

## Ready to Push the Throttle

ADD | Fair Value: €8.37 (€8.37) | Current Price: €3.84 | Upside: +118%

€ 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
<b>NFP</b>	<b>(4.7)</b>	<b>(0.1)</b>	<b>(12.1)</b>	<b>(10.7)</b>	<b>(14.6)</b>	<b>(21.0)</b>	<b>(29.1)</b>

Source: Company data (2019–21), KT&amp;Partners' elaboration (2021–25)

**1H22 preliminary sales revenues below our estimates.** On July 25<sup>th</sup>, 2022, TKO-IT announced unaudited 1H22 sales revenues confirming business model effectiveness and double-digit growth path despite the uncertain macroeconomic scenario. The Company expect to close the first half of the year with €12.9mn of sales revenues, +12% YoY but 13% below our estimates. The business growth was mainly driven by Take Off which is expected to growth by 18.2% YoY reaching €10.2mn sales revenues (12.3% below our previous estimates) from €8.6mn in 1H21. On the other hand Overkids' sales revenues are forecasted to stand at €2.7mn (-6.9% YoY and -15.1% compared to our projections). The lower than expected results are mainly due to: i) new openings stores will start to generate revenues only by 2H22; and ii) several adverse macroeconomic events (for instance rising inflation) that have not encouraged customers' consumption.

## 1H22 Preliminary Sales vs KT&amp;Partners' estimates

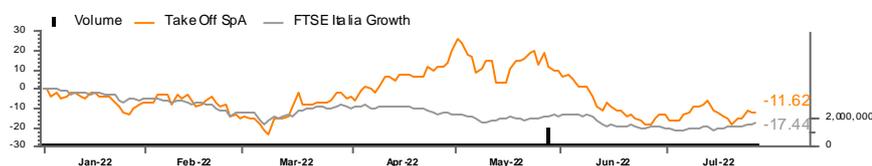
€ Millions	1H21A	1H22A Preliminary	YoY %	1H22E	A vs E %
Take Off	8.6	10.2	18.2%	11.6	-12.3%
OverKids	2.9	2.7	-6.9%	3.2	-15.1%
<b>Sales Revenues</b>	<b>11.5</b>	<b>12.9</b>	<b>11.9%</b>	<b>14.8</b>	<b>-12.9%</b>

Source: Company data, KT&amp;Partners' elaboration

**Business Development Update.** According to TKO-IT's announcement since the beginning of 2022 there have been signed 31 agreements for new stores and 4 store closures. Take Offs' BU signed agreements for 16 new stores (13 DOS and 3 TPOS) and closed one DOS. On the other hand, Overkids signed agreements for 15 new TPOS stores. More specifically, 11 of the 16 new Take Off brand openings are based in Northern Italy, pursuing the sales network expansion plan announced in the IPO. Finally, it is worth noting that only 11 out of 31 new stores are already operating, while the remaining will be opened by 4Q22.

**Estimates and valuation under review for potential update.** On April 7<sup>th</sup>, 2022, we revised our estimates following the FY21 financial results. Total revenues were expected to grow at a CAGR21–24 of 24.6% amounting to €54.1mn in 2024. We estimated EBITDA to grow at a slower pace than total revenues (+21.4% CAGR21–24) as a result of rising energy prices, transportation costs and the global shortage of materials, reaching €17mn in FY24. Finally, we foresaw FY22 net cash position of €10.7mn, reaching €21mn in FY24 thanks to the TKO-IT's high cash generation power. Given 1H22 underperformance in a challenging environment, we put our estimates under review for a potential update after the publication of the 1H22 financial results and management conference call. On the back of our current projections, we still see a BUY recommendation with a relevant upside on the current market price.

## Relative Performance Chart since YTD



## Research Update

July 29, 2022 – 7.00 h

Equity Research Team  
[connect@ktepartners.com](mailto:connect@ktepartners.com)

Mauro IACCINO  
[miaccino@ktepartners.com](mailto:miaccino@ktepartners.com)  
 +39 316 643804

Federica FIORENZA  
[ffiorenza@ktepartners.com](mailto:ffiorenza@ktepartners.com)  
 +39 340 5372563

Gabriele TRAPANI  
[gtrapani@ktepartners.com](mailto:gtrapani@ktepartners.com)  
 +39 366 7703290

## Market Data

Market Data	
Main Shareholders	
Summit S.p.A.	64.15%
Aldo Piccarreta	5.53%
Giorgia Lamberti Zanardi	1.84%
Mkt Cap (€ mn)	60.0
EV (€ mn)	47.9
Shares out.	15.6
Free Float	28.5%

Market multiples	2021A	2022E	2023E
EV/EBITDA			
Take Off SpA	5.0x	4.6x	3.5x
Comps Median	14.0x	12.6x	11.4x
Take Off SpA vs Median	-64%	-64%	-70%
P/E			
Take Off SpA	10.6x	9.9x	7.9x
Comps Median	18.2x	18.6x	16.2x
Take Off SpA vs Median	-42%	-47%	-51%

## Stock Data

52 Wk High (€)	5.64
52 Wk Low (€)	3.19
Avg. Daily Trading 90d	26,458
Price Change 1w (%)	3.50
Price Change 1m (%)	7.87
Price Change YTD (%)	-11.72

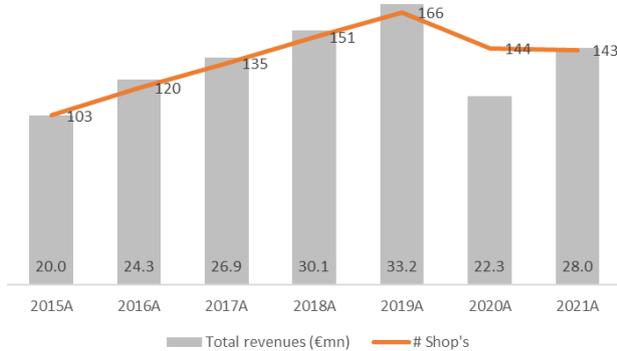
## Key Figures – Take Off S.p.A.

	Current price (€)	Fair Value (€)	Sector				Free Float (%)
	3.84	8.37	Apparel				28.5%
<b>Per Share Data</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
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%
<b>Profit and Loss (EUR million)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
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
<b>Balance Sheet (EUR million)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
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
<b>Cash Flow (EUR million)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
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
<b>Enterprise Value (EUR million)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Market Cap	n.m.	n.m.	68.0	60.0	60.0	60.0	60.0
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	49.3	45.4	39.0	30.9
<b>Ratios (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
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	-0.76x	-0.02x	-1.27x	-1.02x	-1.05x	-1.23x	-1.47x
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	1.44x	2.14x	1.71x	1.37x	1.07x	0.88x	0.78x
EV/EBITDA	7.70x	7.37x	5.03x	4.58x	3.47x	2.81x	2.43x
P/E	16.95x	15.73x	10.64x	9.89x	7.85x	6.30x	5.39x
Free cash flow yield	n.m.	2.7%	10.7%	11.4%	19.1%	23.9%	27.0%
<b>Growth Rates (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
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&amp;Partners' elaboration

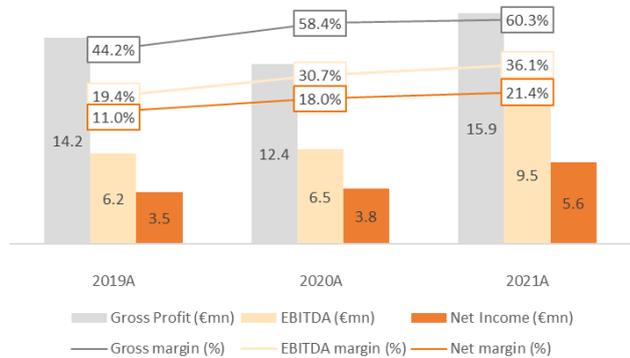
## Key charts

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



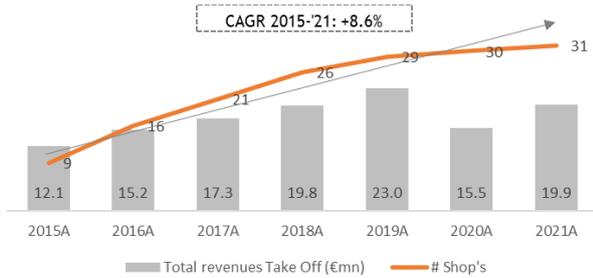
Source: Company data, KT&Partners' elaboration

**Profitability Evolution (€mn, %)**



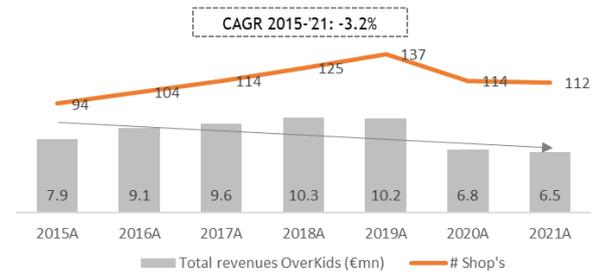
Source: Company data, KT&Partners' elaboration

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



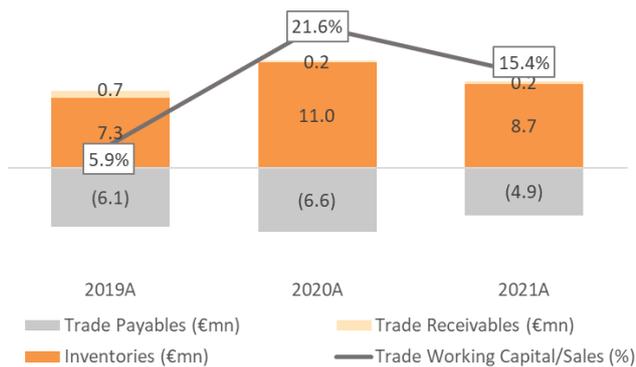
Source: Company data, KT&Partners' elaboration

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



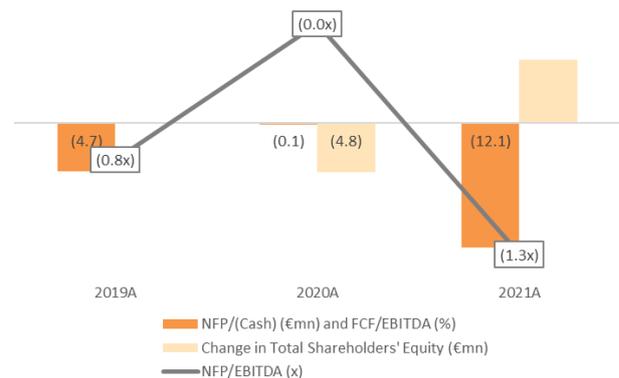
Source: Company data, KT&Partners' elaboration

**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 170 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 46 fashion outlet boutiques (of which 39 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 124 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 23<sup>rd</sup>, 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 170 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.

## DISCLAIMER

THIS DOCUMENT WAS PREPARED BY MAURO IACCINO – SENIOR ANALYST – AND FEDERICA FIORENZA – SENIOR ANALYST – AND GABRIELE TRAPANI – JUNIOR ANALYST – ON BEHALF OF KT&PARTNERS S.R.L., WITH REGISTERED OFFICE AT VIA DELLA POSTA 10, MILAN, ITALY, MILAN COMPANY REGISTER NO. 1926922, SPECIALIZING IN FINANCIAL RESEARCH AND ANALYSIS (HEREINAFTER, “KT&PARTNERS”).

NO OTHER PEOPLE OR COMPANY CONTRIBUTED TO THE RESEARCH. NEITHER THE MEMBERS OF THE RESEARCH TEAM, NOR ANY PERSON CLOSELY ASSOCIATED WITH THEM HAVE ANY RELATIONSHIPS OR ARE INVOLVED IN CIRCUMSTANCES THAT MAY REASONABLY BE EXPECTED TO IMPAIR THE OBJECTIVITY OF THE RESEARCH, INCLUDING INTERESTS OR CONFLICTS OF INTEREST, ON THEIR PART OR ON THE PART OF ANY NATURAL OR LEGAL PERSON WORKING FOR THEM, WHO WAS INVOLVED IN PRODUCING THE RESEARCH.

FOR THIS PURPOSE, THE MEMBERS OF THE RESEARCH TEAM CERTIFY THAT: (I) THEY HAVE NOT RECEIVED AND WILL NOT RECEIVE ANY DIRECT OR INDIRECT COMPENSATION IN EXCHANGE FOR ANY VIEWS EXPRESSED IN THE RESEARCH; (II) THEY DO NOT OWN ANY SECURITIES AND/OR ANY OTHER FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY OR ANY FINANCIAL INSTRUMENT WHICH THE PRICE DEPENDS ON, OR IS LINKED TO ANY SECURITIES AND/OR ANY FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY; (III) NEITHER THE ANALYSTS NOR ANY MEMBER OF THE ANALYST’S HOUSEHOLD SERVE AS AN OFFICER, DIRECTOR OR ADVISORY BOARD MEMBER OF THE COMPANY.

KT&PARTNERS HAS IN PLACE AN EQUITY RESEARCH POLICY, IN ORDER TO RULE RESEARCH SERVICES IN COMPLIANCE WITH PARLIAMENT REGULATION (EU) NO.596/2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 958/2016 ON MARKET ABUSE. IN THIS POLICY, THERE ARE ALSO DESCRIBED THE ORGANIZATIONAL MECHANISMS ADOPTED BY KT&PARTNERS TO PREVENT AND PROFESSIONALLY MANAGE CONFLICTS OF INTEREST THAT MAY BE ARISE DURING THE PERFORMANCE OF THE RESEARCH. IN ANY CASE, CHINESE WALLS AND OTHER INFORMATION BARRIERS ARE IN PLACE TO AVOID THE EXCHANGE OF CONFIDENTIAL INFORMATION BETWEEN THE EQUITY RESEARCH DEPARTMENT AND OTHER SERVICES AREAS.

KT&PARTNERS PREPARED THIS DOCUMENT ON BEHALF OF TAKE OFF S.P.A. ACCORDING TO AN AGREEMENT ENTERED WITH THE SAME AND ON THE BASIS OF THE DATA AND PUBLIC INFORMATION PROVIDED BY THE SAME OR DERIVED FROM SOURCES DEEMED SERIOUS AND RELIABLE ON THE FINANCIAL MARKET BUT WHOSE ABSOLUTE TRUSTWORTHINESS, COMPLETENESS, AND ACCURACY CANNOT BE GUARANTEED. THE FEES AGREED FOR THIS RESEARCH DO NOT DEPEND ON THE RESULTS OF THE RESEARCH.

KT&PARTNERS RELEASED TAKE OFF EQUITY RESEARCH UPDATE ON 04/07/2022 WITH A FAIR VALUE OF €8.37PS.

THIS DOCUMENT IS A SOURCE OF INFORMATION ONLY, AND IS NOT PART OF, AND IN NO WAY MUST BE CONSIDERED AN OFFER TO SELL, SUBSCRIBE OR TRADE, OR A SOLICITATION TO PURCHASE, SUBSCRIBE OR TRADE, FINANCIAL INSTRUMENTS/PRODUCTS, OR IN GENERAL TO INVEST, NOR MUST IT BE CONSIDERED ANY FORM OF CONSULTING FOR AN INVESTMENT IN FINANCIAL INSTRUMENTS.

THE INFORMATION PROVIDED IN THIS DOCUMENT MUST NOT BE UNDERSTOOD AS A REQUEST OR SUGGESTION TO CONDUCT OR CARRY OUT A SPECIFIC TRANSACTION.

EACH INVESTOR MUST FORM HIS/HER OWN OPINION BASED EXCLUSIVELY ON HIS/HER ASSESSMENT OF THE ADVISABILITY OF INVESTING. ANY INVESTMENT DECISION MADE ON THE BASIS OF THE INFORMATION AND ANALYSES IN THIS DOCUMENT IS THE EXCLUSIVE RESPONSIBILITY OF THE RECIPIENTS OF THIS DOCUMENT, WHO MUST CONSIDER THIS

DOCUMENT MERELY AS A SOURCE OF INFORMATION AND ANALYSIS TO SUPPORT SUCH DECISION.

ANY OPINIONS, FORECAST OR ESTIMATES CONTAINED HEREIN CONSTITUTE A JUDGEMENT AS AT THE DATE OF THIS DOCUMENT, AND THERE CAN BE NO ASSURANCE THAT THE FUTURE RESULTS OF THE COMPANY AND/OR ANY FUTURE EVENTS WILL BE CONSISTENT WITH ANY OF SUCH OPINIONS, FORECAST OR ESTIMATES.

KT&PARTNERS MAKES NO EXPLICIT OR IMPLICIT GUARANTEE WITH RESPECT TO PERFORMANCE OR THE OUTCOME OF ANY INVESTMENT OR PROJECTIONS MADE.

THEREFORE, KT&PARTNERS, ITS REPRESENTATIVES AND/OR EMPLOYEES WILL NOT BE LIABLE FOR ANY EFFECT DERIVING FROM THE USE OF THIS DOCUMENT, AND HEREBY DECLINE ALL LIABILITY FOR ANY DIRECT OR INDIRECT DAMAGES, FINANCIAL OR OTHERWISE, DERIVING FROM ANY USE OF THE INFORMATION IT CONTAINS.

KT&PARTNERS AIMS TO PROVIDE CONTINUOUS COVERAGE OF THE COMPANY IN CONJUNCTION WITH ANY EXCEPTIONAL EVENT THAT OCCURS AFFECTING THE ISSUER'S SPHERE OF OPERATIONS AND IN ANY CASE AT LEAST TWICE PER YEAR.

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

KT&PARTNERS

Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy  
Tel: +39.02.83424007 Fax: +39.02.83424011  
[segreteria@ktepartners.com](mailto:segreteria@ktepartners.com)