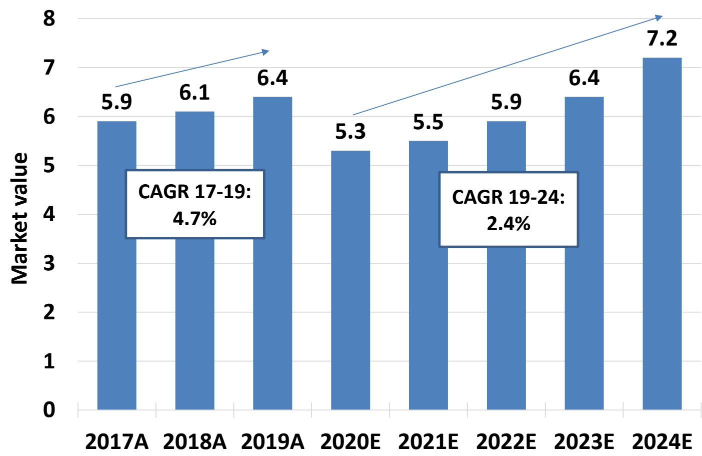
Source: Technavio, *Off-price Clothing Retail Market* 2017-24

North America

Analyzing the US market data from a report by the UK-based market research firm Technavio (Source: Technavio, *Off Price Clothing Retail Market*, 2017-2024), off-price retailers more than doubled their 2019 turnover compared to 2005, while full-price sales in the clothing sector remained stable: this shows that in times of economic crisis, consumers tend to reduce their spending for clothing, opting for cheaper solutions. Therefore, the off-price segment proved to be more resilient than the full-price segment (as happened during the 2008 crisis). The trend to look for quality products at affordable prices is even more evident if we consider that, according to data from the National Retail Federation, in 2018 45% of US citizens preferred to buy from off-price retailers and, in 2019, about two-thirds of total purchases in the US apparel market were made in off-price stores (Technavio on Retail Wire data).

In 2019 the North American off-price apparel retail market recorded $63bn (CAGR 2017-19 5%) sales. The pandemic stop caused a sharp slowdown, with a drop in sales of 15% (estimated turnover at $54bn) and an expected CAGR 2019-24 revised downwards to 1%.

Off-price retail clothing market - Europe ($bn)



Source: Technavio, *Off-price Clothing Retail Market* 2017-24

Room for growth in Europe

Europe is a comparatively unexplored place for off-price retailers: the European off-price apparel market is much smaller than the North American one. From the analysis of Technavio data, similar trends emerge: 2019 sales amounted to $6.4bn but in 2020 they collapsed to an estimated value of $5.3bn (-17%), with a 2014-19 CAGR of 2% compared to the ca. 5% recorded in 2017-19.

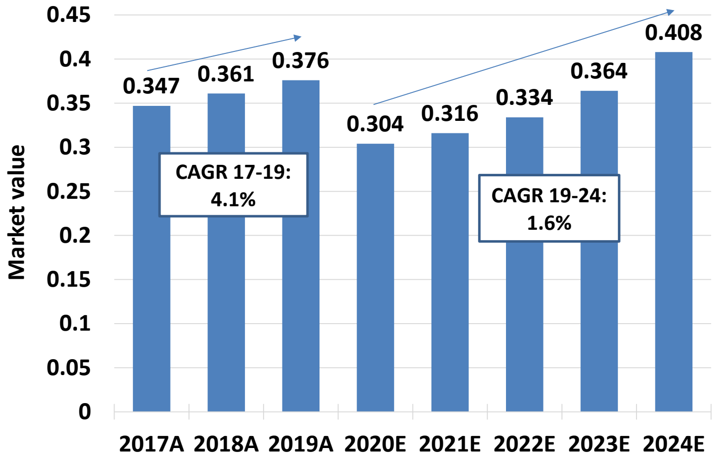
However, the old continent is gradually catching up. From 2003 to 2017, off-price fashion stores in Europe doubled. Fashion department stores, e-commerce, and flash sales sites such as YOOX, Zalando, ASOS, Showroomprivé, Privalia, Primark, Sports Direct, TK Maxx and others have been showing very fast growth, in the recent years. They are starting to take away a significant market share from mass-market brands like H&M or Zara. Current features of the European off-price fashion market:

- clothes producers and retailers tend to offer moderate volumes of clothes, thus expecting to have smaller excess inventory
- they have a diverse, fragmented network of specialty stores and resellers

- the segment is associated, rather than with off-price, with sales, term perceived by the European consumers as something more high-end and prestigious

The main drivers of the European market that justify a growth higher than North American are the recent introduction of EU regulations aimed at preventing the destruction of unsold clothing (including at national level, such as the *anti-gaspillage* law introduced by the French government) and the consumer preferences shift towards more affordable fashion items.

Off-price retail clothing market - Italy ($bn)



Source: Technavio, *Off-price Clothing Retail Market* 2017-24

Italy

Focusing the analysis on Italy, in 2019 the off-price apparel retail market recorded $376m sales (CAGR 2017-19 4%), while for 2020 Technavio estimated sales of $304m (-19% YoY, with CAGR 2019-24 1.6%, reaching $408m in 2024).

Outlook

Post-crisis rebound for off-price retailers

The 2008 global recession hit the fashion industry forcing retailers to offer big discounts to clear out their inventory. As the economies started to recover, consumers got used to lucrative prices and started buying less at full price. The economy downturn also forced many consumers to reduce their budgets and look for cheaper products. If this path will repeat after the pandemic recession, the off-price sector could experience a second birth. During recovery, there are significant market share opportunities for off-price players, given the broader retail channel disruption caused by the pandemic. The sector performance in most cases shows a faster recovery, as customers in difficult times are more cautious about spending money on non-essential goods, privilege value-for-money and tend to experience alternative channels.

Opportunities for value-for-money retailers

According to Barclays, in the USA in H1 2021 the prices of individual items sold by frontline retail have increased between 10% and 25%, while the off-price retailers have not consequently

raised their initial tickets, making their proposition even more attractive (Source: Barclays, *Off-Price Bull/Bear: The Math Behind Off-Price Underperformance*, 2021). Right now, frontline retailers are capturing more margins thanks to less discounting while off-price risk a cap on their margins. In 2022, with frontline retail's margins expected at historically high levels, the off-price proposal will be even more attractive for consumers more attentive to the value of their purchases and thus will lead to an increase in off-price's market share.
However, a major driver of the apparel retail market will continue to be the convenience of purchase combined with the research for accessible quality: if on the one hand this could be a boost for the off-price sector, on the other hand it could also favor the growth of the secondhand economy (according to Osservatorio Non-Food by GS1 Italy, 2020 ITA secondhand turnover was €23bn, with about 54% of Italians buying/selling secondhand items), especially the fashion e-commerce (46% of the total, about €10.8bn sales). The global success of Depop, a community-powered marketplace to buy and sell unique preowned fashion, with 2020 gross merchandise sales of $650m, proves the appeal of this emerging online channel.

Customer changes

Usually, a cutback in spending due to an economic crash creates a class of consumers who want to save money and buy cheaper products. This leads to a not promising outlook for the apparel industry, as fashion brands performances rely on consumer's demand. Manufacturers had to switch to cheaper products, with exceptions for high-end apparel companies, although some of them, such as the US Coach, are selling lower cost lines or offering high discount, thus partially giving up the prestige of their brand. Even the cheaper fast fashion apparel manufacturers will be affected too, as they will have to reduce prices or engage in sales promotion to entice new customers and retain old ones.

Time for M&A

There might be a trend to merge with other firms to better fight competition: despite the attempt by some multinationals and PE funds to aggregate brands and activities, it remains an extremely fragmented sector, affected by adverse economic times and whose main driver is the reputation of the brand. However, despite the intense competition, many companies have achieved success by establishing themselves in a market niche. For designers and department stores, it means reworking marketing and selling strategy to go where shoppers go.

Sustainable fashion, an ESG imperative for the near future

A new fashion industry, in the name of sustainability

The current fashion industry "see now, buy now" model is the celebration of "everything and now" which, on the one hand, gives a brand the opportunity to make its product known to anyone without the need for intermediaries, but at the same time it forces retailers to make that product immediately available, possibly adjusted according to the needs of individual markets, sending production logics into a tailspin. This has negative consequences. According to UN Alliance for Sustainable Fashion, the fashion industry is responsible for 8-10% of global carbon emissions annually. In Ellen Macarthur Foundation's report, it's estimated that 1.2bn tons of greenhouse gas emissions originate from textile production (source: Ellen Macarthur, *A New Textiles Economy: Redesigning fashion's future*, 2017). Online shopping platforms offering free-return policies foster consumption and at the same time contribute to the increase in global carbon-emissions: one-third of the online returned clothing purchases are sent to waste, as returned items typically need a costly process - inspection, cleaning, and repackaging - that significantly reduces profit (source: ACTA - Australasian Circular Textile Association). As a result, 12.8bn tons of clothing are annually sent to landfills according to the Environmental Protection Agency (source: Environmental Protection Agency, Nondurable Goods - Product: Clothing and Footwear, 2018). Due to the high water's volume required to produce clothes, the industry also represents 20% of global wastewater yearly. In addition to catastrophic environmental consequences, the apparel industry has been shown to often violate basic human rights: to maximize profit, fast fashion companies often employ their workers with minimal or even no regard towards their health and safety, in exchange for extremely low wages. The growing awareness of environmental and sustainability issues, which are increasingly important in the consumers' purchasing process, has increased pressure on clothing brands to drastically disrupt their supply chain and it's stimulating brands to rethink their relationship with their partners to reshape apparel manufacturing, leading the way to more sustainable practices and production methods. Whilst fast fashion has had its momentum over the past two decades, the phenomenon is slowly declining.

Digital but not too much

In 2020, e-commerce has seen a significant increase, with the growth of pure sector players eroding market share from physical retail. Italian online sales in the clothing sector reached the same market share as stores specialized in clothing and footwear. Specialized players will therefore have to try to go digital, by formulating a well-defined omnichannel strategy and online services, despite being aware of not being able to compete on price with online players and their logistical capabilities. Alongside e-commerce customers, a share of customers will continue to prefer the physical channel. According to a research by Ipsos in six different markets (United States, France, Italy, United Kingdom, Hong Kong and Japan), in 80% of cases the purchase of a luxury product is planned or at least guided by having seen something online (digital touchpoints such as social networks and advertising banners). Furthermore, digital is also relevant in the decision-making phase: in Europe, 77% of those who buy luxury fashion items consult their smartphones while in the store (source: Ipsos MORI, *Global Report: Understanding Luxury Consumers*, Facebook-commissioned, June 2019).

Customization is the new luxury

Luxury goods' customization is a growing trend in the luxury industry. The trend of tailored products responds to the affirmation of a social status, while the purchase of luxury brand products, in clothing and beyond, responds to the affirmation of an economic status. The growth of this market segment in recent years therefore responds to a phenomenon that it is both social and economic, and which could lead to a growth in luxury products sales, especially for those brands that will be able to assert their craftsmanship, while penalizing those more consumerist luxury products.

5. BUSINESS MODEL AND STRATEGY

Converting excess apparel inventory into *treasure-hunt* shopping

Take Off business model is based on the marketing of men, women and children clothing, accessories and footwear through physical stores and a recently launched e-commerce. In addition to recognized designer brands, Take Off business is complemented by its own labels (ca. 70% of FY20 sales). Take Off offers targets value-conscious customers looking for a *treasure-hunt* shopping experience.

Seeking great merchandise value

The value-for-money apparel industry segment has a complementary role vs. the so-called *frontline vertical retailers*, those targeting designer fashion and lifestyle lovers. Both segments use the *brick-and-mortar* traditional network, physical stores where customers may directly touch, compare and try on clothes.

Frontline retail pricing strategy is "cost plus", where the average initial retail margin comes from a full-pricing in view of novelty, exclusivity, quality of ever-renewed collections. The trade-off is that substantial inventory volumes are necessary to enrich the offer without being able to predict the fate of each collection at end of season.

Value and off-price retailers take advantage of the excess inventory of both frontline retailers and suppliers. Buying at discount off-season and targeting a less discriminating customer, they usually have lean inventory levels compared to traditional merchants, while maintaining variety of merchandise and good service standard.

Product and brand portfolio

The brand portfolio is balanced between own brands and designer brands:

- Take Off - Men and women clothing, accessories and footwear under proprietary own labels *121, Stella Berg Apparel, Henry Smith, Andrea Maggi, Yuko Hayate, Gaia Galli, Massimo Moresco* and international fashion and premium brands
- Overkids - Newborn, baby and kids clothing and accessories under the own brand *Overkids*

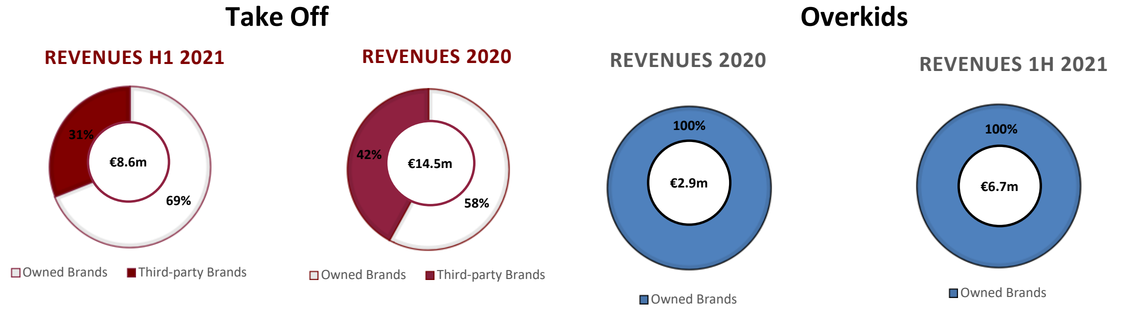
Own brand portfolio

Take Off - Men and women apparel

Overkids - Kids apparel

Source: Company data

Sales mix by brand category

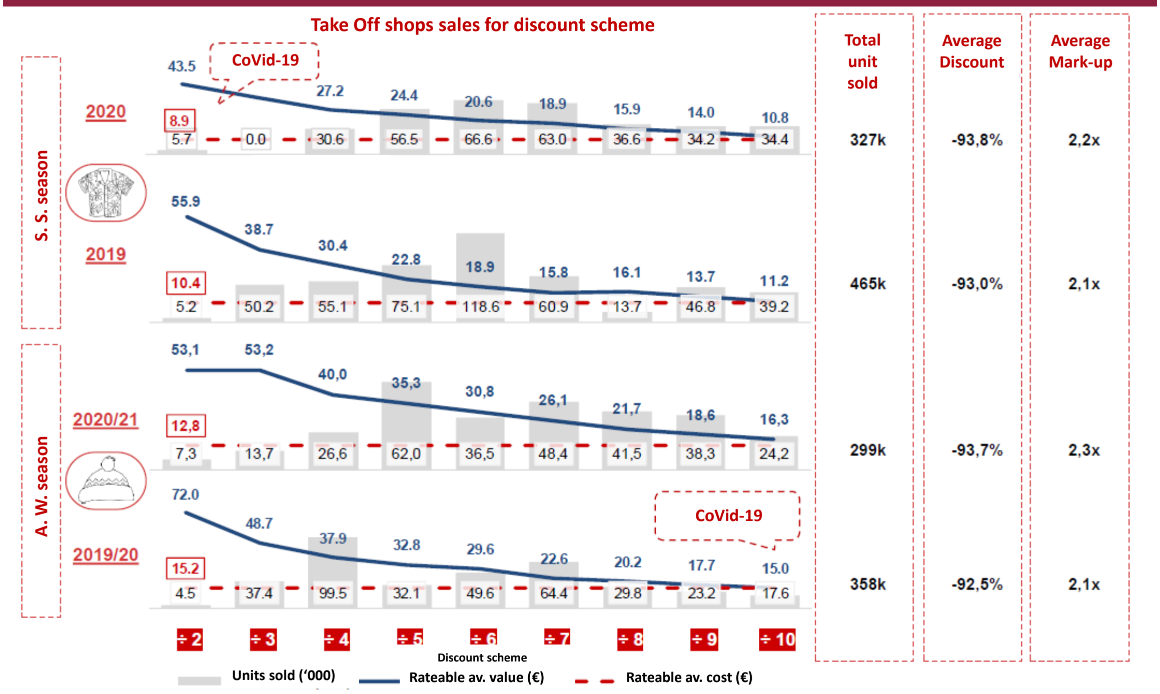


Source: Company data

Pricing model

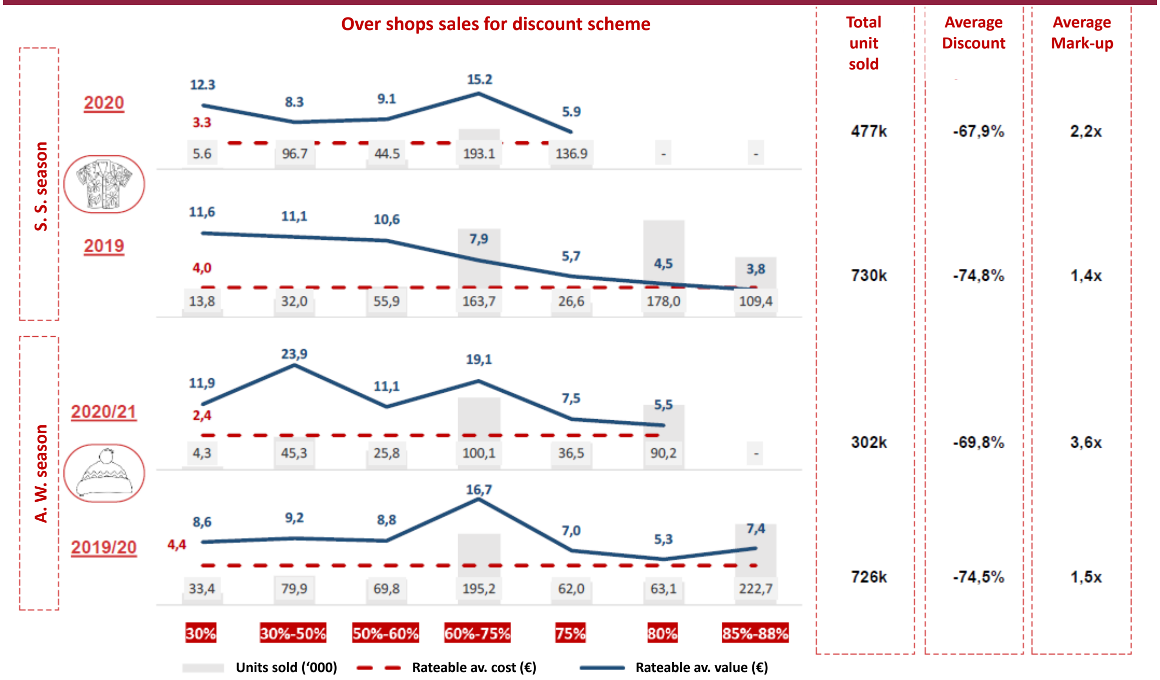
- Take Off - Patented scale-up markdown format starting at *divided by 2* up to *divided by 10*, with rebates being offered throughout the year regardless of specific occasions but adapting to the financial performance of each shop. Seasonal collections are extended up to 10 months, with collections previously exposed in preview and discounted at season-end. Unsold items at the *divided by 10* level are transferred to the central warehouse for reconditioning and recoding. After this process they are sent to a different store, based on the analysis of customers' preferences. In this last case, the price of the reconditioned item returns to the *divided by 2* level, ensuring an efficient stock management.
- Overkids - Full-price collections. Traditional discount model in line with the national/regional sales periods with discount range 30-80%. At the end of the season the remaining merchandise returns to the central warehouse where it is recoded and redistributed among stores.

Take Off - Average mark-up by season



Source: Company data

Overkids - Average mark-up by season



Source: Company data

Merchandise acquisition

- **Designer brands -** Designer brands are purchased from authorized vendors through auction. Acquired merchandise regularly arises from production and inventory flows of apparel brands, unsold items, closeouts, special productions, order cancellations, manufacturers' overruns. Suppliers are more than 30, allowing a continued access to quality stock. Wide assortment as to categories and selection, despite limited availability as to sizes. Seasonal offers of highly desirable brands.
- **Own brands - Take Off** - The process is almost entirely managed through direct relations with suppliers.
- **Own brands - Overkids** - Purchases are done through competitive bidding, with planned and regulated purchasing policies.

Supply chain

- The manufacturing process for own brands is outsourced to garment contractors based in Italy for high quality products or, for certain items, in low-cost countries such as Albania, China, India or Bangladesh
- Over has an extensive network of more than 30 fabric suppliers, with at least 3-4 suppliers for each fabric type. Raw fabrics for Overkids collections are mainly cotton and natural fibers.
- Apparel design for Overkids is conceived internally
- The main phases of the supply chain - procurement, logistics and warehouse management, sales and distribution - are carried out in-house
- The procurement, sorting, distribution and stock management is managed internally through the ERP system BestStore

- For internally managed logistics and warehouse, the Company has two separate warehouses/distribution centers for Take Off and Overkids covering a total of ca. 7,000sqm and located in Apulia

Take Off - Design, planning and retail flow

Design	Production	Purchases	Warehouse & Logistics	Sales & Distribution
• The planning and design process is carried out by suppliers which every season present different options	• The production is completely outsourced to partners in Italy, Albania and other Asian countries without any intermediary presence	• The process is completely carried out through direct relationships with suppliers • The purchases of third-party brands are made through competitive bids with intermediaries supervised directly by the CEO	• In-house management allowing for effective processes • Shipping outsourced to a unique partner • Third-party products are re-labeled with new barcode and divided by apparel product	• Sale through directly owned shops and affiliated stores • The product replenishment is carried out on a weekly based, alongside the discount decisions

Source: Company data

Overkids - Design, planning and retail flow

Design	Purchases	Production	Warehouse & Logistics	Sales & Distribution
• The whole creative and logistics process is managed internally	• Products categorized by fabric quality, not by typology • More than 30 suppliers, with 3/4 suppliers per fabric category • Purchasing at competitive bids, allowing to source for more convenience	• Production outsourced to Bangladesh, India and China • No presence of intermediaries and trading companies, with direct supervision over the production by the company's personnel	• In-house management allowing for effective processes • Shipping outsourced to a unique partner	• Sales outlet management through affiliation is managed internally

Source: Company data

Sales and distribution

- Take Off - 31 medium-sized (200-250sqm) stores located in urban areas in the Center and South of Italy, of which 26 directly operated stores and 5 affiliated
- Overkids - 112 small-size (80-120sqm) affiliated stores mainly located in South of Italy cities

Franchising model

In addition to its own stores, Take Off operates through a network of 117 stores in affiliation: 5 Take Off and 112 Over affiliated stores.
The average duration of the contracts is six months, with 60% of the affiliates engaged for over three years, according to the Company. The average sales sharing is 33% of the revenues as

affiliate income. Merchandise is provided in consignment by Take Off/Over. Lease, personnel and other direct stores costs are in charge of the affiliate. The contracts provide for automatic renewal with right of withdrawal for both parties. There is a minimum turnover requirement (€15k per month in almost all cases), the failure of which for two months in a row gives Over the right to exercise a withdrawal, and a variable incentive for the affiliate, granted according to achievement of sales targets.
The affiliates are selected among local entrepreneurs with sector experience and a loyal customer base, preferring the conversion of existing shops with lower initial investment.
Products selection, warehouse dynamics, prices, and discounts are centrally managed at Take Off.

Strategy

Network expansion

Take Off intends to pursue opportunities in current market areas and unexplored geographies, especially Northern Italy regions, also through acquisition of small retail fashion networks. Overall mid-term targets could be doubling Take Off and Over stores.
Take Off has a proven track record of new store expansion, with its store base grown from 9 stores in 2015 to 31 as of June 2021 and for Over from 94 in 2015 to 112 as of June 2021.

6. COMPETITION

Highly fragmented and competitive apparel industry

The retail apparel industry is highly fragmented and varied, its players can be analyzed based on different factors: off-price vs. full-price, mono-brand vs. multi-brand, offline vs. online.

Multi-format industry

In the apparel and fashion retail industry there are no industry standard business models: main models include multi-brand retailers such as department stores, specialty retailers, and off-price retailers, vertical brands, legacy wholesale brands.

Frequently evolving market approaches and business models

Retailers are constantly adjusting their business models, promotional activities and pricing strategies to face changing conditions. New competitors, such as digital native brands, have entered the market arena and are meeting consumer expectations for convenience, engagement and shared values, causing the decline of traditional brick-and-mortar. At the same time, department stores are enlarging their off-price businesses, such as Nordstrom Rack in the US, and other traditional full-price retailers are developing off-price concepts.

Take Off faces competition from a range of offline and online fashion retailers. Direct competitors are off-price retailers, manufacturer-owned outlet stores, discount stores, but, at large, competitors should include all apparel retailers, especially those that at various times during all seasons offer branded merchandise at substantial markdowns and promotional sales, with prices close to those offered by off-price stores.

Competition drivers

Fashion, quality, brand and price drive buying decisions

The main competitive factors are:

- Pricing and offering significant discounts on recognizable branded products
- Assortment
- Brand portfolio breadth
- Quality and style of merchandise offered
- Product mix and availability
- Shopping in-store experience and easy-to-shop store environment
- Level of customer service
- Brand image
- Scalability

Market powers

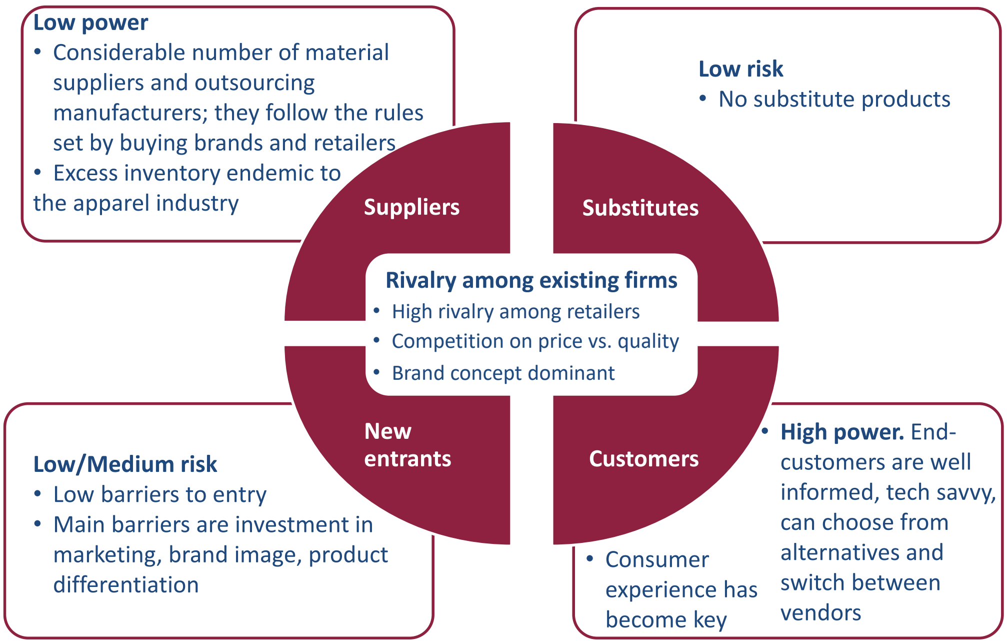
Power is in the hands of end-customers

- End-customer power is high, as purchases are driven by impulse or need, fitting is an issue, seasonality is meaningful, fashion pieces may have a short life. The bargaining power of customers is high because they can choose from several alternatives and switch easily between retailers and brands, given the poor loyalty typical of the industry. Fashion brands and retailers compete to attract and retain customers, also making use of retention strategies including discounts and memberships.

Vast availability of supplies

- Suppliers' power is low. Materials and manufacturing process are widely available at competitive prices. Typically, in the off-price industry there are no long-term purchase commitments or arrangements with suppliers, so that there is no dependency on any of them. Manufacturers, often based in low-cost countries, have to follow the rules set by buyers. Buyers' commitment is purchasing great products for great value, interacting with vendors and evaluating trends in the market to which customers would respond.
- Barriers to entry are low, although the threat of new entrants is medium to low, because of the intense competition and critical size issues. Without economies of scale, new entrants have poor chances to be successful. In addition, they should have a significant level of offer differentiation to succeed in the industry.
- Substitute products - clothes - in a strict sense do not represent a threat. However, even if clothes do not have substitutes, brands have many: for those who cannot afford luxury brands there are substitutes that can make high end styles available at lower prices. In addition, factors such as the availability of different buying options and types of payment, returns and changes terms may be seen as catalysts for substitutes.

Competitive forces



Source: EnVent Research

Competitive advantages

Tangible drivers
- Locations
- Economies of scale
- Multiregional coverage of high traffic catchment areas and logistic hubs
- Quality of stores
- Sales channels

Intangibles
- Store employees skills

- Dynamic pricing policies
- Purchasing, logistics and turnover
- Service and customer loyalty programs
- Effective communication

Competition overview and performance indicators

Industry players segmentation

Apparel retailers can be segmented into:

- **Factory outlets**, specializing in branded discounted inventory, such as Diffusione Tessile (Max Mara Group)
- **Off-price retailers**, US-based retailers specializing in value-for-money fashion and discounted inventory, such as Tk Maxx, Marshall's, Ross, Nordstrom Rack and Burlington
- **One-stop value-for-money fashion retailers**, such as OVS (own labels plus international brands recently added to OVS marketplace), Piazza Italia, Original Marines
- **Vertically-integrated fashion retailers** with offline and online business focused on their own brand such as H&M, Zara (Inditex), Uniqlo, Gap,
- **Flash sales e-tailers** selling well-known brands for low prices during so-called shopping events/campaigns, such as Veepee, Showroomprivée, Zalandoprivé
- **Pure-play online fashion retailers**, such as Zalando (multi-brand), Farfetech (multi-brand), Asos (multi-brand), Yoox (multi-brand), Next, Bohoo (own brand), AboutYou (multi-brand, own and designer). They buy stocks of products from the current season and keep them to face orders placed on their platforms.
- **Second-hand fashion apps** for pre-owned and handmade fashion, such as Depop, Vinted, Vestiaire Collective

Worldwide players

						Distribution channels			N. of stores	
Company	**Status**	**Presence**	**Core products**	**Own brands**	**Multi-brand**	**DOS**	**Franchise**	**Online**	**Italy**	**Worldwide**
Take Off	Public	Italy	Apparel	●	●	●	●	●	143	0
TJX	Public	USA-Europe	Apparel, Home fashion		●	●		●	0	4,572
Ross Stores	Public	USA	Apparel, Home fashion		●	●			0	1,859
Burlington Stores	Public	USA	Apparel, Home fashion		●	●			0	761
Fashion Market	Private	Italy	Apparel		●	●			8	0
Inditex (Zara)	Public	Global	Apparel, Home fashion	●		●	●	●	357	6,654
Gap	Public	Global	Apparel	●		●	●	●	9	3,100
H&M	Public	Global	Apparel, Home fashion	●		●		●	174	5,018
Uniqlo	Public	Global	Apparel	●		●		●	1	1,379
OVS	Public	Italy	Apparel	●	●	●	●	●	900	1,285
Original Marines	Private	Italy	Apparel - Childrenswear	●		●	●	●	450	130
Piazza Italia	Private	Italy	Apparel	●		●	●	●	290	60
Diffusione Tessile	Private	Italy	Apparel	●		●		●	22	6
Showroomprivé	Public	Online	Apparel, Home fashion, others		●			●	na	na

Source: EnVent Research on publicly available information

Industry - Financial performance - 2021 consensus data

Company	Revenues 2021E (€m)	YoY '21E on '20	Rev. CAGR '15-19	EBITDA % 2021E	EBITDA % Avg. '15-19	Net debt/ Revenues '20
Take Off	27	20%	14%	33%	na	-0.3x
Off-price retailers						
TJX	26,893	-29%	7%	5%	14%	0.2x
Ross Stores	10,341	-29%	7%	7%	16%	0.1x
Burlington Stores	4,576	-30%	8%	-2%	10%	0.4x
Mean		**-29%**	**8%**	**3%**	**13%**	**0.3x**
Median		**-29%**	**7%**	**5%**	**14%**	**0.2x**
One-stop value-for-money fashion retailers						
OVS	1,004	-30%	22%	22%	12%	0.9x
Piazza Italia (FY20)	247	-32%	-2%	-5%	3%	0.1x
Original Marines (FY20)	128	-21%	2%	5%	6%	0.5x
Mean		**-27%**	**7%**	**7%**	**7%**	**0.5x**
Median		**-30%**	**2%**	**5%**	**6%**	**0.5x**
Vertically-integrated fashion retailers						
Inditex (Zara)	20,973	-26%	10%	23%	22%	-0.04x
H&M	19,491	7%	3%	19%	15%	0.3x
Uniqlo	16,808	6%	12%	20%	12%	-0.1x
Gap	11,565	-22%	0%	-1%	14%	0.4x
Mean		**-9%**	**6%**	**15%**	**16%**	**0.1x**
Median		**-8%**	**6%**	**19%**	**14%**	**0.1x**
Factory outlets						
Diffusione Tessile (FY20)	141	-28%	6%	0%	0%	-0.03x
Flash sales e-tailers						
Showroomprivé	730	5%	9%	4%	4%	-0.001x

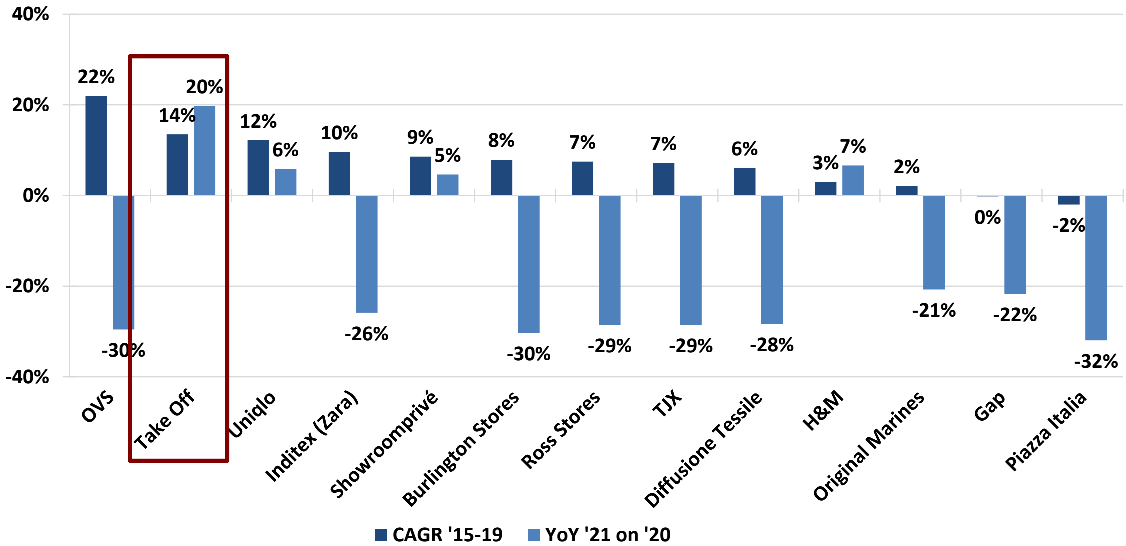
Source: EnVent Research on S&P Capital IQ and AIDA-companies' financial statements. Note: for Take Off 2021PC; for Piazza Italia, Original Marines and Diffusione Tessile 2020A financials

Revenue growth %

Heavy impact on industry worldwide, but recoverable

Three companies with growth under their average

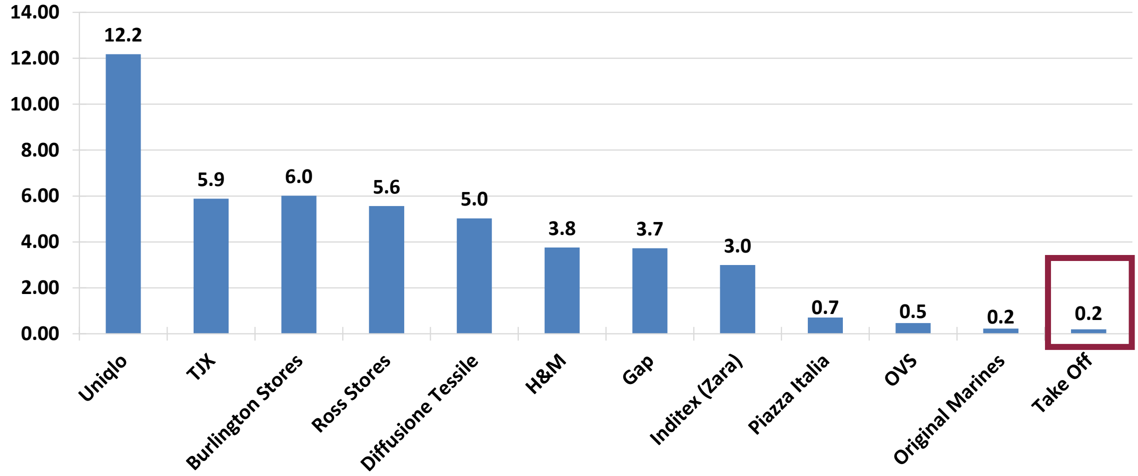
Take Off best performance



Source: EnVent Research on S&P Capital IQ and AIDA-companies' financial statements. Note: for Take Off 2021PC; for Piazza Italia, Original Marines and Diffusione Tessile 2020A financials

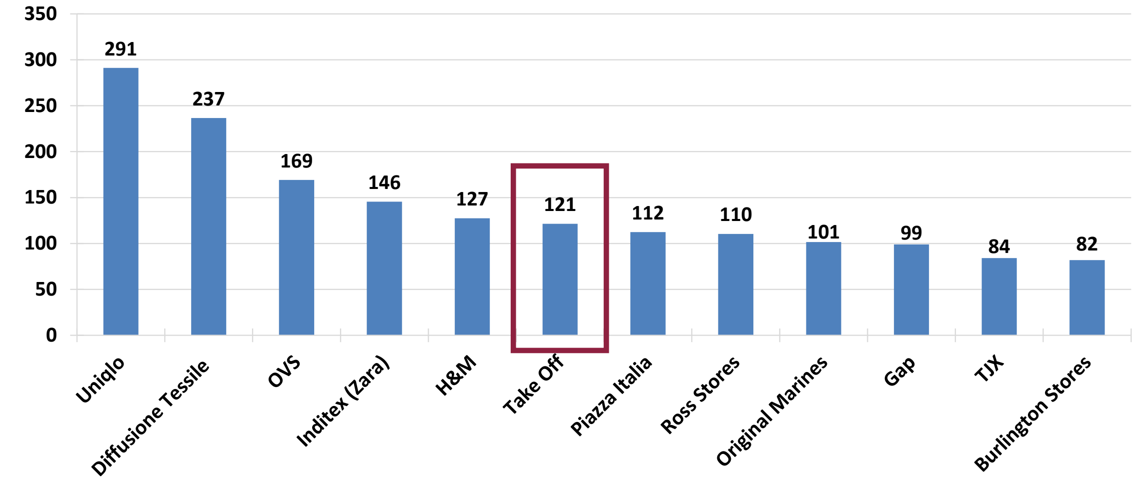
Store size and e-commerce make the difference

Revenue per store (€m)



Source: EnVent Research on S&P Capital IQ, AIDA-companies' financial statements, publicly available information. Note: for each company last available data

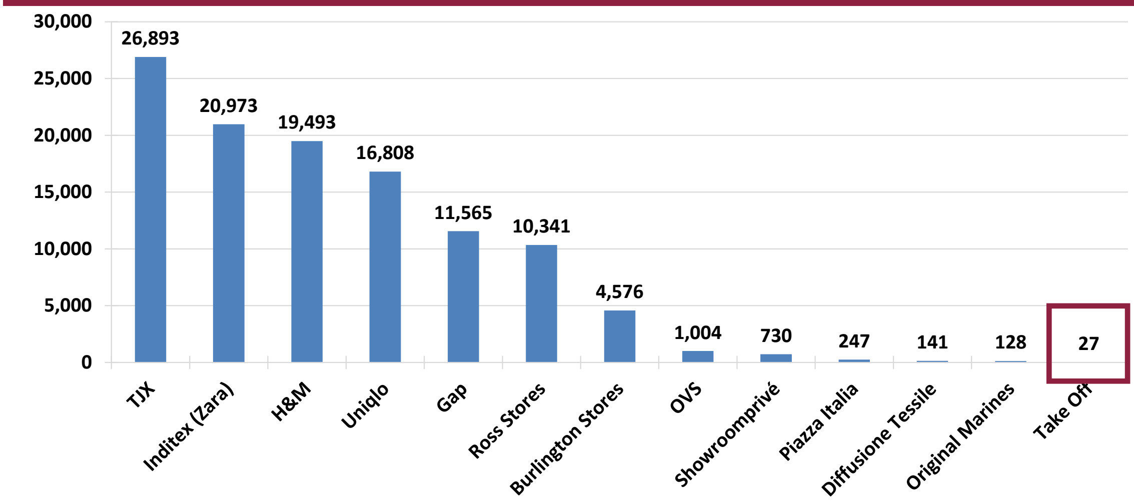
Revenue per employee (€k)



Source: EnVent Research on S&P Capital IQ, AIDA-companies' financial statements, publicly available information. Note: for each company last available data. Take Off data influenced by partial recognition of affiliates accounts.

US and global giants vs. local businesses

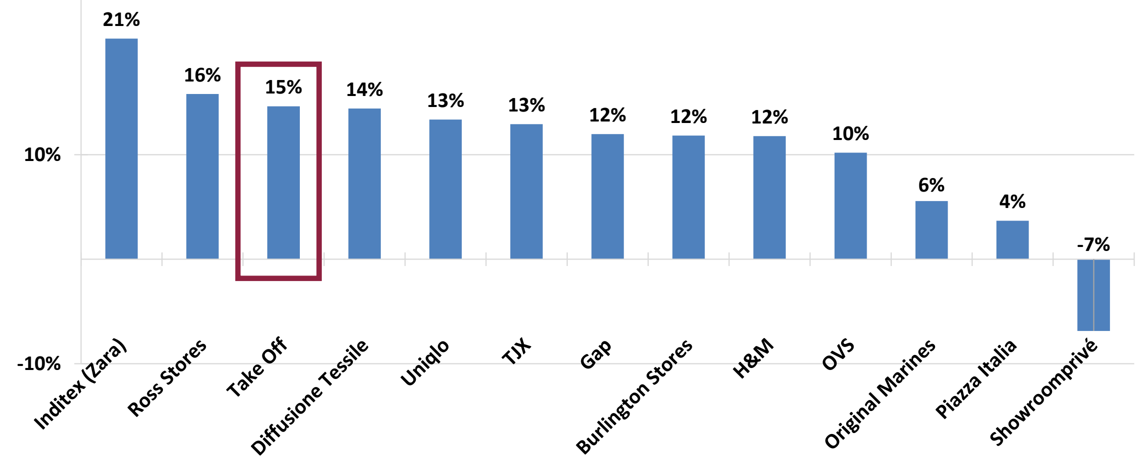
Revenues 2021E (€m)



Source: EnVent Research on S&P Capital IQ and AIDA-companies' financial statements. Note: for Take Off 2021PC, for Piazza Italia, Original Marines and Diffusione Tessile 2020A

Consistent profitability without taking the luxury segment high investment risk

EBITDA Margin 2019 (%) pre-pandemic figures



Source: EnVent Research on S&P Capital IQ and AIDA-companies' financial statements

7. MARKET METRICS

Fashion apparel retail industry valuation metrics

Selection criteria

- Apparel retail
- Positioning in the mid-range product layers

Industry segmentation

We have clustered the apparel retail industry companies in homogenous groups to detect performance consistencies and other peculiarities that could help understand the market sentiment and its relevance with market values.

- **Off-price retailers**: TJX, Ross Stores, Burlington Stores
- **Vertically-integrated fashion retailers**: H&M, Inditex, Fast Retailing, Gap, OVS

Key data comparison on peers

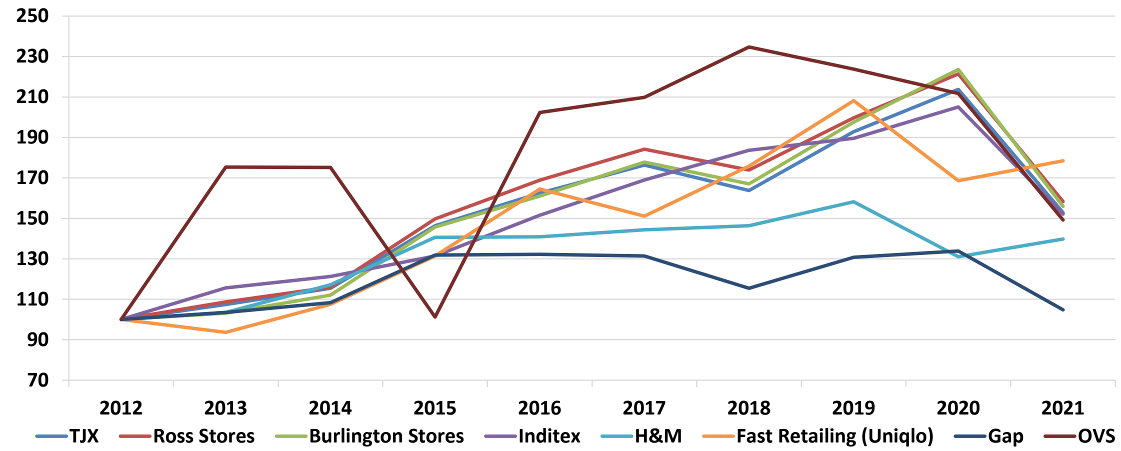
Company	Revenues 2021E (€m)	YoY '21E on '20	YoY '20 on '19	Rev. CAGR '15-19	EBITDA % 2020	EBITDA % 2021E	EBITDA % Avg '15-19	EBIT % 2020	EBIT % 2021E	EBIT % Avg '15-19
Take Off	27	72%	-32%	17%	21%	33%	13%	12%	27%	12%
Off-price retailers										
TJX	26,893	-29%	11%	7%	13%	5%	14%	11%	2%	12%
Ross Stores	10,341	-29%	11%	7%	16%	7%	16%	13%	4%	14%
Burlington Stores	4,576	-30%	13%	8%	12%	-2%	10%	9%	-6%	7%
Mean		**-29%**	**12%**	**8%**	**13%**	**3%**	**13%**	**11%**	**0%**	**11%**
Median		**-29%**	**11%**	**7%**	**13%**	**5%**	**14%**	**11%**	**2%**	**12%**
Vertically-integrated fashion retailers										
Inditex	20,973	-26%	8%	10%	21%	23%	22%	17%	9%	17%
H&M	19,491	7%	-17%	3%	7%	19%	15%	2%	7%	10%
Fast Retailing (Uniqlo)	16,808	6%	-19%	12%	10%	20%	12%	9%	11%	11%
Gap	11,565	-22%	2%	-0.2%	10%	-1%	14%	7%	-5%	10%
OVS	1,004	-30%	-5%	22%	11%	22%	12%	6%	1%	8%
Mean		**-13%**	**-6%**	**9%**	**12%**	**16%**	**15%**	**8%**	**5%**	**11%**
Median		**-22%**	**-5%**	**10%**	**10%**	**20%**	**14%**	**7%**	**7%**	**10%**

Source: EnVent Research on S&P Capital IQ

Industry peers - Revenue trend %

Revenue growth trend for most companies until 2020, with declining revenues in 2021 due to pandemic

More erratic trend for OVS and Gap

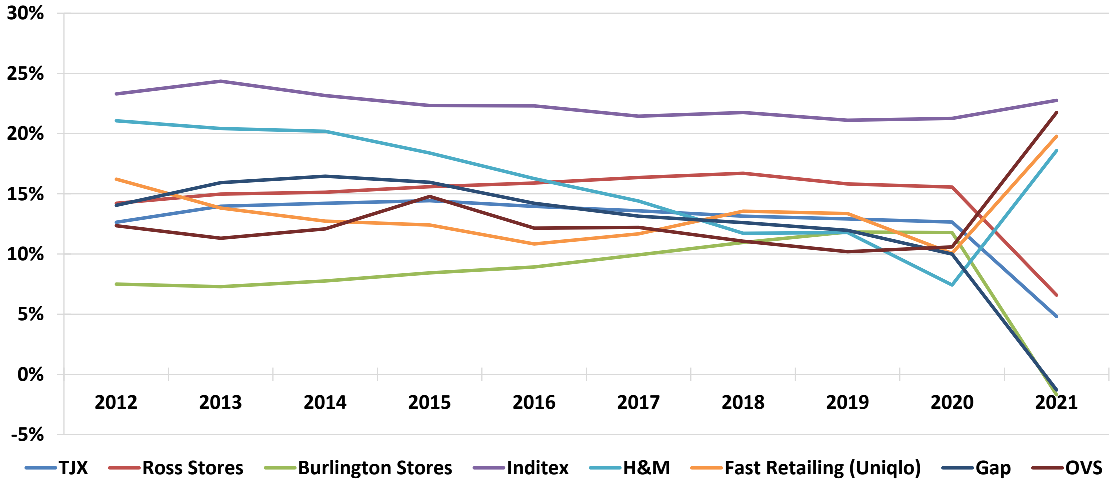


Source: EnVent Research on S&P Capital IQ. Note: 2012=100.

EBITDA margin between 10-16% consistently over the years

Inditex above the industry average at over 20%

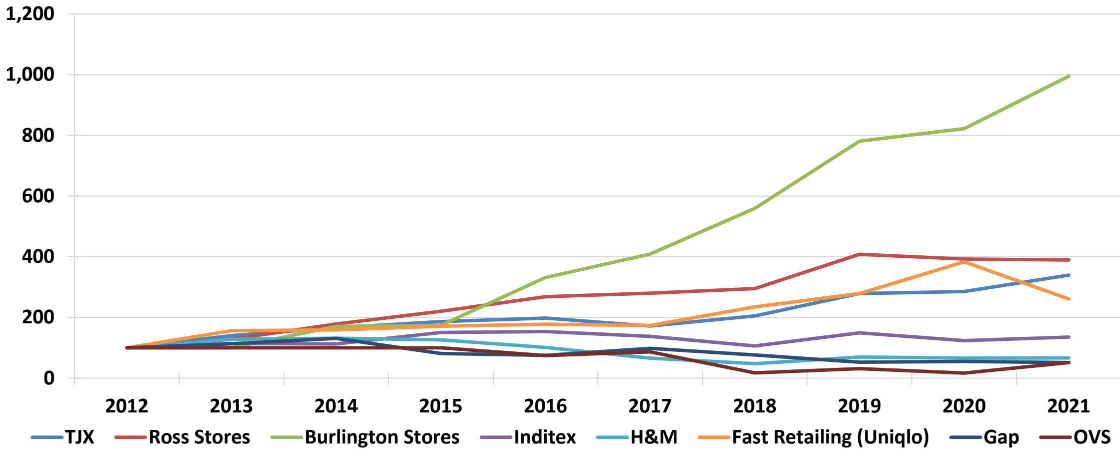
Industry peers - EBITDA margin % evolution



Source: EnVent Research on S&P Capital IQ

Burlington Stores overperforming the US market

Industry peers - Market cap trend %



Source: EnVent Research on S&P Capital IQ - Note: 2012=100; for OVS 2015=100

Comparability analysis

Key takeaways:

- Lack of fully comparable companies
- Business models are varied between off-price and full-price, offline and online
- Growth is driven by the same factors and dynamics
- Some peers with offline businesses invest in directly operated retail stores

The major comparability issue is that most peers are private companies. The selected companies show differences as to business and distribution models, size, profitability, market capitalization. Most peers, being global companies, sell their products internationally, while Take Off is a national player. Peers look at the same customer profile, use similar marketing channels and communication logics, have a focused strategy. They show consistent growth rates and operating profitability. Despite there are no listed peers sharing with Take Off enough features and metrics, a comparison against these companies could provide relevant performance and value indicators.

Market multiples

Company	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	Avg. '12-19
EV/REVENUES													
TJX	1.3x	1.7x	1.9x	1.7x	1.6x	1.3x	1.6x	1.9x	2.0x	3.2x	1.9x	1.8x	1.6x
Ross Stores	1.3x	1.6x	2.1x	2.0x	2.2x	2.1x	2.3x	2.8x	2.6x	3.5x	1.9x	1.8x	2.1x
Burlington Stores	0.4x	0.9x	1.2x	1.0x	1.4x	1.5x	2.1x	2.4x	2.6x	4.4x	2.0x	1.9x	1.4x
Inditex	4.5x	4.4x	4.2x	5.2x	4.6x	3.6x	2.5x	3.5x	2.8x	4.1x	2.9x	2.7x	4.1x
Gap	1.0x	1.1x	1.2x	0.6x	0.6x	0.7x	0.6x	0.4x	0.8x	0.9x	0.7x	0.7x	0.8x
H&M	3.0x	3.7x	3.4x	2.7x	2.2x	1.4x	1.0x	1.4x	1.9x	1.7x	1.5x	1.4x	2.3x
Fast Retailing (Uniqlo)	1.8x	3.3x	2.9x	2.5x	2.1x	2.2x	2.6x	2.5x	4.6x	2.9x	2.8x	2.6x	2.5x
OVS	na	na	na	3.2x	1.0x	1.1x	0.4x	0.6x	1.0x	2.0x	1.5x	1.4x	1.3x
Mean	**1.9x**	**2.4x**	**2.4x**	**2.4x**	**2.0x**	**1.7x**	**1.7x**	**1.9x**	**2.3x**	**2.8x**	**1.9x**	**1.8x**	**2.0x**
Median	**1.3x**	**1.7x**	**2.1x**	**2.3x**	**1.8x**	**1.5x**	**1.9x**	**2.2x**	**2.3x**	**3.0x**	**1.9x**	**1.8x**	**1.8x**
EV/EBITDA	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**Avg. '12-19**
TJX	10.3x	12.1x	13.2x	11.5x	11.4x	9.3x	12.5x	14.8x	15.6x	nm	15.6x	14.3x	11.9x
Ross Stores	9.4x	10.6x	14.0x	13.0x	13.8x	12.6x	13.8x	17.6x	16.7x	nm	13.0x	12.0x	13.1x
Burlington Stores	5.4x	12.0x	15.1x	11.3x	16.2x	15.4x	19.3x	20.6x	22.0x	neg	17.1x	16.1x	14.4x
Inditex	19.4x	18.2x	18.0x	23.4x	20.5x	16.9x	11.5x	16.5x	13.3x	17.8x	10.6x	9.9x	18.1x
Gap	7.2x	6.9x	7.4x	3.9x	4.2x	5.6x	5.1x	3.3x	7.9x	neg	8.7x	7.8x	5.4x
H&M	14.1x	18.1x	16.7x	14.7x	13.5x	9.9x	8.9x	11.8x	25.4x	9.0x	7.9x	7.5x	13.5x
Fast Retailing (Uniqlo)	11.1x	23.5x	22.5x	20.2x	19.3x	18.5x	18.8x	18.9x	46.1x	14.4x	13.6x	12.7x	19.1x
OVS	na	na	na	21.9x	8.1x	9.0x	3.6x	5.4x	9.6x	9.0x	6.3x	8.2x	9.6x
Mean	**11.0x**	**14.5x**	**15.3x**	**15.0x**	**13.4x**	**12.1x**	**11.7x**	**13.6x**	**19.6x**	**12.5x**	**11.6x**	**11.1x**	**13.1x**
Median	**10.3x**	**12.1x**	**15.1x**	**13.9x**	**13.6x**	**11.2x**	**12.0x**	**15.7x**	**16.2x**	**11.7x**	**11.8x**	**10.9x**	**13.3x**
EV/EBIT	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**Avg. '12-19**
TJX	12.3x	14.1x	15.4x	13.4x	13.3x	10.9x	14.8x	17.7x	18.7x	nm	18.6x	16.9x	14.0x
Ross Stores	10.8x	12.2x	16.1x	15.0x	16.1x	14.8x	15.9x	20.4x	19.5x	nm	15.2x	13.9x	15.2x
Burlington Stores	10.2x	23.3x	26.7x	17.8x	24.8x	22.1x	26.6x	27.5x	28.8x	neg	22.0x	21.2x	22.4x
Inditex	24.7x	22.7x	22.7x	29.6x	25.8x	20.8x	14.3x	21.0x	16.7x	45.1x	16.9x	15.2x	22.7x
Gap	10.1x	8.9x	9.3x	4.9x	5.8x	7.8x	7.0x	4.7x	11.9x	neg	14.0x	11.5x	7.3x
H&M	16.4x	21.6x	20.0x	18.2x	17.7x	13.8x	14.2x	18.6x	nm	23.2x	16.8x	14.9x	17.6x
Fast Retailing (Uniqlo)	13.3x	26.9x	26.4x	23.7x	23.1x	21.9x	21.7x	21.6x	54.2x	25.3x	22.5x	20.2x	22.3x
OVS	na	na	na	29.7x	12.1x	13.5x	5.4x	9.3x	16.7x	nm	18.7x	17.2x	14.0x
Mean	**14.0x**	**18.5x**	**19.5x**	**19.0x**	**17.3x**	**15.7x**	**15.0x**	**17.6x**	**23.8x**	**31.2x**	**18.1x**	**16.4x**	**16.9x**
Median	**12.3x**	**21.6x**	**20.0x**	**18.0x**	**16.9x**	**14.3x**	**14.6x**	**19.5x**	**18.7x**	**25.3x**	**17.7x**	**16.0x**	**16.4x**
P/E	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**Avg. '12-19**
TJX	20.7x	23.6x	24.6x	22.3x	22.0x	18.7x	23.0x	24.6x	22.7x	nm	24.1x	21.5x	22.4x
Ross Stores	18.3x	20.4x	26.2x	24.5x	26.0x	24.4x	24.6x	26.9x	23.9x	nm	20.3x	18.6x	23.9x
Burlington Stores	0.0x	nm	nm	51.0x	40.8x	34.6x	31.0x	37.0x	33.5x	neg	25.2x	24.6x	32.4x
Inditex	34.0x	31.6x	31.1x	39.5x	35.1x	28.6x	20.7x	28.4x	22.3x	64.8x	23.1x	20.6x	31.1x
Gap	17.9x	15.4x	15.5x	8.2x	10.0x	17.4x	12.6x	6.7x	19.5x	neg	13.2x	9.5x	13.0x
H&M	22.2x	28.9x	26.4x	24.1x	23.0x	17.5x	16.7x	23.6x	nm	28.5x	20.0x	17.6x	22.8x
Fast Retailing (Uniqlo)	26.8x	37.8x	56.7x	41.1x	83.1x	37.1x	38.0x	39.1x	nm	38.5x	35.4x	na	45.0x
OVS	na	na	na	neg	12.5x	16.2x	48.4x	17.8x	neg	neg	17.6x	13.0x	23.7x
Mean	**20.0x**	**26.3x**	**30.1x**	**30.1x**	**31.6x**	**24.3x**	**26.9x**	**25.5x**	**24.4x**	**43.9x**	**22.4x**	**17.9x**	**26.8x**
Median	**20.7x**	**26.3x**	**26.3x**	**24.5x**	**24.5x**	**21.6x**	**23.8x**	**25.7x**	**22.7x**	**38.5x**	**21.7x**	**18.6x**	**23.8x**

Source: EnVent Research on S&P Capital IQ data, update 02/02/2022

A look at EGM companies' multiples

With the purpose of finding some hints on the value potential of Italian small caps having a similar size and being exposed to the same stock market, we have observed the market multiples also for those companies listed on the Euronext Growth Milan market and operating in industry segments close to Take Off.

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E
Take Off	2.5x	1.7x	1.3x	7.7x	5.7x	4.4x	9.6x	7.3x	5.5x	13.6x	9.8x	7.8x
Portobello	1.6x	1.0x	0.7x	8.9x	5.4x	4.1x	nm	6.1x	3.9x	neg	8.3x	5.3x
Monnalisa	0.7x	0.6x	0.5x	neg	8.6x	6.1x	nm	nm	11.3x	neg	nm	11.0x

Source: EnVent Research on S&P Capital IQ data, update 02/02/2022

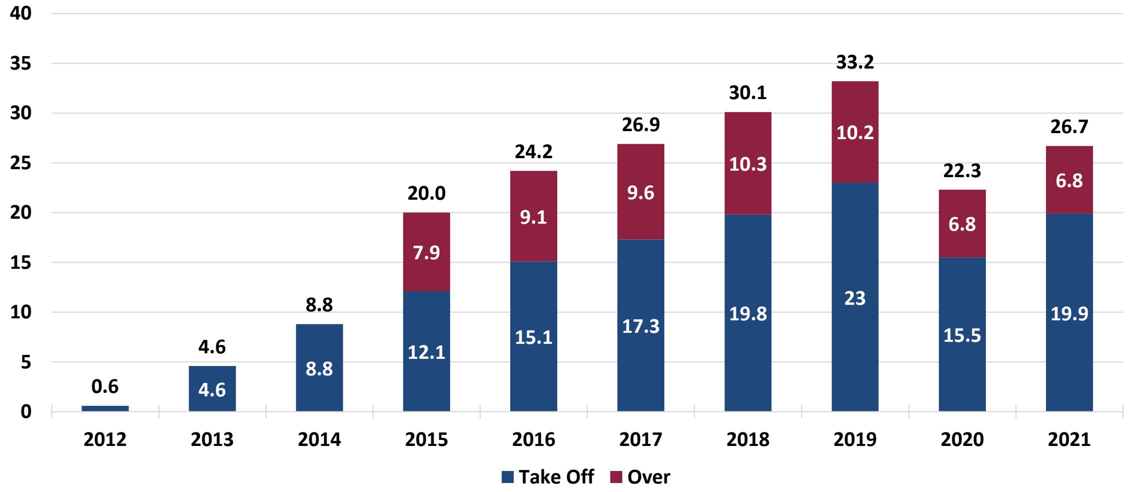
Considering the discrepancies in market values, financial performance and business models, we have not used this cluster in our valuation by multiples.

8. FINANCIAL ANALYSIS AND PROJECTIONS

A fast track interrupted by the pandemic and resumed in 2021

Take Off revenues grew 5x from 2013 to 2019, until the outbreak of the Covid-19 pandemic. FY20 revenues plummeted 34% YoY, from €33m to €22m, due to the forced temporary closure of stores. FY21 pre-closing revenues were €27m, +20% YoY.

Historical aggregated revenues (€m)



Source: Company data

In the last five years the number of stores for Take Off has tripled, from 9 in 2015 to 30 in 2020, and for Over the number of stores increased by 20 units in the same period, from 94 to 114 in 2020, net of dismissal of underperforming stores, which is to a certain extent expectable.

Revenue analysis

FY20 aggregated revenues were €22m. The revenue analysis indicates that the proprietary brands (€15m FY20, €21m FY19) sum up to 66% in FY19 and 71% in FY20 of revenues, of which €8.4m from Take Off (-29% YoY) and €6.7m from Over (ca. -28% YoY).

Profitability analysis

The pandemic and closures of stores had an effect not only on revenues but also on costs: a reduction in personnel cost (-18% YoY), network (-35% YoY) and other operating costs (-41% YoY). There was also a reduction in merchandise cost, obtained by the shift of the production of Over garments from China to Bangladesh and the consequent reduction in the cost of production and duties. Also considering the increase in the average selling price, all this led to an improvement in EBITDA and adjusted EBITDA despite the pandemic: respectively from €6.2m in FY19 to €6.5m in FY20 (+5% YoY, margin 19% vs 29%) and from €4.8m in FY19 to €5.3m in FY20 (+9% YoY, margin 15% vs 24%).

The net result was €3.8m FY20 vs. €3.5m in FY19, +7% YoY.

Balance sheet FY20

- Trade Working Capital at €4.6m vs. €1.9m in FY19 due to increased inventories
- Net Cash at €1.7m vs. €4.7m in FY19
- Equity at €11.8m vs. €12.8 in FY19, with the FY20 Net Income (€3.8m) and the capital increase residual inflow (€0.6m) partially offset by the effect of the demerger in favor of Summit SpA and Horizon SpA (€3.4m) and the dividends distribution (€2m).

Current trading in H1 2021

H1 2021 a shows better performance than H1 2020: the reopening of stores and the easing of restrictions have allowed an improvement in sales (revenues H1 2021 €11.9m vs €9.8m H1 2020, +22%) and, despite the related limited increase of operating costs, the measures to reduce costs carried out in 2020 also improved EBITDA and adjusted EBITDA, respectively to €4m (+147% YoY, margin up to 33.2%) and €3.2m (+215% YoY, margin up to 26.7%).
The H1 2021 net cash position stood at €0.4m from €1.7m in FY20A, mainly due to €2.8m cash-out for dividend payments.

Our estimates

Sizing the market opportunity

There is evidence that consumption of fashion goods is driven by social, cultural and psychological factors, as well as individual or general financial conditions. The value-for-money and off-price apparel markets enjoyed significant growth in the last decade and we expect them continuing to outperform, with shoppers demanding for lower prices and asking for higher quality, especially in uncertain times when migration from more expensive retailers can be an appealing choice. Consumer demand for value-for-money products remained significant even in economic slowdown and it is reasonable to believe that consumers may tend to postpone expensive purchases or shift to value-for-money products.
On the supply side, manufacturers and frontline retailers still have to deal with the capacity to plan pre-season sales volumes and make inventory commitments, as such the opportunities for value and off-price retailers is and will be permanent.

Key drivers

- Customer shopping experience in a fashion boutique-format contributes to organic expansion through word of mouth and may improve recurring shop visits
- Lean organization and flexible business model, with opportunistic buying, smart inventory management and logistics
- Balanced overheads and G&A, prudent cost and capital management
- Light balance sheet, immediate cash in, no receivables, only investment in inventory, capital expenditure limited to new store openings
- Successful format in the present geographical coverage, broader penetration opportunities in other regions

Assumptions

Revenues	- Sales: 25% CAGR 2020-24E, built on two revenue segments - Mid-term overall stores doubling target - Addition pace of 10 Take Off and 20 Over stores per year, adjusted at FTE due to set-up time and opening schedule
Operating costs	- Merchandise 50-53% of sales - Retail cost and leases both 5% of sales

	- Personnel up 80% 2020A-24E - Services and other operating average 5% of revenues
Income taxes	- Corporate tax (IRES): 24%; Regional tax (IRAP): 3.90%
Working Capital	- Trade working capital consistent with historical records: - DOI gradual normalization from 179 (2020A) to 150 (2024E) - DSO immaterial since limited to year-end - DPO gradual normalization from 186 (2020A) to 90 (2024E) - Other assets (liabilities) consistent with historical records
Capex	- €150k per new store, totaling ca. €1.6m per year - Other capex stable at €0.8m
Financial debt	- No repayment assumptions in the short-term
Equity	- No dividend distribution

Source: EnVent Research

Financial projections

Aggregated Profit and Loss

€m	2019	2020	2021E	2022E	2023E	2024E
Sales	32.1	21.2	26.7	33.1	46.7	54.9
Other income	1.0	1.2	0.0	0.0	0.0	0.0
Total Revenues	**33.1**	**22.3**	**26.7**	**33.1**	**46.7**	**54.9**
YoY %	-	*-32.6%*	*19.5%*	*24.1%*	*41.1%*	*17.5%*
Cost of sales	(19.0)	(10.0)	(11.9)	(14.7)	(20.5)	(24.1)
Trade margin	**14.1**	**12.4**	**14.8**	**18.4**	**26.2**	**30.8**
Margin	*42.6%*	*55.4%*	*55.4%*	*55.7%*	*56.1%*	*56.1%*
Personnel	(4.7)	(3.9)	(4.0)	(4.3)	(6.5)	(7.1)
Retail cost	(2.1)	(1.3)	(1.3)	(1.7)	(2.3)	(2.7)
Store margin before lease	**7.3**	**7.2**	**9.5**	**12.5**	**17.3**	**21.0**
Margin	*22.1%*	*32.0%*	*35.4%*	*37.7%*	*37.1%*	*38.1%*
Services	(0.5)	(0.4)	(0.8)	(1.7)	(2.3)	(2.7)
Other operating costs	(0.7)	(0.2)	(0.2)	(0.5)	(0.5)	(0.5)
SG&A	(1.1)	(0.7)	(1.0)	(2.1)	(2.8)	(3.2)
EBITDA	**6.2**	**6.5**	**8.4**	**10.4**	**14.5**	**17.7**
Margin	*18.7%*	*29.1%*	*31.6%*	*31.3%*	*31.1%*	*32.3%*
Retail leases	(1.3)	(1.2)	(1.3)	(1.7)	(2.3)	(2.7)
EBITDA Adj.	**4.8**	**5.3**	**7.1**	**8.7**	**12.2**	**15.0**
Margin	*14.6%*	*23.7%*	*26.6%*	*26.3%*	*26.1%*	*27.3%*
D&A	(0.2)	(0.3)	(0.5)	(0.9)	(1.4)	(1.8)
EBIT	**4.6**	**5.0**	**6.6**	**7.8**	**10.8**	**13.2**
Margin	*14.0%*	*22.5%*	*24.9%*	*23.6%*	*23.2%*	*24.0%*
Interest	0.5	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)
EBT	**5.1**	**5.0**	**6.5**	**7.7**	**10.7**	**13.0**
Margin	*15.3%*	*22.3%*	*24.3%*	*23.1%*	*22.8%*	*23.7%*
Income taxes	(1.5)	(1.2)	(1.8)	(2.1)	(3.0)	(3.6)
Net Income (Loss)	**3.5**	**3.8**	**4.7**	**5.5**	**7.7**	**9.4**
Margin	*10.7%*	*17.1%*	*17.5%*	*16.7%*	*16.4%*	*17.1%*

Source: Company data 2019-20A, EnVent Research 2021-24E

Aggregated Balance Sheet

€m	2019	2020	2021E	2022E	2023E	2024E
Inventory	7.3	11.0	12.4	15.0	19.2	22.6
Trade receivables	0.7	0.2	0.4	0.6	0.8	0.9
Trade payables	(6.1)	(6.6)	(5.2)	(5.6)	(7.0)	(8.2)
Trade Working Capital	1.9	4.6	7.7	9.9	13.0	15.3
Other assets (liabilities)	(2.7)	(3.5)	(4.2)	(5.2)	(7.3)	(8.6)
Net Working Capital	**(0.8)**	**1.1**	**3.5**	**4.7**	**5.6**	**6.7**
Intangible assets	0.0	0.0	1.2	1.1	1.0	0.8
Retail leases - Right of use	6.7	7.8	7.8	7.8	7.8	7.8
Property, plant and equipment	2.7	2.0	2.2	3.8	4.9	5.6
Non-current assets	**9.5**	**9.8**	**11.1**	**12.6**	**13.7**	**14.3**
Provisions	**(0.5)**	**(0.7)**	**(0.8)**	**(0.8)**	**(1.2)**	**(1.3)**
Net Invested Capital	**8.1**	**10.1**	**13.9**	**16.5**	**18.1**	**19.6**
Net Debt (Cash)	**(4.7)**	**(1.7)**	**(13.8)**	**(16.7)**	**(22.8)**	**(30.7)**
Equity	**12.8**	**11.8**	**27.7**	**33.2**	**40.9**	**50.3**
Sources	**8.1**	**10.1**	**13.9**	**16.5**	**18.1**	**19.6**

Source: Company data 2019-20A, EnVent Research 2021-24E

Cash Flow

€m	2020	2021E	2022E	2023E	2024E
EBIT	**5.0**	**6.6**	**7.8**	**10.8**	**13.2**
Current taxes	(1.2)	(1.8)	(2.1)	(3.0)	(3.6)
D&A	0.3	0.5	0.9	1.4	1.8
Provisions	0.2	0.0	0.1	0.4	0.1
Cash flow from P&L operations	**4.3**	**5.3**	**6.6**	**9.6**	**11.5**
Trade Working Capital	(2.7)	(3.1)	(2.2)	(3.1)	(2.3)
Other assets and liabilities	0.8	0.7	1.0	2.1	1.3
Capex	(0.6)	(0.6)	(2.4)	(2.4)	(2.4)
Operating cash flow after working capital and capex	**1.8**	**2.3**	**3.0**	**6.3**	**8.0**
Interest	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)
Capex - IPO costs	0.0	(1.3)	0.0	0.0	0.0
Paid-in capital - IPO proceeds 2021	0.6	11.2	0.0	0.0	0.0
Dividends	(5.4)	0.0	0.0	0.0	0.0
Net cash flow	**(3.0)**	**12.1**	**2.8**	**6.1**	**7.9**
Net (Debt) Cash - Beginning	4.7	1.7	13.8	16.7	22.8
Net (Debt) Cash - End	1.7	13.8	16.7	22.8	30.7
Change in Net (Debt) Cash	**(3.0)**	**12.1**	**2.8**	**6.1**	**7.9**

Source: Company data 2020A, EnVent Research 2021-24E

Ratio analysis

	2019	2020	2021E	2022E	2023E	2024E
ROE	28%	32%	17%	17%	19%	19%
ROS (EBIT/Revenues)	14%	23%	25%	24%	23%	24%
DSO	7	2	5	5	5	5
DPO	91	186	120	100	90	90
DOI	81	179	170	165	150	150
TWC/Revenues	6%	20%	29%	30%	28%	28%
NWC/Revenues	-3%	5%	13%	14%	12%	12%
Net Debt / EBITDA	cash	cash	cash	cash	cash	cash
Net Debt / Equity	cash	cash	cash	cash	cash	cash
Net Debt / (Net Debt+Equity)	cash	cash	cash	cash	cash	cash
Cash flow from P&L operations / EBITDA	na	67%	63%	64%	66%	65%
FCF / EBITDA	na	28%	27%	29%	43%	45%

Source: Company data 2019-20A, EnVent Research 2021-24E

9. VALUATION

Value-conscious customers and retail network are key assets in the Italian fragmented fashion arena

Key valuation topics

Take Off has built in seven years a network of 143 stores generating nearly €27m revenues, building its position in the fragmented Italian apparel retail market, populated by multinationals and independent stores.
Being still in a growth phase of the business lifecycle and in its investment cycle, Take Off will dedicate the proceeds from the IPO and other resources to network expansion and to strengthen the awareness and image around its brands.
The value expectations of Take Off rely on its capability to increase its presence, expand in uncovered regions and achieve a market share progress becoming a fully recognized reference brand for Italian value-conscious shoppers.

Value drivers and use of market data

- Room for consolidation trend
- Intangible values of network and profiled customer base
- Original and patented discount model
- Industry peers show consistent and steady growth, with multiples aligned along the 8-year pre-pandemic period
- Expected performance of Take Off consistent with the high-end of industry market multiples range, that reflect growth expectations and a mid-low risk profile
- EV/EBIT considered the most reliable industry multiple, together with EV/Revenues, not being impacted by the accounting of retail leases

Accounting and valuation marks

- Hybrid accounting method, of two different business models - directly operated stores and affiliated stores
- Adjusted EBITDA factoring in retail leases - accounted among D&A
- No segment reporting

Valuation metrics

The valuation of Take Off has been performed through the Discounted Cash Flows methodology and market multiples.
We consider that the DCF appropriately factors the Company's expected growth over the next three years and provides an indication of implied multiples which generally are suitable to simulate market multiples of fairly comparable companies.

Discounted Cash Flows

Main assumptions:

- Risk free rate: 1.0% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, February 2022)
- Market return: 12.4% (3Y average. Source: Bloomberg, February 2022)
- Market risk premium: 11.3%
- Beta: 1 (judgmental figure in absence of market volatility records)
- Cost of equity: 12.4%
- Cost of debt: 3%
- Tax rate: 24% IRES
- 40% debt/(debt + equity) as target capital structure
- WACC calculated at 8.3%, according to above data
- Perpetual growth rate after explicit projections: 2% based on industry long-term trend
- Terminal Value assumes an EBITDA margin of 22.5%

DCF Valuation

€m		2019	2020	2021E	2022E	2023E	2024E	Perpetuity
Revenues		**33.1**	**22.3**	**26.7**	**33.1**	**46.7**	**54.9**	**56.0**
EBITDA Adj.		**4.8**	**5.3**	**7.1**	**8.7**	**12.2**	**15.0**	**12.6**
Margin		*14.6%*	*23.7%*	*26.6%*	*26.3%*	*26.1%*	*27.3%*	*22.5%*
EBIT		**4.6**	**5.0**	**6.6**	**7.8**	**10.8**	**13.2**	**10.6**
Margin		*14.0%*	*22.5%*	*24.9%*	*23.6%*	*23.2%*	*24.0%*	*19.0%*
Taxes		(1.3)	(1.4)	(1.9)	(2.2)	(3.0)	(3.7)	(3.0)
NOPAT		**3.3**	**3.6**	**4.8**	**5.6**	**7.8**	**9.5**	**7.7**
D&A					0.9	1.4	1.8	2.0
Provisions					0.1	0.4	0.1	0.0
Cash flow from operations					**6.6**	**9.6**	**11.4**	**9.6**
Trade Working Capital					(2.2)	(3.1)	(2.3)	(1.1)
Other assets and liabilities					1.0	2.1	1.3	0.0
Capex					(2.4)	(2.4)	(2.4)	(2.0)
Unlevered free cash flow					**3.0**	**6.3**	**8.0**	**6.6**
WACC	8.3%							
Long-term growth (G)	2.0%							
Discounted Cash Flows					**2.7**	**5.3**	**6.3**	
Sum of Discounted Cash Flows	14.4							
Terminal Value								**105.4**
Discounted TV	82.9							
Enterprise Value	**97.3**							
Net Cash as of 31/12/21E	13.8							
Equity Value	**111.1**							

DCF - Implied multiples	2020	2021E	2022E	2023E	2024E
EV/Revenues	4.4x	3.6x	2.9x	2.1x	1.8x
EV/EBITDA	18.3x	13.7x	11.2x	8.0x	6.5x
EV/EBIT	19.4x	14.6x	12.4x	9.0x	7.4x
P/E	29.1x	23.8x	20.1x	14.5x	11.8x

Source: EnVent Research

Valuation based on market multiples

Fashion industry metrics consistency and rewarding performances look as a reliable base to identify correlations within the industry. Fundamentals show that growth rates have been outperforming general consumer indexes in troubled years and that equities also outperformed. Pre-pandemic operating profits have been consistently in the region of 15% for most peers and multiples too are consistent over time.

We have applied:

- to our 2021 estimates the pre-pandemic avg. 2015-19 EV/Revenues, EV/EBITDA, EV/EBIT, P/E from the peer groups
- to our 2022-23 estimates the corresponding EV/Revenues, EV/EBITDA, EV/EBIT, P/E from the peer groups

For the valuation of Take Off by multiples we have used the lowest score for each multiple in consideration of possible misrepresentations due to the industry slowdown which in many cases has caused significant income falls and in turn abnormal multiples.

Multiples application

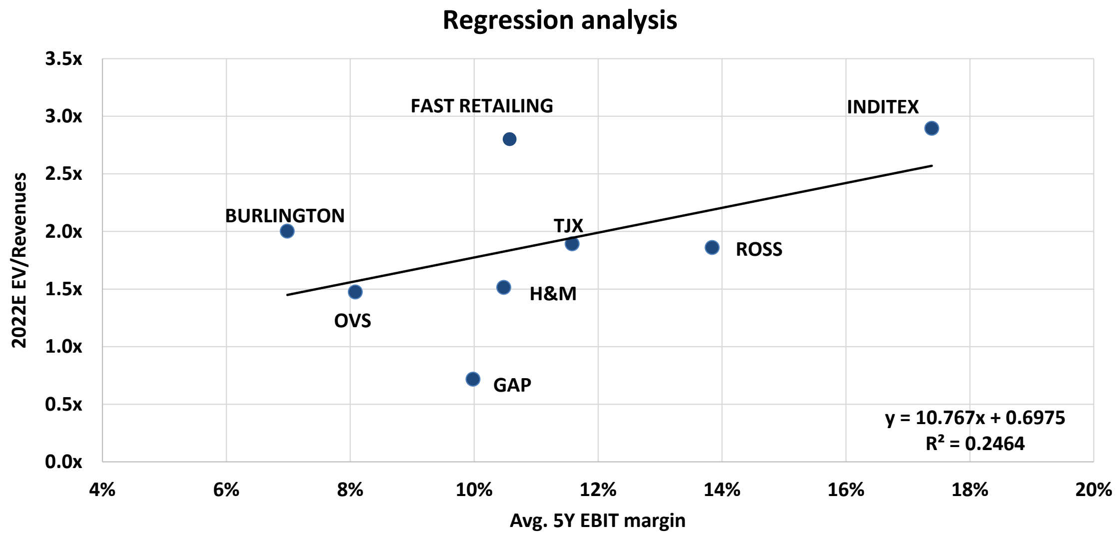
		€m	Multiple	EV	Net Cash	Equity Value
2021E	**Revenues**	**26.7**	1.8x	49.0	13.8	62.8
2022E	**Revenues**	**33.1**	1.9x	62.2	13.8	76.0
2023E	**Revenues**	**46.7**	1.8x	82.3	13.8	96.1
Mean						*78.3*
2021E	**EBITDA Adj**	**7.1**	13.3x	94.2	13.8	108.1
2022E	**EBITDA Adj**	**8.7**	11.8x	102.5	13.8	116.3
2023E	**EBITDA Adj**	**12.2**	10.9x	133.3	13.8	147.1
Mean						*123.8*
2021E	**EBIT**	**6.6**	16.4x	108.7	13.8	122.5
2022E	**EBIT**	**7.8**	17.7x	139.0	13.8	152.8
2023E	**EBIT**	**10.8**	16.0x	173.5	13.8	187.3
Mean						*154.2*
2021E	**Earnings**	**4.7**	23.8x			111.0
2022E	**Earnings**	**5.5**	21.7x			119.9
2023E	**Earnings**	**7.7**	18.6x			143.1
Mean						*124.7*

Source: EnVent Research

Valuation by regression analysis

The regression analysis combining EV/Revenues and EBITDA margin shows a low R^2 and weak correlation among peers. As such, we disclose the analysis, which anyway is not applied among valuation metrics.

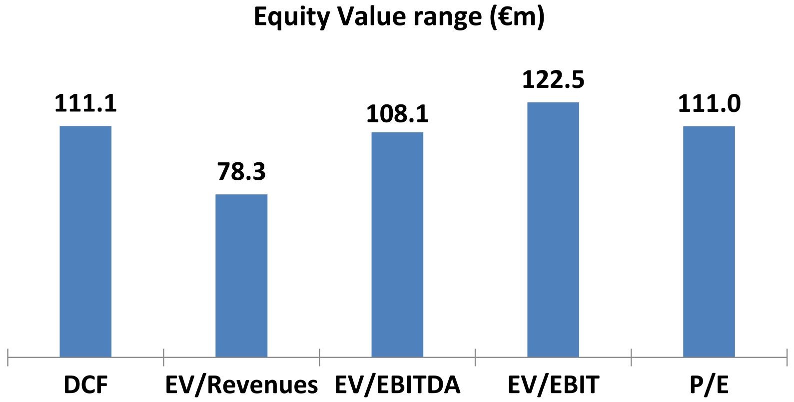
Appealing industry with rewarding performances for most peers



Source: EnVent Research on S&P Capital IQ

Valuation summary

Our valuation of Take Off, based on Discounted Cash Flows and forward industry multiples, provides the following:



Source: EnVent Research

Target Price

We deem the DCF model outcome as a proper reference of the represented value range.
The model applied to our estimates yields a Target Price of €7.11 per share, +78% on the IPO price of €4.00 per share and with a potential upside of 75% on the current share price.
We initiate the coverage of Take Off with an OUTPERFORM rating on the stock.

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

Take Off Price per Share	€
Target Price	**7.11**
Current Share Price (02/02/2022)	4.07
Premium (Discount)	**75%**

Source: EnVent Research

DISCLAIMER (for more details go to www.enventcapitalmarkets.co.uk under "Disclaimer")
This publication has been prepared by Franco Gaudenti, Head of Research Division, and Luigi Tardella, Co-Head of Research Division, on behalf of the Research & Analysis Division of EnVent Capital Markets Limited ("EnVentCM"). EnVent Capital Markets Limited is authorised and regulated by the Financial Conduct Authority (Reference no. 651385).
According to article 35, paragraph 2b of Euronext Growth Milan Rules for Companies (Regolamento Emittenti Euronext Growth Milan), EnVentCM has been commissioned to produce Equity Research, and particularly this publication, for the Company by arrangement with MIT SIM, the Issuer's Specialist engaged by the Company.

This publication does not represent to be, nor can it be construed as being, an offer or solicitation to buy, subscribe or sell financial products or instruments, or to execute any operation whatsoever concerning such products or instruments. This publication is not, under any circumstances, intended for distribution to the general public. Accordingly, this document is only for persons who are Eligible Counterparties or Professional Clients only, i.e. persons having professional experience in investments who are authorized persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 and COBS 4.12 of the FCA's New Conduct of Business Sourcebook. For residents in Italy, this document is intended for distribution only to professional clients and qualified counterparties as defined in Consob Regulation n. 16190 of the 29th October 2007, as subsequently amended and supplemented.
This publication, nor any copy of it, can not be brought, transmitted or distributed in the United States of America, Canada, Japan or Australia. Any failure to comply with these restrictions may constitute a violation of the securities laws provided by the United States of America, Canada, Japan or Australia.

EnVentCM does not guarantee any specific result as regards the information contained in the present publication, and accepts no responsibility or liability for the outcome of the transactions recommended therein or for the results produced by such transactions. Each and every investment/divestiture decision is the sole responsibility of the party receiving the advice and recommendations, who is free to decide whether or not to implement them. The price of the investments and the income derived from them can go down as well as up, and investors may not get back the amount originally invested. Therefore, EnVentCM and/or the author(s) of the present publication cannot in any way be held liable for any losses, damage or lower earnings that the party using the publication might suffer following execution of transactions on the basis of the information and/or recommendations contained therein.
The purpose of this publication is merely to provide information that is up to date and as accurate as possible. The information and each possible estimate and/or opinion and/or recommendation contained in this publication is based on sources believed to be reliable. Although EnVentCM makes every reasonable endeavour to obtain information from sources that it deems to be reliable, it accepts no responsibility or liability as to the completeness, accuracy or exactitude of such information and sources. Past performance is not a guarantee of future results.
Most important sources of information used for the preparation of this publication are the documentation published by the Company (annual and interim financial statements, press releases, company presentations, IPO prospectus), the information provided by business and credit information providers (as Bloomberg, S&P Capital IQ, AIDA) and industry reports.
EnVentCM has no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the case that any matter, opinion, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if the research on the subject company is withdrawn. The estimates, opinions, and recommendations expressed in this publication may be subject to change without notice, on the basis of new and/or further available information.
EnVentCM intends to provide continuous coverage of the Company and the financial instrument forming the subject of the present publication, with a semi-annual frequency and, in any case, with a frequency consistent with the timing of the Company's periodical financial reporting and of any exceptional event occurring in its sphere of activity.
A draft copy of this publication may be sent to the subject Company for its information and review (without valuation, target price and recommendation), for the purpose of correcting any inadvertent material inaccuracies. EnVentCM did not disclose the rating to the issuer before publication and dissemination of this document.

ANALYST DISCLOSURES
For each company mentioned in this publication, all of the views expressed in this publication accurately reflect the financial analysts' personal views about any or all of the subject company (companies) or securities.
Neither the analysts nor any member of the analysts' households have a financial interest in the securities of the subject Company. Neither the analysts nor any member of the analysts' households serve as an officer, director or advisory board member of the subject company. Analysts' remuneration was not, is not or will be not related, either directly or indirectly, to specific proprietary investment transactions or to market operations in which EnVentCM has played a role (as Euronext Growth Advisor, for example) or to the specific recommendation or view in this publication. EnVentCM has adopted internal procedures and an internal code of conduct aimed to ensure the independence of its financial analysts. EnVentCM research analysts and other staff involved in issuing and disseminating research reports operate independently of EnVentCM Capital Market business. EnVentCM, within the Research & Analysis Division, may collaborate with external professionals. It may, directly or indirectly, have a potential conflict of interest with the Company and,

for that reason, EnVentCM adopts organizational and procedural measures for the prevention and management of conflicts of interest (for details www.enventcapitalmarkets.co.uk under "Disclaimer", "Procedures for prevention of conflicts of interest").

MIFID II DISCLOSURES

Take Off S.p.A. (the "Issuer or the "Company") is a corporate client of EnVent Capital Markets. This document, being paid for by a corporate Issuer, is a Minor Non-monetary Benefit as set out in Article 12 (3) of the Commission Delegated Act (C2016) 2031.
This note is a marketing communication and not independent research. As such, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and this note is not subject to the prohibition on dealing ahead of the dissemination of investment research.

CONFLICTS OF INTEREST

In order to disclose its possible conflicts of interest, EnVentCM states that it acts or has acted in the past 12 months as Euronext Growth Advisor and Global Coordinator to the subject Company on the Euronext Growth Milan market, a Multilateral Trading Facility regulated by Borsa Italiana (for details www.enventcapitalmarkets.co.uk under "Disclaimer", "Potential conflicts of interest").

CONFIDENTIALITY

Neither this publication nor any portions thereof (including, without limitation, any conclusion as to values or any individual associated with this publication or the professional associations or organizations with which they are affiliated) shall be reproduced to third parties by any means without the prior written consent and approval from EnVentCM.

VALUATION METHODOLOGIES

EnVentCM Research & Analysis Division calculates range of values and fair values for the companies under coverage using professional valuation methodologies, such as the discounted cash flows method (DCF), dividend discount model (DDM) and multiple-based models (e.g. EV/Revenues, EV/EBITDA, EV/EBIT, P/E, P/BV). Alternative valuation methodologies may be used, according to circumstances or judgement of non-adequacy of most used methods. The target price could be also influenced by market conditions or events and corporate or share peculiarities.

STOCK RATINGS

The "OUTPERFORM", "NEUTRAL", AND "UNDERPERFORM" recommendations are based on the expectations within a 12-month period from the date of rating indicated in the front page of this publication.
Equity ratings and valuations are issued in absolute terms, not relative to market performance.
Rating system and rationale (12-month time horizon):
OUTPERFORM: stocks are expected to have a total return above 10%;
NEUTRAL: stocks are expected to have a performance between -10% and +10% consistent with market or industry trend and appear less attractive than Outperform rated stocks;
UNDERPERFORM: stocks are among the least attractive in a peer group, with the target price 10% below the current market price;
UNDER REVIEW: target price under review, waiting for updated financial data, or other key information such as material transactions involving share capital or financing;
SUSPENDED: no rating/target price assigned, due to material uncertainties or other issues that seriously impair our previous investment ratings, price targets and earnings estimates;
NOT RATED: no rating or target price assigned.
Some flexibility on the limits of the total return rating ranges is permitted, especially during high market volatility cycles.
The stock price indicated in the report is the last closing price on the day indicated as "Date of Price" in the table on the front page of this publication.
EnVentCM is distributing this publication as from the date indicated on the front page of this publication.

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
02/02/2022	OUTPERFORM	7.11	4.07

ENVENTCM RECOMMENDATION DISTRIBUTION (February 2nd, 2022)

Number of companies covered: 20	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
Total Equity Research Coverage %	75%	20%	0%	0%	0%	5%
of which EnVentCM clients % *	100%	100%	0%	0%	0%	100%

* Note: Companies to which corporate and capital markets services were supplied in the last 12 months.

This disclaimer is constantly updated on the website at www.enventcapitalmarkets.co.uk under "Disclaimer".
Additional information available upon request.