Take Off S.p.A.

Apparel

Firepower to capture M&A opportunities

ADD | Fair Value: €8.37 (€8.07) | Current Price: €4.35 | Upside: 93%

Research Update

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€ Million	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Revenues	33.2	22.3	28.0	35.0	44.8	54.1	61.7
EBITDA	6.2	6.5	9.5	10.5	13.8	17.0	19.7
margin	*18.7%*	*29.1%*	*34.0%*	*29.9%*	*30.8%*	*31.4%*	*32.0%*
Net Profit	3.5	3.8	5.6	6.1	7.6	9.5	11.1
margin	*10.7%*	*17.1%*	*20.1%*	*17.3%*	*17.1%*	*17.6%*	*18.0%*
EPS	n.a.	n.a.	0.36	0.39	0.49	0.61	0.71
NFP	**(4.7)**	**(0.1)**	**(12.1)**	**(10.7)**	**(14.6)**	**(21.0)**	**(29.1)**

Source: Company data (2019–21), KT&Partners' elaboration (2021–24)

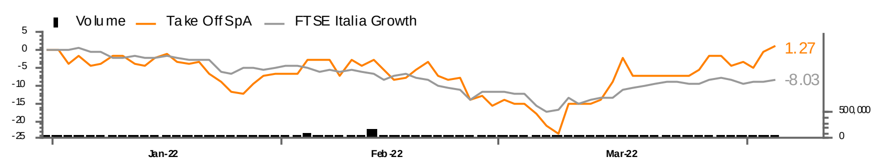
Outstanding Profitability, Strong Cash Generation, and Interesting Dividend Yield. In line with preliminary results, FY21 TKO-IT's sales revenues reached €26.4mn growing by 24.6% YoY (from €21.2mn) thanks to gradual easing of restrictions related to COVID-19. Total revenues reached €28mn in FY21 (+24.6% YoY), of which €21.4mn (+38% YoY) attributable to Take Off and €6.6mn (-3.4% YoY) to OverKids. Despite the persistent COVID-19 restrictions the Group shown strong resilience and ability to increase profitability also thanks to inventory stock rotation, cost-saving activities, and an average selling price improvement across all business units (+12.7% and +18.4% compared to 2019 for Take Off and OverKids, respectively). Furthermore, thanks to lower-than-expected cost of service and other operating expenses incidence, EBITDA FY21 jumped to €9.5mn (from €6.5mn), achieving an outstanding EBITDA margin of 34% (+4.9pp YoY) and almost +4pp with respect to our projections (made before TKO-IT preliminary results announcement). Net income soared to €5.6mn (+47.8% YoY), almost +14% above our expectations (made before TKO-IT preliminary results announcement). Net cash position improved from €0.1mn in FY20 to €12mn in FY21, mainly due to €11.2mn of IPO AUCAP (adjusted for IPO's costs) and a strong cash generation with €6.3mn operating cash flow (OCF/EBITDA of 67% vs 31% in 2020) and FCF/EBITDA of 54% (vs 18% in 2020). Finally, TKO-IT's BoD proposed to the Shareholder Meetings a €0.18 dividend per shares (4.1% dividend yield), resulting in a payout ratio of 72.3% (or 50% based on group net income).

Business Development Update. In 2021, despite the slowdown caused by COVID-19, the Company was able to open new 17 stores (of which 1 Take Off and 16 Overkids), reaching 143 stores in Italy at the end of the year. According to TKO-IT's management, 12 new store openings (net of expected closure) are expected by the first half of 2022, of which 10 Take Offs' stores and 2 Overkids' stores (15 openings and 13 closings). More specifically, 6 of the 10 new Take Off brand openings are based in Northern Italy, pursuing the sales network expansion plan announced in the IPO.

Estimates Revision. Based on FY21 financial results, we have revised our 2022-24 estimates slightly downward, taking into account: i) the lower-than-expected Overkids sales revenues in FY21 ii) the slowdown of sales in the first quarter of the year caused by the outbreak of COVID-19 variant (Omicron); and iii) the rising energy prices, cost transportation and global raw material shortages. As a result, we now anticipate FY22E revenues at €35mn, growing to €54.1mn in FY24E. Moreover, despite the higher-than-expected FY21 EBITDA margin, we prudentially maintained the same profitability forecasted in our previous estimates. We expect the Company to remain cash positive throughout the forecast period and therefore we believe that the company has a strong firepower to expand through M&A (which however is not included in our estimates).

Fair value at €8.37ps. Our valuation – based on both DCF and EV/EBITDA multiple models – returns an equity value of €130.9mn or €8.37ps, with an ADD rating and an upside of +93% on current market price.

Relative Performance Chart since YTD



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Key Figures – Take Off S.p.A.

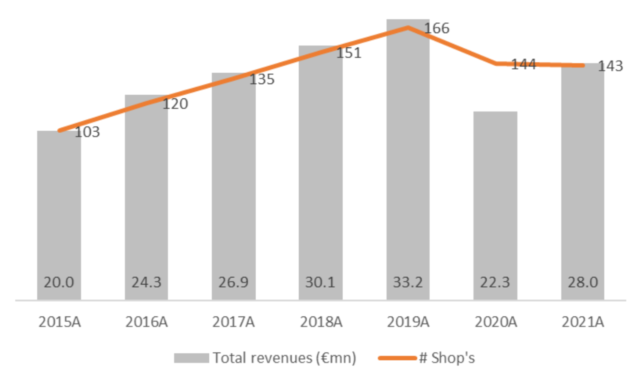
Current price (€)	Fair Value (€)	Sector	Free Float (%)
4.35	8.37	Apparel	20.0%

Per Share Data	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total shares outstanding (mn)	n.m.	n.m.	15.62	15.62	15.62	15.62	15.62
EPS	n.m.	n.m.	0.36	0.39	0.49	0.61	0.71
Dividend per share (ord)	n.a.	n.m.	0.18	0.10	0.12	0.15	0.18
Dividend pay out ratio (%)	28%	178%	50%	25%	25%	25%	25%
Profit and Loss (EUR million)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Total Revenues	33.2	22.3	28.0	35.0	44.8	54.1	61.7
EBITDA	6.2	6.5	9.5	10.5	13.8	17.0	19.7
EBIT	4.6	5.0	7.7	8.0	10.7	13.4	15.6
EBT	5.1	5.0	7.2	8.5	10.8	13.4	15.7
Taxes	(1.5)	(1.2)	(1.6)	(2.5)	(3.1)	(3.9)	(4.5)
Tax rate	30%	23%	22%	29%	29%	29%	29%
Net Income	3.5	3.8	5.6	6.1	7.6	9.5	11.1
Balance Sheet (EUR million)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Total fixed assets	9.9	10.2	8.5	11.9	14.1	15.1	15.0
Net Working Capital (NWC)	(1.3)	2.2	4.0	5.7	6.2	7.0	8.5
Provisions	(0.5)	(0.7)	(1.0)	(1.4)	(1.9)	(2.5)	(3.2)
Total Net capital employed	8.1	11.7	11.5	16.2	18.5	19.7	20.3
Net financial position/(Cash)	(4.7)	(0.1)	(12.1)	(10.7)	(14.6)	(21.0)	(29.1)
Total Shareholder's Equity	12.8	11.8	23.7	26.9	33.0	40.7	49.4
Cash Flow (EUR million)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Net operating cash flow	n.a.	5.3	8.0	8.1	10.7	13.1	15.2
Change in NWC	n.a.	(3.5)	(1.9)	(1.6)	(0.6)	(0.8)	(1.5)
Capital expenditure	n.a.	(0.7)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)
Other cash items/Uses of funds	n.a.	0.2	0.3	0.4	0.5	0.6	0.7
Free cash flow	n.a.	1.3	5.1	5.4	9.1	11.4	12.9
Enterprise Value (EUR million)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Market Cap	n.m.	n.m.	68.0	67.9	67.9	67.9	67.9
Minorities	-	-	-	-	-	-	-
Net financial position/(Cash)	(4.7)	(0.1)	(12.1)	(10.7)	(14.6)	(21.0)	(29.1)
Enterprise value	n.m.	n.m.	55.8	57.2	53.3	46.9	38.8
Ratios (%)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
EBITDA margin	18.7%	29.1%	34.0%	29.9%	30.8%	31.4%	32.0%
EBIT margin	13.9%	22.5%	27.5%	22.9%	24.0%	24.7%	25.2%
Gearing - Debt/equity	-36.8%	-1.2%	-51.3%	-39.8%	-44.1%	-51.6%	-58.9%
Interest cover on EBIT	-9.7%	0.8%	6.4%	-0.2%	-0.3%	-0.4%	-0.6%
NFP/EBITDA	-75.9%	-2.2%	-127.4%	-102.4%	-105.5%	-123.4%	-147.4%
ROCE	57.0%	43.0%	66.7%	49.6%	58.1%	68.0%	76.6%
ROE	27.6%	32.2%	23.8%	22.6%	23.1%	23.4%	22.5%
EV/Sales	1.68x	2.50x	1.99x	1.59x	1.25x	1.03x	0.90x
EV/EBITDA	8.97x	8.59x	5.86x	5.33x	4.04x	3.28x	2.83x
P/E	19.18x	17.79x	12.04x	11.19x	8.89x	7.12x	6.10x
Free cash flow yield	n.m.	0.02x	0.09x	0.10x	0.16x	0.21x	0.23x
Growth Rates (%)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Sales	n.a.	-32.7%	25.3%	25.2%	27.7%	20.9%	14.0%
EBITDA	n.a.	4.4%	46.5%	9.9%	32.0%	23.2%	15.9%
EBIT	n.a.	8.8%	52.9%	4.5%	33.6%	24.5%	16.5%
Net Income	n.a.	7.8%	47.8%	7.6%	25.9%	24.7%	16.7%

Source: Company data, KT&Partners' elaboration

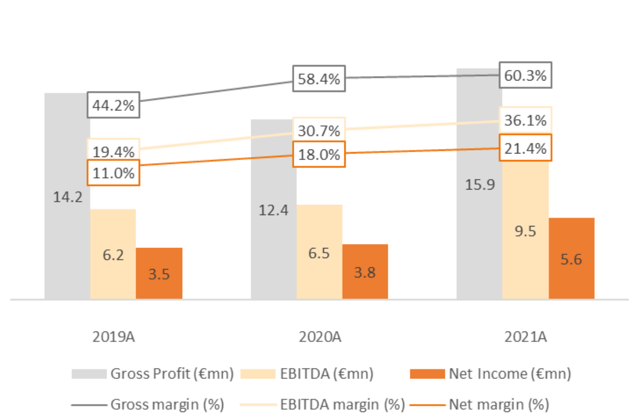
Key charts

Total Revenues and Opening Shop (€mn, #)



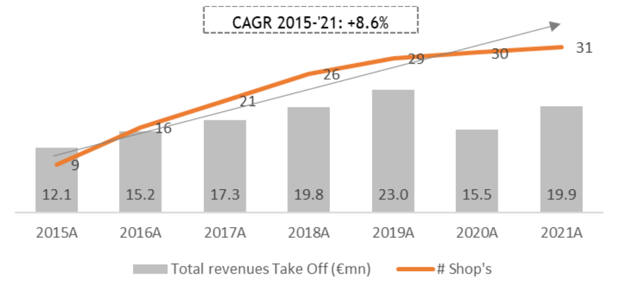
Source: Company data, KT&Partners' elaboration

Profitability Evolution (€mn, %)



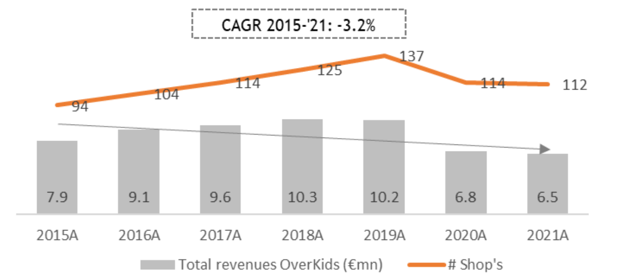
Source: Company data, KT&Partners' elaboration

Take Off Total Revenues and Opening Shop (€mn, #)



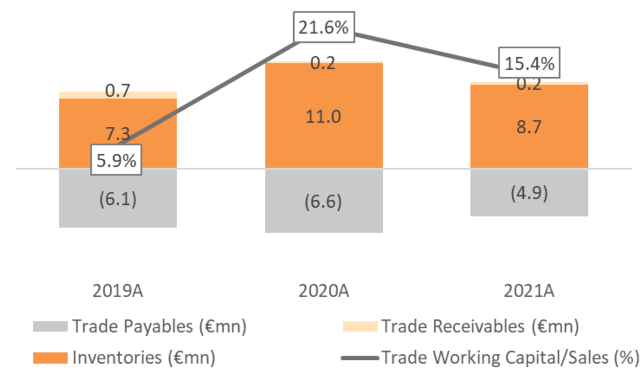
Source: Company data, KT&Partners' elaboration

OverKids Total Revenues and Opening Shop (€mn, #)



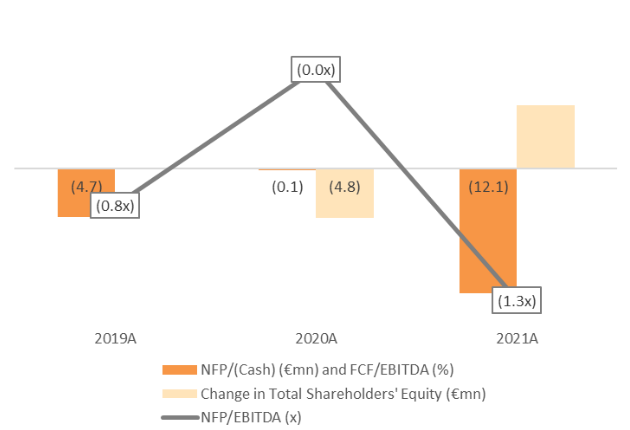
Source: Company data, KT&Partners' elaboration

Trade Working Capital (€mn, %)



Source: Company data, KT&Partners' elaboration

NFP and Change in Total Shareholders' Equity (€mn, x)



Source: Company data, KT&Partners' elaboration

Overview

Company description

The Group is active in the Italian retail fashion market – through a network of 144 stores – offering families a complete product portfolio from adult off-price apparel – through its brand Take Off – to childrenswear – through its proprietary brand OverKids. As for Take Off, the Group has developed an innovative business model based on: i) a balanced mix of proprietary and third-party brands; ii) a network of 31 fashion outlet boutiques (of which 27 are directly operated) and stock reshuffling among stores to reduce unsold products to almost zero; and iii) an innovative discount pricing system based on the "divided by" paradigm (from ÷2 to ÷10). OverKids' network covers most of the Italian territory through 113 affiliated stores, offering full-price products. The Group is now planning to expand its retail network both by entering new Italian regions and increasing penetration in already covered markets.

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

Investment case

- ***Take Off's innovative business model based on fashion outlet boutiques*****.** Take Off has developed an innovative business model introducing the fashion outlet boutiques, offering a high-level customer experience within refined stores with personal sales assistance and innovative discount pricing system, capturing a wide customer base.
- ***An extended and capillary retail network with high profitability and low risk*****.** The Group leverages on one of the largest retail networks operating through 144 stores, covering most of the Italian regions through Over's network and with a capillary presence in the center-southern regions with Take Off's network. Furthermore, the Group – according to the management – bears low financial risk associated with network development as: i) investments needed to open new Take Off stores are limited to €300k of inventory (lower for OverKids) and €150k of set-up costs (and ca. €5–20k for TPOS); ii) costs for the eventual closure of non-performing stores are limited to ca. €100k for DOS - including both non-recoverable set-up investments and closure costs - and basically zero for TPOS.
- ***High profitability granted by stock rotations through the network***. Take Off's model is a clear example of circular economy, as the retail network allows efficient stock management. Indeed, unsold products from each season (11% on average) are reshuffled to other stores to maximize profits and mean inventory destruction or depreciation is near to zero. As result, the Company reported FY21 EBITDA margin of 36.1% (calculated on sales revenues), i.e., a FY21E EBITDA of €9.5mn (+46.4% YoY).
- ***Positioned on strongly resilient markets*****.** The Group operates in two segments – the off-price fashion market for adults and the childrenswear market – which have proved to be strongly resilient during market downturns.

Recent developments

- ***Warrant Take Off 2022-2024.*** the Group will assign warrants with a ratio of 1 warrant for each share (for a total of 15,620,000 warrants) to each shareholder at FY21 Financial Statement approval by the shareholders' meeting. The warrant could be converted into new shares (exercise period in November of each year between 2022-24) with a ratio of four warrants per share at a strike price of: i) +30% on IPO price in the first window; ii) in the second window at a strike price of +15% with respect to first window strike price; iii) in the third window at a strike price of +15% on the second window strike price.

FY21 Financial Results

Take Off's key financials for FY21A are:

- Sales revenues at €26.4mn vs €21.2mn in FY20A (+24.6% YoY), -7% below our expectations (made in November 2021) and in line with preliminary results;
- Gross profit increased by +28.7% YoY to €15.9mn, in line with our FY21 projections made before TKO-IT preliminary results announcement, with Gross margin at 56.9% (+2pp YoY);
- EBITDA grew by +46.5% YoY to €9.5mn (almost 9% higher than our estimates made in November 2021), with EBITDA margin at 34% (or 36.1% on sales revenues);
- Net income soared to €5.6mn (+47.8% YoY), almost +14% above our expectations (made before TKO-IT preliminary results);
- Net cash position at €12mn, +€12mn compared to FY20A.
- TKO-IT's BoD proposed a €0.18 dividend per share to the Shareholders' Meeting, implying a dividend yield of ca. 4.67%.

FY21A Sales revenues increased by +24.6% YoY to €26.4mn (vs €21.2mn in FY20A) thanks to gradual easing of restrictions related to the COVID-19 pandemic. Take Off BU sales revenues grew by 37.5% YoY, leading group growth, while OverKids reported revenues slightly below FY20 (-3.1% YoY). It is worth noting that, when compared to 2019, the lower level of Take Off BU sales is mainly associated to the lower opening days (316 in 2021 vs 362 in 2019), indeed average daily revenues increased by 14.7% YoY reaching €63K in line with 2019 results. Total revenues reached €28mn in FY21 (+24.6% YoY), of which €21.4mn (+38% YoY) attributable to Take Off and €6.6mn (-3.4% YoY) to OverKids.

Despite the COVID-19 outbreak the Group shown strong resilience and ability to strengthen profitability through inventory stock rotation, cost-saving activities, and an average selling price improvement across all business units (+12.7% and +18.4% compared to 2019 for Take Off and OverKids, respectively). As result, TKO-IT achieved €15.9mn of gross profit, +28.7% higher than FY20. Furthermore, thanks to lower-than-expected cost of service and other operating expenses incidence, EBITDA FY21 jumped to €9.5mn from €6.5mn, achieving an outstanding EBITDA margin of 34% (+4.9pp YoY) and almost +4pp when compared to our projections (made before preliminary results).

Looking at the bottom line, the Group showed a remarkable increase in FY21A net margin of +3.1pp compared to the previous year, with Net Income amounting to €5.6mn (+47.8% YoY).

In 2021 fixed assets decreased by ca. €1.8mn, amounting to €8.5mn in FY21A while Net working capital (NWC) increased by €1.9mn reaching €4mn in 2021. Trade Working Capital incidence on revenue went from 20% in 2020 to 15% in 2021, also thanks to the lower restrictions at the end of 2021 when compared to the end of 2020.

Over the same period, the NFP improved by €12mn, amounting to a net cash position of €12.1mn in FY21A from €0.1mn of net cash in FY20A. The change in NFP was mainly due to: i) €11.2mn of IPO AUCAP (adjusted for IPO's costs); ii) a strong cash generation resulting in €6.3mn of operating cash flow (OCF/EBITDA of 67% vs 31% in 2020) and FCF/EBITDA of 54% (vs 18% in 2020); iii) €6.8mn dividends payments; iv) €1.9mn NWC cash absorption caused by increasing other assets; and v) €1.3mn mainly attributable to new leasing contracts (ROU IFRS 16).

Last but not least, BoD proposed a dividend payment of ca. €2.8mn or €0.18 per share, implying a dividend yield of ca. 4.1% and a payout ratio of 72.3% (or 49.9% based on group net income). The first available record date is scheduled on May 3, 2022.

FY21A Income Statement (€mn)

€ Million	FY19	FY20	FY21	YoY %	FY21E Pre-Preliminary	FY21E Post-Preliminary	A vs E % Pre	A vs E % Post
Take Off	22.8	14.5	19.9	37%	20.7	19.9	-4%	0%
OverKids	9.3	6.7	6.5	-3%	7.6	6.8	-15%	-4%
Sales Revenues	**32.1**	**21.2**	**26.4**	**25%**	**28.3**	**26.7**	**-7%**	**-1%**
Growth %		*-34.0%*	*24.6%*					
Other Revenues	1.1	1.2	1.6	38%	0.7	0.7	137%	137%
Total Revenues	**33.2**	**22.3**	**28.0**	**25%**	**29.0**	**27.4**	**-3%**	**2%**
Growth %		*-32.7%*	*25.3%*					
Products and Raw materials	(19.0)	(10.0)	(12.1)		(12.9)	(12.1)	-6%	-1%
Gross Profit	**14.2**	**12.4**	**15.9**	**28.7%**	**16.1**	**15.2**	**-1%**	**5%**
Gross Margin	*42.8%*	*55.4%*	*56.9%*	*2%*	*55.6%*	*55.6%*		
Cost of Services	(2.3)	(1.7)	(1.8)		(2.3)	(2.1)		
Personnel Expenses	(4.7)	(3.9)	(4.3)		(4.4)	(3.6)		
Other Operating Expenses	(0.9)	(0.3)	(0.3)		(0.7)	(0.7)		
EBITDA	**6.2**	**6.5**	**9.5**	**47%**	**8.7**	**8.8**	**9%**	**8%**
EBITDA margin	*18.7%*	*29.1%*	*34.0%*	*4.9%*	*30.1%*	*32.2%*		
Growth %		*4.4%*	*46.5%*					
D&A and Provisions	(1.6)	(1.5)	(1.8)		(1.7)	(1.7)	7%	7%
EBIT	**4.6**	**5.0**	**7.7**	**53%**	**7.0**	**7.1**	**10%**	**8%**
EBIT margin	*13.9%*	*22.5%*	*27.5%*	*5%*	*24.2%*	*25.9%*		
Growth %		*8.8%*	*52.9%*					
Financial Income and Expenses	0.5	(0.0)	(0.5)		(0.0)	(0.0)		
EBT	**5.1**	**5.0**	**7.2**	**44%**	**7.0**	**7.1**	**3%**	**2%**
Taxes	(1.5)	(1.2)	(1.6)		(2.0)	(2.0)		
Tax Rate	*30.2%*	*23.5%*	*21.6%*					
Net Income	**3.5**	**3.8**	**5.6**	**48%**	**4.9**	**5.0**	**14%**	**13%**
Net margin	*10.7%*	*17.1%*	*20.1%*	*3%*	*17.1%*	*18.3%*		
Growth %		*7.8%*	*47.8%*					

Source: Company data

FY21A Balance Sheet (€mn)

€ Millions	FY19A	FY20A	FY21A
Tangible and Intagible (ROU Assets - IFRS16)	9.4	9.8	8.0
Other LT Assets	0.5	0.5	0.4
Fixed Assets	**9.9**	**10.2**	**8.5**
Trade receivables	0.7	0.2	0.2
Inventory	7.3	11.0	8.7
Trade Payables	(6.1)	(6.6)	(4.9)
Trade Working Capital	**1.9**	**4.6**	**4.1**
Other assets and liabilities	(3.2)	(2.4)	(0.0)
Net Working Capital	**(1.3)**	**2.2**	**4.0**
Other Provisions	**(0.5)**	**(0.7)**	**(1.0)**
Net Capital Employed	**8.1**	**11.7**	**11.5**
Total shareholders' equity	**12.8**	**11.8**	**23.7**
Short-term debt / Cash (-)	(11.1)	(12.4)	(22.0)
Long-term liabilities	6.4	12.3	9.9
Net Financial Position/ (Cash)	**(4.7)**	**(0.1)**	**(12.1)**
Sources	**8.1**	**11.7**	**11.5**

Source: Company data

Estimates Revision

Based on the Company's FY21 financial results and both global economical and Take Off market trends, we have revised our estimates for the 2022-24 period.

Considering revenues, we have adjusted our estimates slightly downward to account i) the lower-than-expected Overkids sales revenues in FY21 ii) the slowdown of sales in the first quarter year caused by the outbreak of COVID-19 variant (Omicron). However, we note that, according to management, following group strategy, 12 new store openings (net of expected closures), of which 10 Take Offs and 2 Overkids stores (including 15 openings and 13 closures) are expected by the first half of 2022. More specifically, 6 of the 10 new Take Off openings are based in Northern Italy, pursuing the sales network expansion plan announced in the IPO. We now anticipate FY22E revenues at €35mn, growing to €54.1mn in FY24E.

We also considered the uncertainties associated to rising energy prices, transportation costs and the global shortage of materials. As result, despite the higher-than-expected FY21 EBITDA margin, we prudentially maintained the same profitability forecasted in our previous estimates. In absolute terms, we anticipate EBITDA to increase by +21.4% CAGR2021–24, amounting to €17mn in FY24 (5.3% lower than our previous estimates due to the lower level of revenues), with FY22E EBITDA margin at 29.9%, reaching 31.4% in 2024.

About net income, we believe it will grow at CAGR2021-24 2.7pp lower than previous estimates due to a lower EBITDA projection, and a constant level of D&A. We now anticipate net income to €6.1mn in FY22E (17.3% net margin) with a value of €9.5mn in FY24E (17.5% net margin).

Finally, we foresee net cash position to €10.7mn in FY22E, reaching €21.0mn in 2024. NFP also includes the payment of a €2.8mn dividend in 2022 (subject to the approval of the shareholders' meeting) and our future dividend estimates based on the assumption of a 25% payout ratio (as announced by TKO-IT Management at the IPO).

Key financial indicators can be summed up as follows:

- FY22E revenues for €35mn, reaching €54.1mn in FY24E (24.6% CAGR FY21A-FY24E);
- FY22E EBITDA for €10.5mn, growing at €17mn in FY24E (21.4% CAGR FY21A-FY24E);
- FY22E net income for €6.1mn, reaching €9.5mn in FY24E (18.8% CAGR FY21A-FY24E);

Estimates Revision

€ Millions	2019A Actual	2020A Actual	2021A Actual	Change	2022E Old	2022E New	Change	2023E Old	2023E New	Change	2024E Old	2024E New	Change	CAGR Old 2021-24	CAGR New 2021-24
Revenues	33.2	22.3	28.0	25.3%	37.3	35.0	-6.1%	47.5	44.8	-5.8%	57.2	54.1	-5.3%	26.9%	24.6%
YoY Change (%)		*-32.7%*	*25.3%*		*33.4%*	*25.2%*		*35.6%*	*27.7%*		*20.3%*	*20.9%*			
EBITDA	6.2	6.5	9.5	46.5%	11.2	10.5	-6.4%	14.6	13.8	-5.7%	18.0	17.0	-5.3%	23.6%	21.4%
YoY Change (%)		*4.4%*	*46.5%*		*17.4%*	*9.9%*		*39.9%*	*32.0%*		*22.8%*	*23.2%*			
EBITDA Margin	*18.7%*	*29.1%*	*34.0%*		*29.9%*	*29.9%*		*30.8%*	*30.8%*		*31.4%*	*31.4%*			
EBIT	4.6	5.0	7.7	52.9%	8.7	8.0	-8.0%	11.5	10.7	-6.6%	14.2	13.4	-5.9%	22.7%	20.2%
YoY Change (%)		*8.8%*	*52.9%*		*13.5%*	*4.5%*		*43.1%*	*33.6%*		*23.6%*	*24.5%*			
EBIT Margin	*13.9%*	*22.5%*	*27.5%*		*23.4%*	*22.9%*		*24.2%*	*24.0%*		*24.8%*	*24.7%*			
Net Income	3.5	3.8	5.6	47.8%	6.5	6.1	-7.2%	8.2	7.6	-6.3%	10.1	9.5	-5.7%	21.5%	19.1%
YoY Change (%)		*7.8%*	*47.8%*		*15.9%*	*7.6%*		*34.4%*	*25.9%*		*23.8%*	*24.7%*			
Net Margin	*10.7%*	*17.1%*	*20.1%*		*17.5%*	*17.3%*		*17.2%*	*17.1%*		*17.7%*	*17.6%*			
NFP	(4.7)	(0.1)	(12.1)	(12.0)	(10.2)	(10.7)	(0.6)	(14.1)	(14.6)	(0.5)	(20.6)	(21.0)	(0.4)		
YoY Change (%)		*-97.0%*	*n.m.*		*-16.3%*	*-11.6%*		*38.9%*	*35.9%*		*45.8%*	*44.1%*			

Source: Company data, KT&Partners' elaborations

Valuation

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

1. EV/EBITDA and P/E multiples, which returns an equity value of €101.4mn or €6.49ps;
2. DCF analysis, based on WACC of 9.5% and 1.5% perpetual growth, returns an equity value of €160.3mn or €10.26ps.

The average of the two methods yields a fair value of €8.37ps or an equity value of €130.9mn.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	106.6	6.82
P/E	96.1	6.15
Average - multiples	101.4	6.49
DCF	160.3	10.26
Average	130.9	8.37

Source: FactSet, KT&Partners' elaboration

Market Multiples Valuation

Following the comps analysis, we proceeded with the definition of market multiples focusing on 2022–24 data.

Peer Comparison – Market Multiples 2022–24

Company Name	Exchange	Market Cap	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	P/E 2022	P/E 2023	P/E 2024
B&M European Value Retail SA	London	6,750	1.5x	1.4x	1.3x	9.3x	8.6x	8.0x	13.4x	12.5x	11.9x	13.8x	13.2x	12.7x
Burlington Stores, Inc.	NYSE	11,285	1.6x	1.5x	1.3x	15.5x	12.7x	11.1x	21.8x	17.5x	15.2x	25.5x	19.2x	16.4x
Dunelm Group plc	London	2,603	1.6x	1.5x	1.4x	8.1x	8.1x	7.7x	11.3x	11.2x	10.6x	12.6x	12.6x	12.7x
FAST RETAILING CO., LTD.	Tokyo	49,165	2.7x	2.5x	2.3x	13.1x	12.2x	11.8x	21.5x	19.4x	17.7x	33.4x	30.6x	27.9x
Portobello SpA	Milan	127	1.0x	0.7x	n.a.	5.3x	3.3x	3.3x	6.3x	4.2x	3.6x	8.1x	5.3x	n.a.
Ross Stores, Inc.	NASDAQ	29,881	1.7x	1.6x	1.5x	11.9x	10.8x	10.1x	14.0x	12.7x	11.7x	18.5x	16.4x	14.7x
TJX Companies Inc	NYSE	67,297	1.5x	1.4x	1.3x	12.9x	11.6x	11.0x	15.2x	13.6x	13.0x	18.9x	16.5x	15.3x
Workman Co., Ltd.	Tokyo	3,065	2.8x	2.6x	2.4x	11.1x	10.3x	10.3x	12.1x	11.2x	10.7x	20.6x	19.0x	18.4x
Average peer group		21,272	1.8x	1.6x	1.7x	10.9x	9.7x	9.2x	14.4x	12.8x	11.8x	18.9x	16.6x	16.9x
Median peer group		9,017	1.6x	1.5x	1.4x	11.5x	10.6x	10.2x	13.7x	12.6x	11.8x	18.7x	16.5x	15.3x
Take Off SpA	Milan	68	1.6x	1.3x	1.0x	5.3x	4.0x	3.3x	6.9x	5.2x	4.2x	11.2x	8.9x	7.1x

Source: FactSet, KT&Partners' elaboration

We based our evaluation upon our estimates of Take Off's EBITDA and net income for 2022, 2023, and 2024. Our valuation also includes a 25% liquidity/size discount.

For the EV/EBITDA valuation, we have adjusted financial data for IFRS 16 impact (related to leasing contracts) by: i) adjusting EBITDA for the forecasted rental cash outflow; ii) adjusting NFP by excluding IFRS 16 related debt.

EV/EBITDA Market Multiples Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	11.5x	10.6x	10.2x
Take Off EBITDA adj	8.7	11.6	14.4
Enterprise value	**100.0**	**122.4**	**146.9**
Take Off FY21 Net Debt/(Cash) Adj.	(19.1)	(19.1)	(19.1)
Equity Value	**119.1**	**141.4**	**166.0**
Average Equity Value		**142.2**	
Liquidity/Size Discount		*25%*	
Equity Value Post-Discount		**106.6**	
Number of shares (mn)		15.6	
Value per Share €		**6.82**	

Source: FactSet, KT&Partners' elaboration

P/E Market Multiples Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	18.7x	16.5x	15.3x
Take Off SpA Net Income	6.1	7.6	9.5
Equity Value	**113.4**	**125.7**	**145.4**
Average Equity Value		**128.2**	
Liquidity/Size Discount		*25%*	
Equity Value Post-Discount		**96.1**	
Number of shares (mn)		15.6	
Value per Share €		**6.15**	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 10.5% cost of equity, 3% cost of debt, and a D/E ratio of 14.2% (Damodaran for Apparel). The cost of equity is a function of the risk-free rate of 2.34% (Italian 10y BTP), 4.61% equity risk premium (Damodaran for a mature market, T12 with sustainable payout), and a premium for size and liquidity of 2.68% (source: Duff&Phelps). We, therefore, obtained 9.5% WACC.

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

DCF Valuation (€mn)

€ Millions	2022E	2023E	2024E	2025E
EBIT	**8.0**	**10.7**	**13.4**	**15.6**
Taxes	(2.3)	(3.1)	(3.9)	(4.5)
D&A	2.4	3.1	3.6	4.2
Change in Net Working Capital	(1.6)	(0.6)	(0.8)	(1.5)
Change in Funds	0.4	0.5	0.6	0.7
Net Operating Cash Flow	**6.9**	**10.6**	**12.9**	**14.4**
Capex	(1.5)	(1.5)	(1.5)	(1.5)
FCFO	**5.4**	**9.1**	**11.4**	**12.9**
g	***1.5%***			
Wacc	***9.5%***			
FCFO (discounted)	5.1	7.8	8.9	9.2
Discounted Cumulated FCFO	31.0			
TV	164.4			
TV (discounted)	117.2			
Enterprise Value	**148.2**			
NFP/(Cash) FY21A	(12.1)			
Equity Value	**160.3**			
Current number of shares (mn)	15.6			
Value per share (€)	**10.26**			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis (€mn)

€ Millions		WACC				
		10.0%	9.7%	9.5%	9.2%	9.0%
Terminal growth Rate	1.0%	144.7	148.7	152.9	157.4	162.1
	1.3%	147.8	152.0	156.5	161.2	166.3
	1.5%	151.2	155.6	160.3	165.3	170.7
	1.8%	154.8	159.4	164.4	169.7	175.4
	2.0%	158.6	163.5	168.8	174.4	180.4

Source: Company data, KT&Partners' elaboration

Appendix

Peer Comparison

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

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

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

- **B&M European Value Retail SA (BME-GB):** listed on the London Stock Exchange, with a market capitalization of ca. €6.8bn, the company is a general merchandise discount retailer. It offers FMCG brands and a variety of non-grocery products in a range of categories and price points. The company's product range is spread over several non-grocery merchandise categories, including housewares, DIY, electrical, toys, and pet products. B&M European Value Retail was founded in 1978 and is headquartered in Luxembourg. In FY20A, the company's revenues amounted to €5.4bn.
- **Burlington Stores, Inc. (BURL-US):** listed on the NYSE, with a market capitalization of ca. €11.3bn, the company engages in retailing off-price apparel and home products. It offers women's ready-to-wear apparel, accessories, footwear, menswear, youth apparel, baby, coats, beauty, toys, and gifts. The company was founded in 1972 and is headquartered in Burlington, NJ. In FY21A, the company's revenues amounted to €7.9bn.
- **Dunelm Group Plc (DNLM-GB):** listed on the London Stock Exchange, with a market capitalization of ca. €2.6bn, the company is a homewares retailer, and sells its products to customers through stores, over the internet, and via a catalogue. The company was founded by William Adderley and Jean Adderley in 1979 and is headquartered in Charnwood, the United Kingdom. In FY21A, the company's revenues amounted to €1.5bn.
- **Fast Retailing CO., LTD. (9983):** listed on the Tokyo Stock Exchange, with a market capitalization of €49.1bn, it operates as a holding company that engages in the management of its group companies, which center on casualwear. The company was founded by Hitoshi Yanai in March 1949 and is headquartered in Yamaguchi, Japan. In FY21A, the company's revenues amounted to €16.6bn.
- **Portobello SpA (POR-IT):** listed on the Borsa Italiana, with a market capitalization of ca. €127mn, the company operates through three business units active in the Media & Advertising, Retail, and B2B sectors. The company deals with the resale of advertising space, owned or purchased by third parties, for a monetary consideration or alternatively through the barter system. The company also operates a chain of Portobello branded shops, both direct and franchised, as well as an e-commerce channel (portobelloclub.it). The company was founded by Simone Prete in 2016 and is headquartered in Rome, Italy. In FY21A, the company's revenues amounted to €85mn.
- **Ross Stores, Inc. (ROST-US):** listed on NASDAQ, with a market capitalization of ca. €30bn, the company engages in the operation of off-price retail apparel and home accessories stores. Its products include branded and designer apparel, accessories, footwear, and home fashions through the Dress for Less and dd's DISCOUNTS brands. The company was founded by Stuart G. Moldaw in 1957 and is headquartered in Dublin, CA. In FY21A, the company's revenues amounted to €16.1bn.

- **The TJX Cos., Inc. (TJX-US):** listed on NASDAQ, with a market capitalization of ca. €67bn, the company engages in the retail of off-price apparel and home fashion products. The Marmaxx segment sells family apparel, including apparel, home fashions, and other merchandise. The HomeGoods segment offers an assortment of home fashions, including furniture, rugs, lighting, soft home, decorative accessories, tabletop, and cookware as well as expanded pet, kids, and gourmet food departments. The company was founded by Bernard Cammarata in 1976 and is headquartered in Framingham, MA. In FY21A, the company's revenues amounted to €41bn.
- **Workman Co., Ltd**. **(7564-JP):** listed on the London Stock Exchange with a market capitalization of ca. €3.1bn, the company engages in the operation of franchise chain stores and directly managed stores that sell workwear, casualwear, family clothing, footwear, and work-related products. The company was founded on 1979 and is headquartered in Isesaki, Japan. In FY21A, the company's revenues amounted to €0.86bn.

We analyzed the peer companies by considering their average revenue and EBITDA growth and compared them to Take Off's historical and expected financials. By looking at 2019–21 revenue growth, the peers' average – composed of off-price, discount stores, and apparel companies – experienced a CAGR19–21 of +4.2% while Take Off's revenues registered a CAGR19–21 of -9%, lower than comparable growth due to the stricter restrictions experienced by the Group when compared to USA peers. Over the 2021–24 period, Take Off's sales are expected to grow at a 26.4% CAGR vs 13.5% average of the peer's average. Looking at EBITDA, Take Off registered a CAGR19–21 of 24%, outperforming the peers' average by ca. +17pp. According to our financial projection, Take Off's EBITDA shows an expected 21% CAGR21–24, compared with expected growth of the peers' average of +9%.

Peers Comparison – Sales and EBITDA Growth 2019–24

Company Name	Sales						CAGR 2019-'21	CAGR 2021-'24
	2019	2020	2021	2022	2023	2024		
B&M European Value Retail SA	4,359	5,381	5,715	6,114	6,585	7,083	14.5%	7.4%
Burlington Stores, Inc.	6,526	5,012	7,922	8,811	9,815	10,757	10.2%	10.7%
Dunelm Group plc	1,248	1,205	1,508	1,831	1,929	2,018	9.9%	10.2%
FAST RETAILING CO., LTD.	18,312	16,713	16,658	16,632	17,941	19,234	-4.6%	4.9%
Portobello SpA	45	63	85	134	196	n.a.	37.3%	n.a.
Ross Stores, Inc.	14,365	10,913	16,096	18,172	19,364	20,703	5.9%	8.8%
TJX Companies Inc	37,363	27,987	41,312	48,230	51,209	54,336	5.2%	9.6%
Workman Co., Ltd.	764	856	864	935	991	1,072	6.3%	7.5%
Peers Average	**10,373**	**8,516**	**11,270**	**12,607**	**13,504**	**16,458**	**4.2%**	**13.5%**
Take Off SpA	**32**	**21**	**26**	**35**	**44**	**53**	**-9.3%**	**26.4%**

Company Name	EBITDA						CAGR 2019-'21	CAGR 2021-'24
	2019	2020	2021	2022	2023	2024		
B&M European Value Retail SA	662	945	986	972	1,045	1,127	22.0%	4.6%
Burlington Stores, Inc.	754	-91	865	920	1,125	1,290	7.1%	14.3%
Dunelm Group plc	189	223	279	358	359	376	21.6%	10.4%
FAST RETAILING CO., LTD.	2,508	2,894	3,385	3,426	3,665	3,784	16.2%	3.8%
Portobello SpA	8	11	17	26	41	42	44.5%	36.2%
Ross Stores, Inc.	2,236	691	2,292	2,562	2,818	3,021	1.2%	9.6%
TJX Companies Inc	4,723	1,218	4,692	5,587	6,216	6,577	-0.3%	11.9%
Workman Co., Ltd.	170	207	215	233	251	251	12.6%	5.2%
Peers Average	**1,406**	**762**	**1,591**	**1,760**	**1,940**	**2,058**	**6.4%**	**9.0%**
Take Off SpA	**6**	**6**	**10**	**10**	**14**	**17**	**23.7%**	**21.4%**

Source: FactSet, KT&Partners' elaboration

We then compared peers' marginalities with Take Off's historical and expected margins. The peer sample have a level of marginality that is almost in line with Take Off's FY19A results. However, the relocalization of production in 2020 allowed the Company to improve its margins significantly, in 2021 reaching an EBITDA margin that is ca. 2x when compared to the panel.

Peer Comparison – EBITDA Margin and Net Margin 2019–24

Company Name	EBITDA Margin						Net Margin					
	2019	*2020*	*2021*	*2022*	*2023*	*2024*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*
B&M European Value Retail SA	*15.2%*	*17.6%*	*17.2%*	*15.9%*	*15.9%*	*15.9%*	*5.1%*	*8.9%*	*8.7%*	*7.6%*	*7.5%*	*7.2%*
Burlington Stores, Inc.	*11.6%*	*neg*	*10.9%*	*10.4%*	*11.5%*	*12.0%*	*6.4%*	*neg*	*4.4%*	*5.2%*	*5.9%*	*6.3%*
Dunelm Group plc	*15.1%*	*18.5%*	*18.5%*	*19.5%*	*18.6%*	*18.6%*	*9.2%*	*8.3%*	*9.6%*	*10.9%*	*10.5%*	*10.0%*
FAST RETAILING CO., LTD.	*13.7%*	*17.3%*	*20.3%*	*20.6%*	*20.4%*	*19.7%*	*7.1%*	*4.5%*	*8.0%*	*8.5%*	*8.6%*	*8.8%*
Portobello SpA	*17.4%*	*16.8%*	*19.3%*	*19.3%*	*21.0%*	*n.m.*	*10.5%*	*9.5%*	*10.3%*	*11.4%*	*11.8%*	*n.a.*
Ross Stores, Inc.	*15.6%*	*6.3%*	*14.2%*	*14.1%*	*14.6%*	*14.6%*	*10.4%*	*0.7%*	*9.1%*	*8.8%*	*9.2%*	*9.4%*
TJX Companies Inc	*12.6%*	*4.4%*	*11.4%*	*11.6%*	*12.1%*	*12.1%*	*7.8%*	*0.3%*	*6.8%*	*7.2%*	*7.6%*	*7.6%*
Workman Co., Ltd.	*22.2%*	*24.2%*	*24.9%*	*24.9%*	*25.3%*	*23.4%*	*14.5%*	*16.1%*	*15.7%*	*15.5%*	*15.9%*	*15.2%*
Peers Average	**15.4%**	**15.0%**	**17.1%**	**17.0%**	**17.4%**	**16.6%**	**8.9%**	**6.9%**	**9.1%**	**9.4%**	**9.6%**	**9.2%**
Take Off SpA	**19.4%**	**30.7%**	**36.1%**	**30.3%**	**31.3%**	**31.9%**	**11.0%**	**18.0%**	**21.4%**	**17.6%**	**17.3%**	**17.9%**

Source: FactSet, KT&Partners' elaboration

Note: Margins are calculated on sales revenues instead of total revenues.

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KT&PARTNERS RELEASED TAKE OFF EQUITY RESEARCH UPDATE ON 27/01/2021 WITH A FAIR VALUE OF €8.07PS.

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IN THIS STUDY DCF AND MULTIPLE VALUATION MODELS HAVE BEEN USED. RECOMMENDATIONS FOLLOW THE FOLLOWING RULES:

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

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