Document produced on
5 September 2022 at 5:31pm CET
Document published on
6 September 2022 at 8:52am CET

EQUITY RESEARCH

TAKE OFF
INITIATION OF COVERAGE

BUY, TP 7.6€
Up/Downside: 82%

Fasten your seat belts

Fashion becomes accessible to everyone

Be ready to Take Off !

Take off is the first fashion boutique at outlet prices. It offers the experience of the best fashion brands at the best price of the market. The group operates through its two divisions: **Take Off**, dedicated to adult's clothing, footwear and accessories, sells own and international fashion brands at outlet price; **Over**, specialised in children's clothing served through a widespread affiliates network.

Crisis Proof business model

In a current disrupted market, when consumption levels are at an all-time low and consumers became more price sensitive, Take Off stands out, offering the best price on the market. It is unique business model is based on an innovative discount method, which gives the customer the sensation of the "deal". Take Off has developed the "*divided by*" method, which applies a discount on a progressive basis. The product is displayed starting at the **retail price "divided by 2"** until it reaches "divided by 10". The splitting mechanism allows the customer to easily remark the extent of the discount and have a greater perception of the advantage offered.

Best in Class Profitability

Take Off's success also lies in a unique purchasing policy and an active inventory management, guaranteeing to the group the highest margins in the market. In 2021, Take Off reached an EBITDA margin of 36.1%, higher than both the largest "classic retailers", H&M, Inditex, FAST Retailing and the largest Off-price fashion players such as TJX, Ross, Burlington, Nordstrom.

Attractive Valuation

Supported by a positive Off-price fashion market outlook, Take Off should be able to generate CAGR revenue growth of about 19% over the 21-26E period.

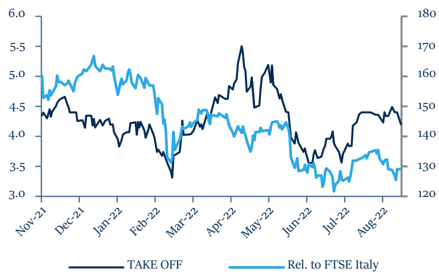
From our analysis we have derived a valuation of **€7.6/share**, resulting in a EV/Sales 2022E of 3.2x, EV/EBITDA 2022E of 10.9x and P/E 2022E of 20.7x. We are strongly convinced the company current valuation is below its real intrinsic value. Based on this high upside potential, we are initiating our coverage with a **Buy recommendation.**

Key data	
Price (€)	4.2
Industry	Retailers
Ticker	TKO-IT
Shares Out (m)	15.625
Market Cap (m €)	65.6
Next event	1-22 - 30 September 2022

Ownership (%)	
Summit S.p.A.	64.1
A. Piccarreta	5.5
G. L. Zanardi	1.8
Free float	28.5

EPS (€)	12/22e	12/23e	12/24e
Estimates	0.37	0.51	0.60
Change vs previous estimates (%)	na	na	na

Performance (%)	1D	1M	YTD
Price Perf	-4.5	-4.5	-3.3
Rel FTSE Italy	-4.5	-1.8	21.1



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e
Sales (m €)	26.4	33.4	43.1	48.5
Current Op Inc (m €)	7.7	7.9	10.8	12.6
Current op. Margin (%)	29.1	23.6	25.1	26.0
EPS (€)	0.36	0.37	0.51	0.60
DPS (€)	0.18	0.18	0.26	0.30
Yield (%)	4.3	4.4	6.1	7.1
FCF (m €)	6.1	5.0	6.8	8.6

Valuation Ratio	12/22e	12/23e	12/24e
EV/Sales	1.5	1.1	0.9
EV/EBITDA	5.2	3.8	3.0
EV/EBIT	6.5	4.5	3.5
PE	11.4	8.2	7.0

Consensus FactSet - Analysts:1	12/22e	12/23e	12/24e
Sales	35.0	44.8	54.1
EBIT	8.0	10.7	13.4
Net income	6.1	7.6	9.5

Analyst
Simone Mieli
simone.mieli@tpicap.com
33149241833

Description

Take Off S.p.A. is an Italian company, based in Monopoli (Bari), active in the fashion retail sector. It operates through its two divisions: Take Off, dedicated to adult's clothing, footwear and accessories sold at outlet price; Over, specialised in children's clothing served through a widespread affiliates network. It has a consolidated presence in the Italian territory, with 170 stores, of which 131 in affiliation. Its success lies in an innovative discount method, a flexible cost structure and active inventory management, leading to the highest margins in the market.

SWOT Analysis

Strengths

- Highest margins in the market
- Solid cash positive financial position
- Flexible and efficient cost structure
- Active inventory management leading to no unsold and constant mark-up

Weaknesses

- Opportunistic purchasing strategy
- Small size compared to off price sector players
- Still low brand awareness

Opportunities

- Positive Off-price market outlook
- High expansion potential of the retail network
- Consumption level reduction leads consumer choose best value for money

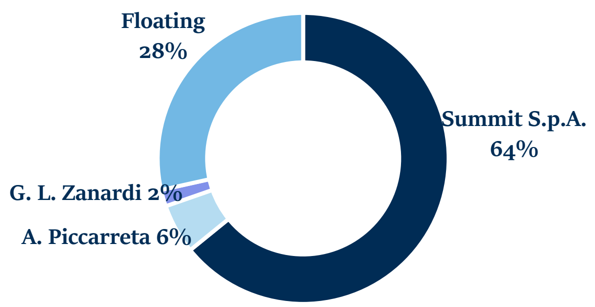
Threats

- Market disruption
- Covid-19 new waves causing activity shutdowns

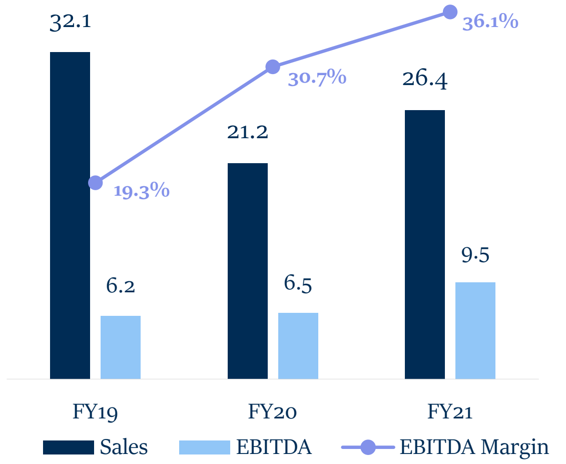
Document published on
6 September 2022 at 8:52am CET

Overview

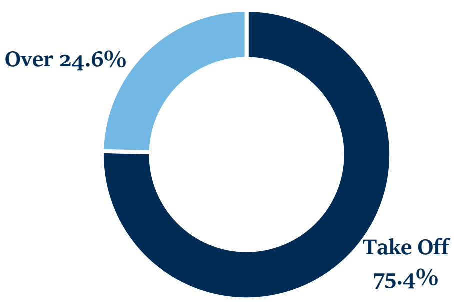
Shareholders



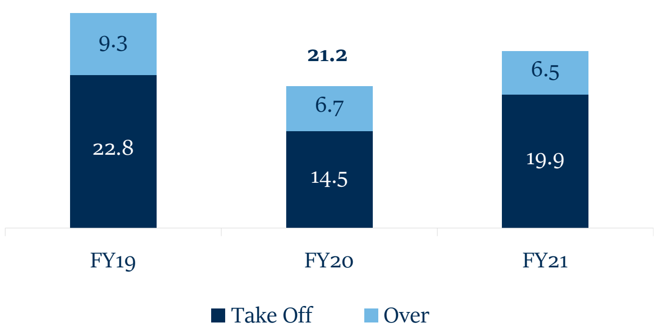
Revenues and EBITDA evolution



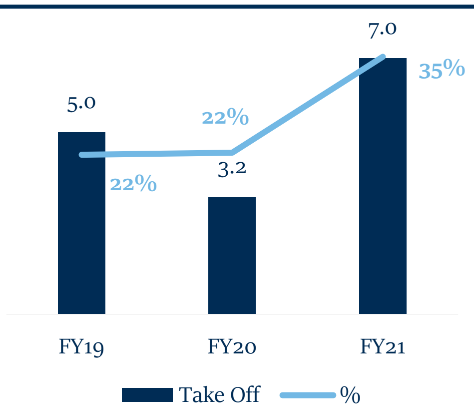
2021 Revenue breakdown by business unit



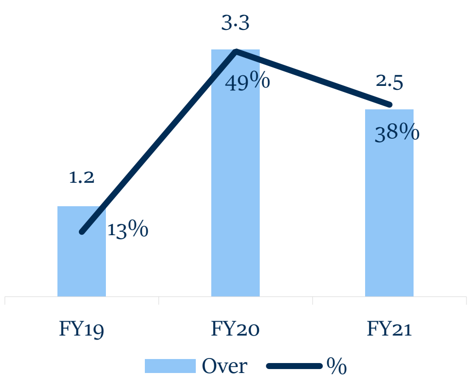
Revenue evolution by segment (€M)



Take Off EBITDA evolution



Over EBITDA evolution



Source: Company, TP ICAP Midcap

Fashion accessible to everyone

Take off is the first fashion boutique at outlet prices. It offers the experience of the best fashion brands at the best price of the market.

The group operates through its two divisions: **Take Off**, dedicated to adult's clothing, footwear and accessories proposed with the outlet format; **Over**, specialised in children's clothing served through a widespread affiliates network.

Take off (75% of total sales in FY21)

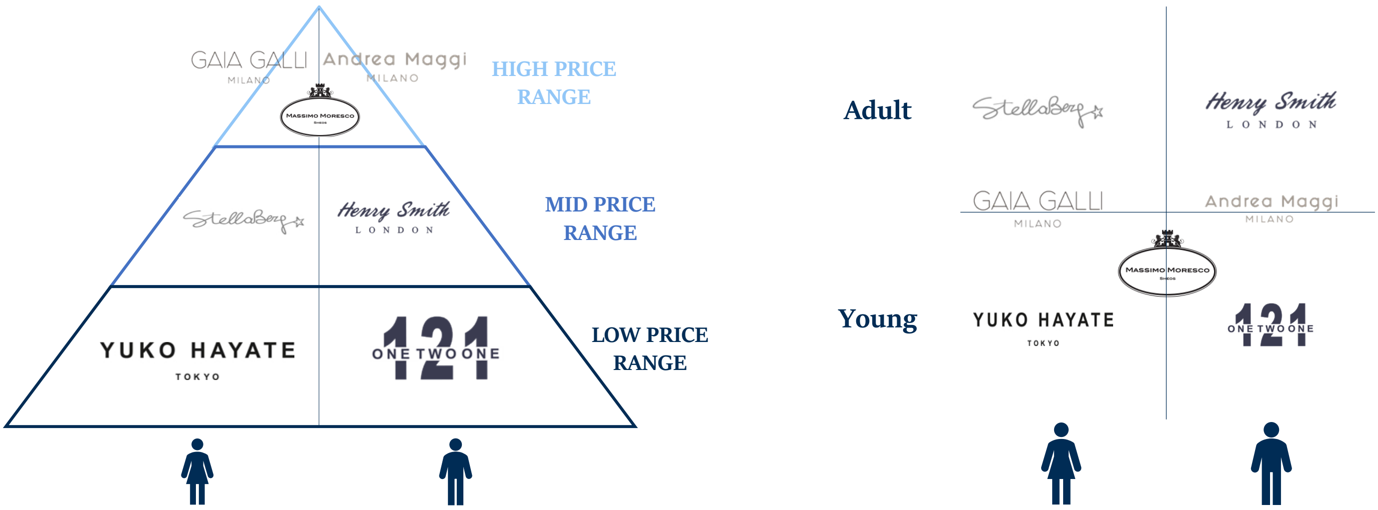
It is the representative division of the group. **It offers adult's fashion at unbeatable price**, through the outlet format. It boasts a peculiar business model based on discount and an innovative inventory management to give the best value for money in the market. It has a consolidated presence all over Italy with a retail network of 46 stores, of which 39 direct PoS and 7 affiliated.

Take off proposition

Source: Company

It offers a wide range of solutions under its own and third-party brands, including the best international fashion brands (e.g. Prada, Burberry, Givenchy, Fendi, Valentino).
It has a portfolio of 7 own brands, well diversified in terms of style, price, in order to reach different target segments.

Take off own brand portfolio



Source: Company, TP ICAP Midcap

Over (25% of total sales in FY21) OVERKIDS CHILDREN'S FASHION STORE

It is the division covering the children's segment (0-14 years), offering products under its own brand 'Overkids'. It proposes a premium product at an excellent price, through a traditional sales model with discounts and offers on an annual basis.

It is widely present on the Italian market, through a network of 124 stores, managed through the affiliation model. The affiliation formula allows to maintain a very lean and flexible economic structure, most of the store's management costs being borne by the franchisee.

Over completes the group's offer, enabling it to reach the entire spectrum of fashion customers.

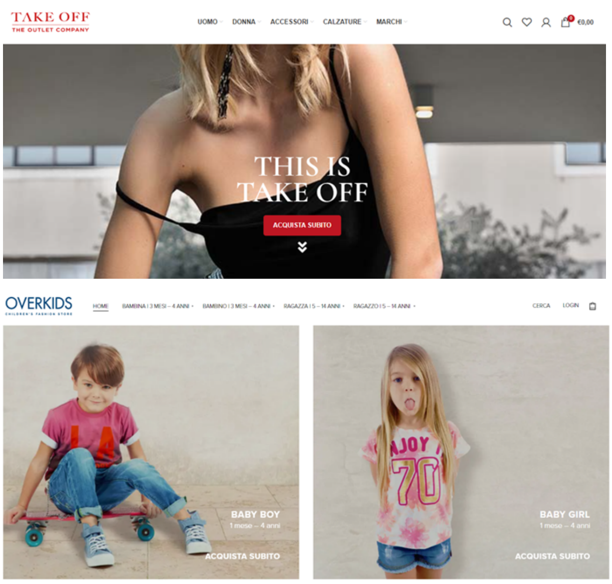
Over proposition

Source: Company

The group has also developed an online offer for both divisions to provide customers with an additional shopping solution. E-commerce and the development of an omnichannel strategy will be an important leverage for the group's growth, allowing it to further expand its target customer base and strengthen its brand awareness.

At present, the online sales channel only accounts for about 1% of the group's revenues, which leaves great potential for future growth.

E-commerce offer



Source: Company

A patented discount model

Take Off's business model is based on an innovative discount method, which gives the customer the sensation of the "deal".

Unlike the traditional retailers and outlets applying classic discount with variable percentages, Take Off has developed the "*divided by*" method, which applies a discount on a progressive basis. The product is then displayed in the store starting at the **retail price "divided by 2"** (50% discount). After a period of time that varies according to demand, the price is further fractioned, moving to "divided by 3", until it reaches "divided by 10". The splitting mechanism allows the customer to easily remark the extent of the discount and have a greater perception of the advantage offered. This innovative scheme has been validated and rewarded by recently obtaining the patent.

"Divided by" discount method

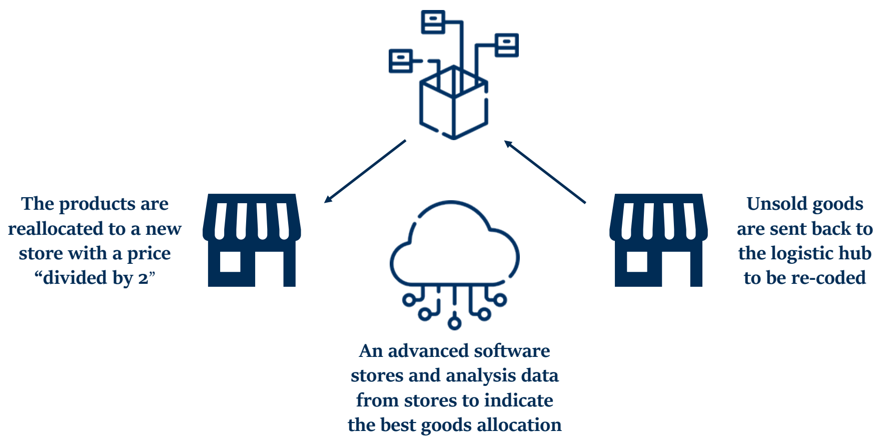
Source: Company, TP ICAP Midcap

No unsold through a "circular inventory"

The success of its sales system is also attributable to an active logistics management. The progressive discount campaign allows to minimise the amount of unsold products. Once the maximum discount level is reached, products are carefully re-registered and reallocated to stores where they have never been displayed, starting from a "divided by 2" price. In this way, **Take Off manages to clear unsold items and maintain good product margins at all times.**

Proper inventory management is eased by the use of the proprietary "BestStore" software. The latter, thanks to the continuous flow of information from the stores (e.g. turnover, goods rotation, etc.) is able to suggest the best allocation of goods. Data collection also allows constant monitoring of demand for each product, for each store, helping to develop customised strategies.

Circular inventory



Source: Company, TP ICAP Midcap

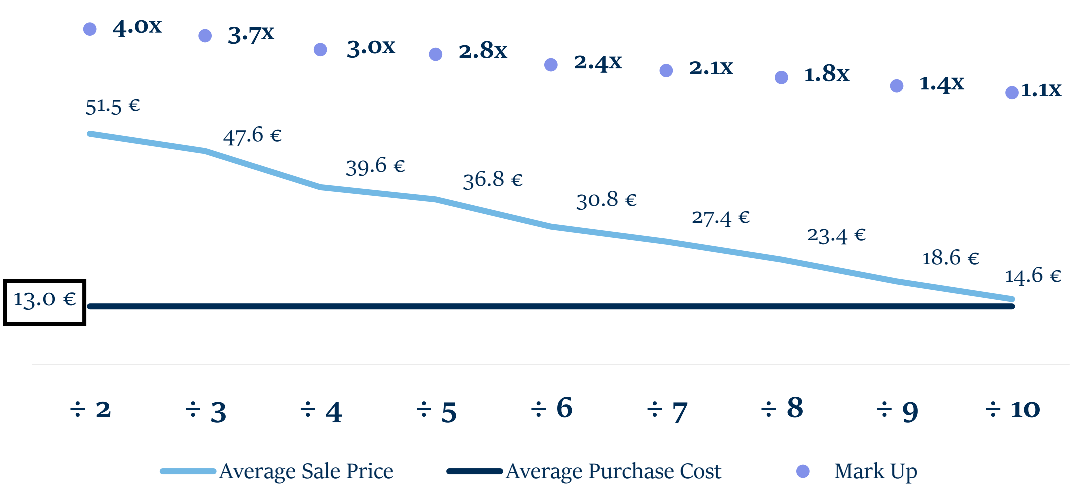
A perpetual mark-up

One of the critical factors of Take Off's success lies in its shrewd **purchasing policy and cost flexibility**. With regard to third-party brands sourcing, the group's strategy is to only buy items priced between 6% and 9% of the retail purchase cost, guaranteeing a wide margin at any level of discount.

As we can easily see from the graph, Take Off manages to keep an average 2x mark-up, in every season, despite the average strong discount on the retail value (>90%).

Take Off's advantage stands on a strategic choice of procuring products from third party-vendors, instead of direct brands. The vendors (generally small retailers/stockists) have recurring problems of unsold items they need to get rid off, avoiding significant write offs. Take Off can benefit from its higher flexibility and stronger bargaing power to obtain always the best conditions.

Take Off third-party brands mark-up evolution

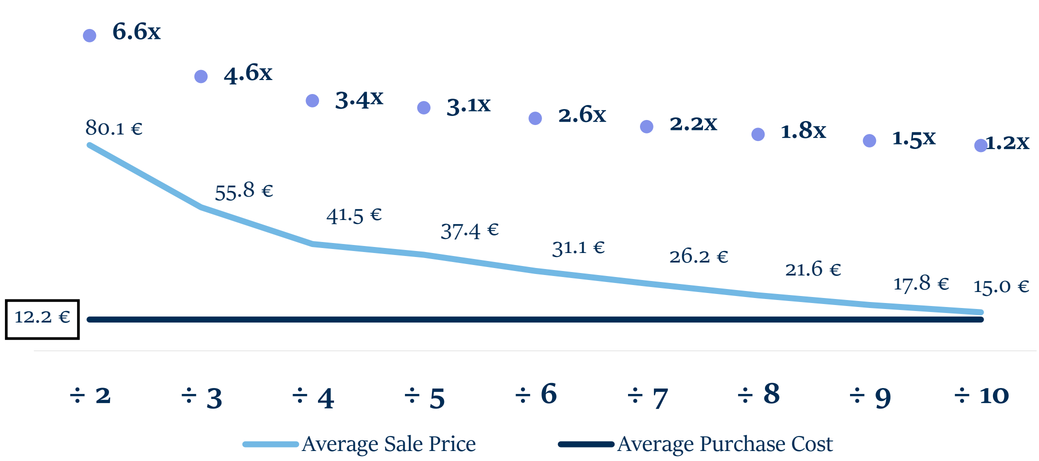


Please note that the graph has only an indicative purpose. It has been realised using data referred to a random item from Take Off fall collection 2022

Source: Company, TP ICAP Midcap

As far as own brands are concerned, the group can count on a network of more than 30 different suppliers, which not only allows a wider choice of garments, but also a strong control of costs. In fact, the choice of supplier is made through an auction mechanism, whereby the group offers the same project to several suppliers, selecting the cheapest offer. Thanks to this purchasing policy, the group always manages to maintain a mark-up >2 with its own brands, whatever the level of discount applied.

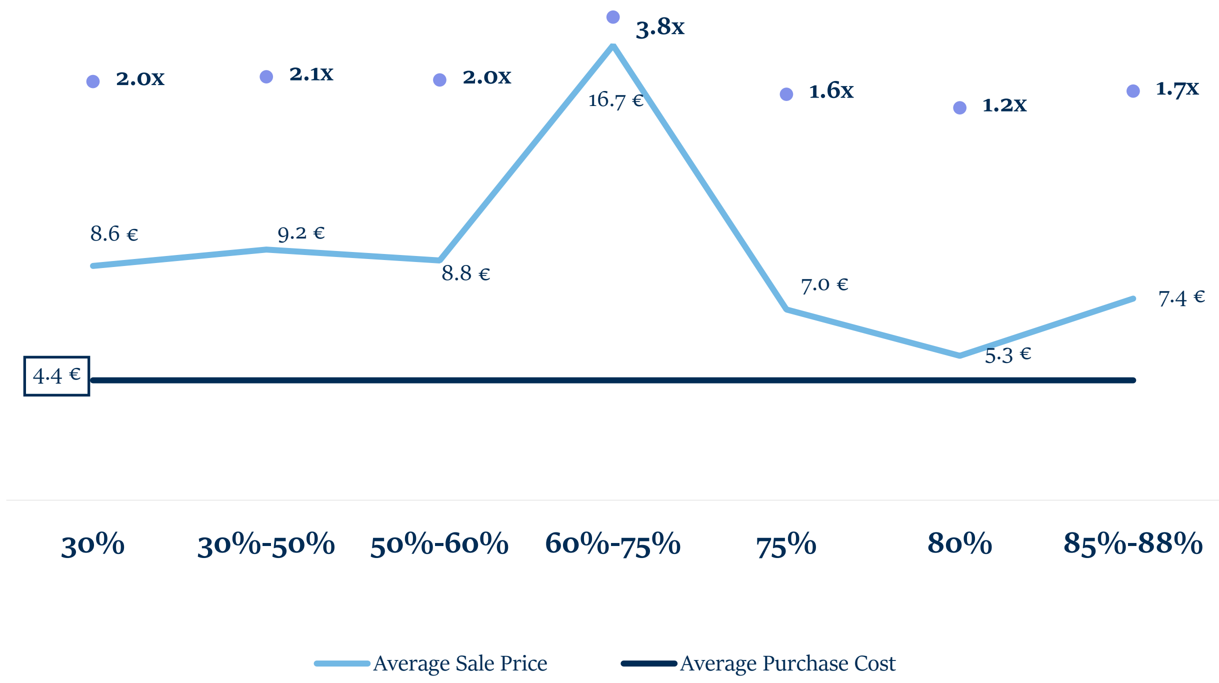
Take Off own brands mark-up evolution



Please note that the graph has only an indicative purpose. It has been realised using data referred to a random item from Take Off fall collection 2022

Source: Company, TP ICAP, Midcap

Overkids mark-up evolution



Please note that the graph has only an indicative purpose. It has been realised using data referred to a random item from Overkids fall-winter collection 2019-2020

Source: Company, TP ICAP, Midcap

In addition, Over division, it has a business model entirely based on affiliation. This simple but effective model allows the company to have an extremely flexible and lean cost structure. Through the affiliation system, the bulk of the costs are indeed transfered to the "franchisee" (affiliated), leading to high margins.

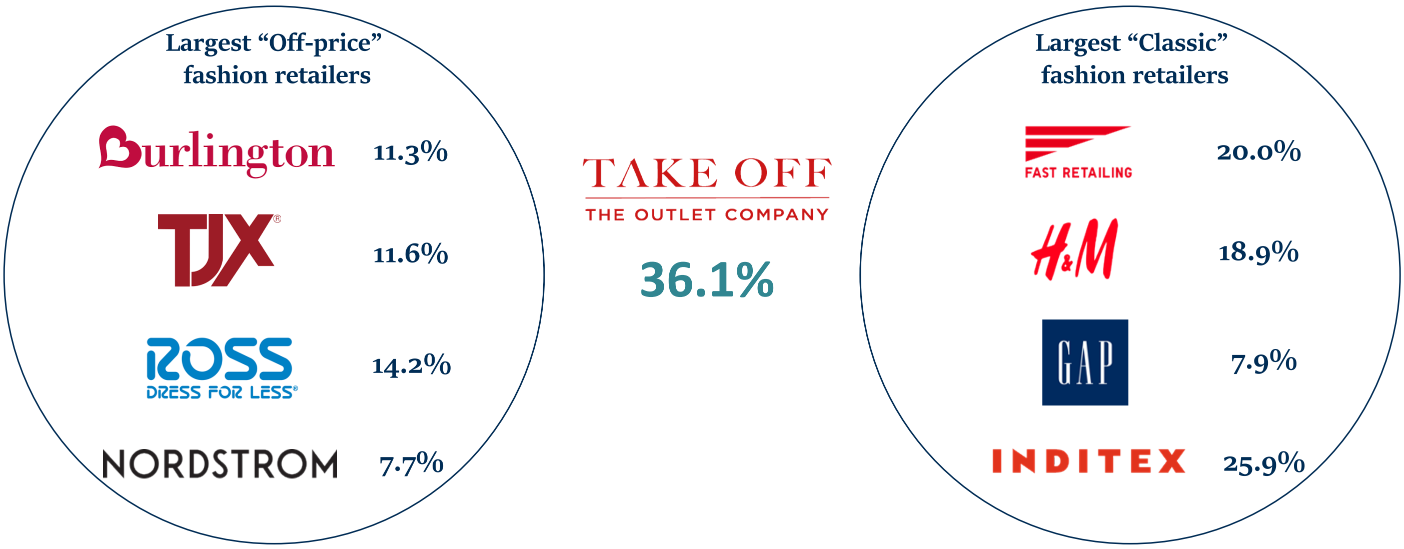
Best in class in terms of profitability

The attentive puchasing policy and the lean cost structure lead the group to have the highest margins in the market. In 2021, Take Off reached an EBITDA margin of 36.1%.

As better displayed below, Take Off had EBITDA margins higher than "classic retailers", even the global largest apparel and fashion retail chains such as H&M, Inditex, FAST Retailing.

The result is similar when compared to the largest off-price fashion players such as TJX, Ross, Burlington, Nordstrom.

EBITDA margins of leading fashion retailers vs Take Off

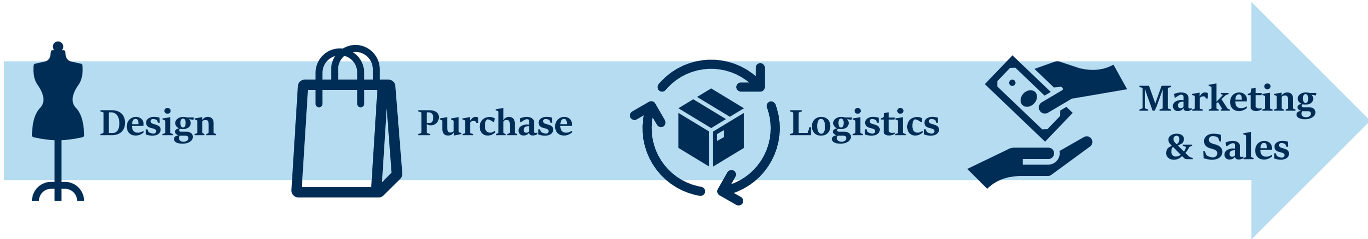


Source: Company, TP ICAP Midcap, Companies annual reports

Value creation needs a good recipe

The two divisions, Take Off and Over, have two different business models and are therefore managed with two ad-hoc approaches.

Value creation cycle



Source: Company, TP ICAP Midcap

In addition to the resale of international branded clothing, the group offers collections of its own brands.

Design

Value creation starts from well-thought-out design. For **Take Off,** the design of its garments is entrusted to more than 30 external designers, under the strict control of the company, who dictate the criteria and styles to be followed. The design serves to delineate the style for each brand of the group, and to create its own identity.

Take Off currently designs and produces 7 own brands (Gaia Galli, Andrea Maggi, Stella Berg, Henry Smith, Yuko Hayate, One Two One, Massimo Moresco), each targeting a different and complementary customer segment.

For **Over**, the design activity is carried out in-house by a team of 4 experienced stylists, who develop garments for the "Overkids" brand. Particular attention is paid to the choice of materials in order to guarantee the highest quality for a "demanding" clientele such as the children's segment. The garments are therefore mainly made of natural fibres for maximum durability.

Brand development is an indispensable element of the group's strategy, as evidenced by the significant contribution of own brands to the total turnover, reaching 63% in 2021.

Purchase

Once the appropriate design has been chosen, purchase orders are placed and the goods are sent to production.

Production is outsourced to local and international partners (in Italy, Albania and Bangladesh), under the strict control of the group. The group currently works with more than 30 different suppliers, which not only allows for a wider choice of quality garments, but also for a high **cost optimisation**. In fact, the choice of supplier is made through an auction mechanism, whereby the group offers the same project to several suppliers, selecting the cheapest offer.

In addition to its own brand products, Take Off offers a wide range of third-party brand garments, only internationally renowned fashion brands (Gucci, Moschino, Ferragamo, Burberry, Prada, Ralph Lauren, Valentino, Cavalli and many others).

Third-party brands are purchased through an auction mechanism directly from third party distributors, without going through the fashion brands. In this way, the group is able to have better negotiating power, and obtain products always at the best conditions. Based on this model, the group has defined its purchasing policy, according to which the purchasing cost per garment must not exceed 9% of its retail cost.

A key factor is the complementarity between own and third-party brand products. In fact, Take Off uses its own brands to fill a shortage of third-party brands. In other words, when the third-party brand's garment is missing a size or colour, it is promptly replaced by one of their own brands, at the same price. Accordigly, the group is able to always meet demand and increase brand awareness.

Logistics

The warehouse logistics is entirely managed by the proprietary "BestStore" software, which analyses data from each store and suggests the right timing and allocation of each product.

As further explained above, one of the strengths of the Take Off division is the peculiarity of its warehouse management, which is perfectly integrated into its discount model. In fact, the warehouse is actively managed. Unsold products are sent back to the central warehouse, recoded and re-stocked in a new store at a price "divided by 2", thus always maintaining high margins.

For the Over division, logistics is managed in a traditional way and the inventory risk is solved with large discounts at the end of the season.

Marketing and Sales

Promotion and marketing activities are based on the analysis of customer purchasing behaviour. The group has a database of more than 5,000 customers, profiled on the basis of their preferences and purchasing decisions. The careful customer profiling allows for more targeted communication (email, SMS), and encourages their loyalty.

Sales are handled differently for the two divisions.

The Outlet division takes advantage of the innovative "divised by" discount model, aimed at attracting customers through its unbeatable value for money.

A further winning factor in its sales model is the extension of the collection up to 10 months, instead of the classic 6 months. The new collection is displayed "in advance" of the actual start of the season and it is extended beyond the closing date by applying heavy discounts, thus keeping customer interest always alive.

Over's sales system is entirely based on the franchise agreement. The shops are individually managed by third parties, according to the dictates of group. Each store must follow the commercial strategy (prices, discount levels) developed by the group. The latter reserves maximum visibility and control over the store management, and the possibility of withdrawal if the store is not performing. The franchisee is finally remunerated with an average percentage of 33% of the turnover.

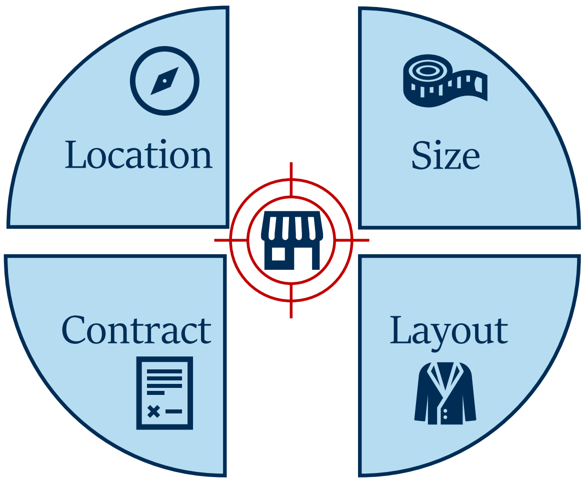
The franchise model not only allows a quick expansion of the retail network, and the related advantages in terms of volume and economies of scale, but also guarantees a high degree of flexibility. Flexibility and adaptability are key elements in such a volatile market.

A store centred experience

The take-off business model is store-centric. In order to offer the best shopping experience and maximise sales potential, store selection must go through an elaborate screening process.

The Group's strategy therefore includes a number of parameters in defining the optimal store, including location, size, contract formula and layout. The criteria differ between the two divisions.

Store parameters



Source: Company, TP ICAP Midcap

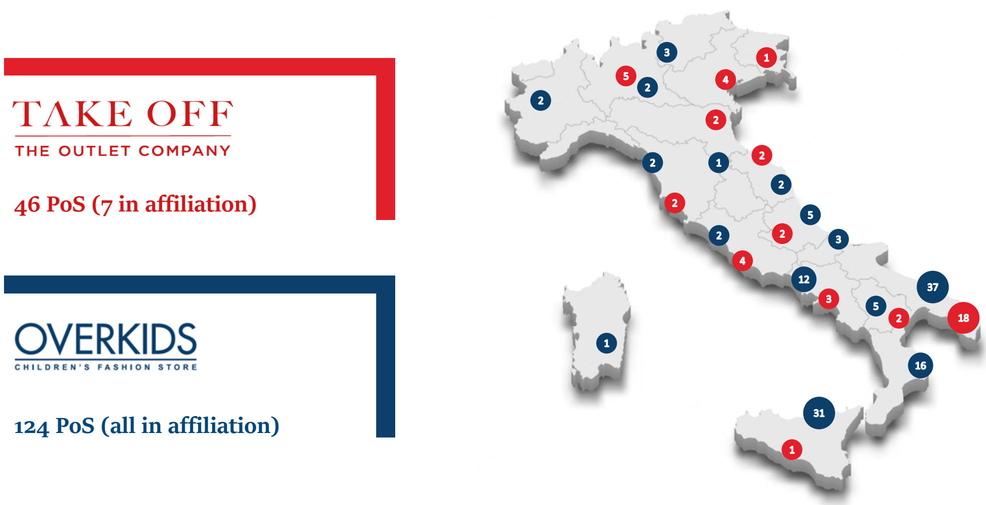
Location

For both divisions, the store are located at the city's busiest spots. This usually means the city centres in southern Italy and shopping malls in the north. This strategic decision certainly allows for greater visibility and encourages impulse buying. In fact, people often go to shopping malls or stroll through city centres, not with buying as primary intention, but simply as a social activity. **The proximity of the store triggers the desire to buy.**

Another key element is the **store proximity from one another**. The latter favours an efficiency of personnel, who can more easily rotate among the stores, and optimise transport costs. The Group's intention is precisely to expand the retail network "like wildfire", creating synergies instead of incurring logistical problems due to long distances.

The Group currently has 170 stores all across Italy, including the recent openings (July 2022) of new 4 PoS Take Off and 3 PoS Over.

Store location



Source: Company, TP ICAP Midcap

Size

Store size is crucial in order to maximise its sales potential and offer the best shopping experience to customers.

Take Off points of sale have an average surface of 200-250 sqm, which is necessary to display a larger product offering.

Over stores have an average surface of 100 sqm.

Layout

Nothing is left to chance, Take Off takes care of every detail. Layout is another group's distinctive feature.

In fact, for Take Off PoS, **garments are displayed by size** instead of by model. This strategic gimmick facilitates customer's purchase by immediately finding the entire offer by size required, and thus stimulates cross-selling activity.

Must be emphasised that the layout has been carefully designed to give customers the best possible shopping experience, a real **fashion boutique experience.**

Take Off store layout

Source: Company

Over stores have instead a traditional layout with garments displayed by model and not by size, always ensuring the highest quality, order and cleanliness to offer an excellent shopping experience.

Over store layout

Source: Company

Contract formula

The opening of new direct stores continues apace thanks to a flexible and low-cost model.

All **Take Off outlets** are opened through leasing agreements, 6 year maturity, automatic renewal for further 6 years and a termination clause for the first 6 months. This clause can be triggered in case of poor performance of the point of sale.

The group is also benefitting from a favourable market environment in which costs of rent have fallen by an average of 25-30% compared to pre-Covid levels, guaranteeing particularly advantageous long-term agreements.

The average rental cost for a Take Off store is around €60,000 per year.

Furthermore, new store openings require relatively low investment in Take Off model. Excluding rent, the total investment is approximately €100,000 per store (average area of 250 sqm). The investment consists approximately in: 50% for merchandise and furnishings; 25% for any eventual renovation (e.g. facilities); 10% for staff training; 10% for marketing and promotion; and 5% for IT alignment and others.

The **Over model** is entirely based on affiliation agreements. According to this agreement, all operating costs (e.g. personnel, rent) remain with the franchisee. The group only has to bear the opening costs, estimated at approximately €10,000 per store (average area of 100 sqm) and cost of goods. Energy and transport costs are borne by the group but almost entirely passed on to the customer.

This model enjoys maximum flexibility, thanks to a contract termination clause in the first 6 months, triggered in the event of a turnover target missed or non-payment of the rent.

It is worth stressing on the difference between the classic franchising and Take Off's affiliation agreement. The affilitiation is definitely more flexible, easy, and market driven. Indeed, it has lower entry and exit barriers than the franchise. It provides for exit solutions in case of underperformance and only requires a simple deposit from the franchisee, rather than personal guarantees, to start. In addition, the group will not receive the usual commission, as is the case of franchise agreements, but will be able to keep the entire store's turnover, except a 33% to be paid to the franchisee.

Flexibility and low costs are therefore the winning elements that enabled and we believe will enable the rapid expansion of the retail network and the group's impressive results.

Take Off flexible contract formula

TAKE OFF
THE OUTLET COMPANY

- **Direct Point of Sales (exc. #7)**
- **6 year maturity**
- **6 months termination clause**
- **Investment €100.000/store**
- **250 sqm average size**

OVERKIDS
CHILDREN'S FASHION STORE

- **Affiliation agreements**
- **6 months maturity**
- **6 months termination clause**
- **Investment €10.000/store**
- **100 sqm average size**

Source: Company, TP ICAP Midcap

State of Fashion

To truly realise Take Off's competitive advantage, it is relevant to examine the dynamics of the Fashion Industry in Europe and Italy, where the Group mainly operates.

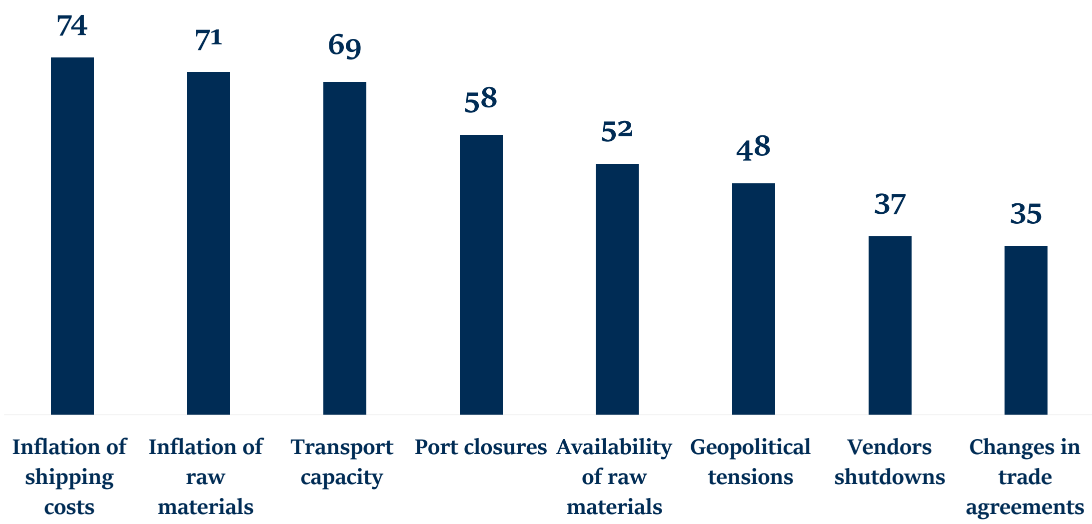
Standing out in a disrupted market

After the problems caused by the pandemic, the fashion retail market is finding new difficulties related to the current complicated market environment. The combination of local and global factors, materials shortage and transportation bottlenecks are causing serious problems for the entire supply chain. According to a survey launched by Mckinsey in early 2022, the main factors leading to a supply chain disruption are the strong inflation of shipping costs and raw materials. A container from China to Europe is estimated to cost six times more than in 2019. *source: McKinsey Report - The State of Fashion 2022*

Take Off, unlike most market players, is marginally impacted. In fact, as far as transport costs are concerned, the group has already severed relations with Chinese suppliers and is now mainly sourcing from local partners (>60%), drastically lowering costs. In addition, Take Off's retail network expansion occurs by proximity, making logistics easier.

With regard to the increased costs of energy and raw materials, the group manages to almost completely pass them on to the customers, while remaining at a client-appealing price.

Supply chain disruption factors 2022 (% of survey respondents)

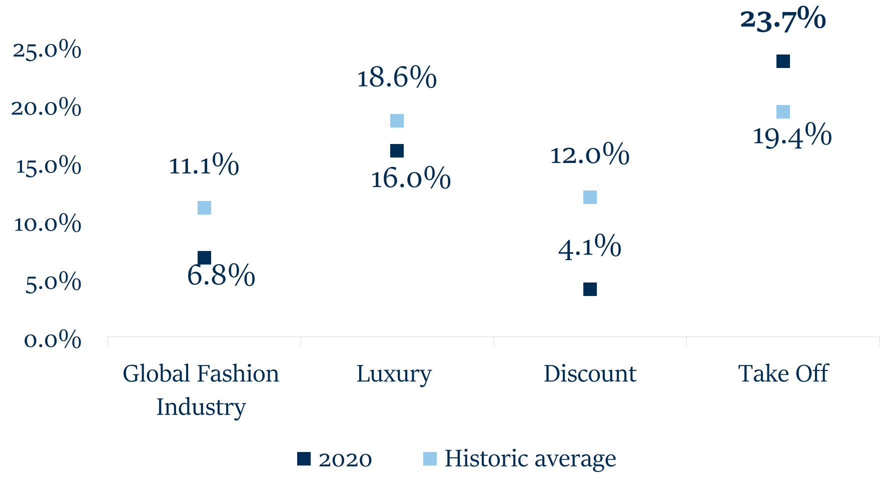


Source: TP ICAP Midcap, McKinsey Report 2022 – the State of Fashion 2022

Extreme resiliency of margins

In such a disrupted market, Take Off proved its resilience, managing to maintain strong margins and profitability. If we compare the data of the McKinsey report "The state of Fashion 2022", we notice how the global fashion industry players in 2020 reported an average EBITA margin of 6.9%, below the historical average of 11%. The same applies to the discount segment (4.1%) and the luxury segment (16%). Take Off, thanks to the flexibility and efficiency of its business model, was able to maintain an EBITA margin of 23.7% in 2020, an excellent level in such a negative scenario.

Extremely margin resiliency vs global fashion industry (EBITA margin %)

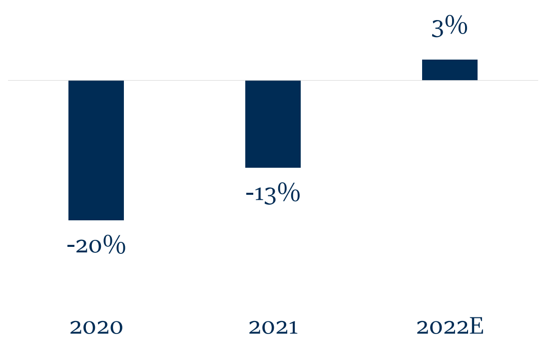


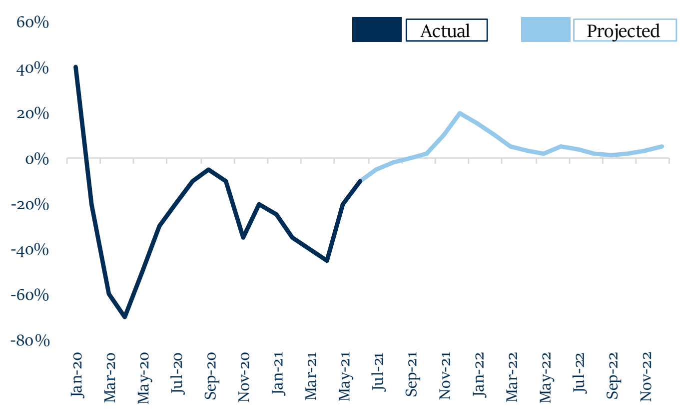
Source: Company, TP ICAP Midcap, McKinsey Report 2022 – the State of Fashion 2022

State of Fashion in Europe

In the context of a supply chain disruption, The fashion industry in Europe is recovering at a slower pace. Eurostat data on "Clothing and Footwear" retail sales in the EU27, however, show an increase of 12.1% in Q1-22 (vs. Q1-21), but not yet at pre-pandemic levels (-€15% vs. Q1-20). According McKinsey's report 2022, the recovery will indeed be very mild. In 2022, sales in Non-Luxury Fashion sales are expected to grow around 3% compared to 2019. Eupean market is then estimated to grow at a conservative ~3% CAGR 2022-2026.

Non-luxury fashion sales 2022 in Europe (growth % compared to 2019)





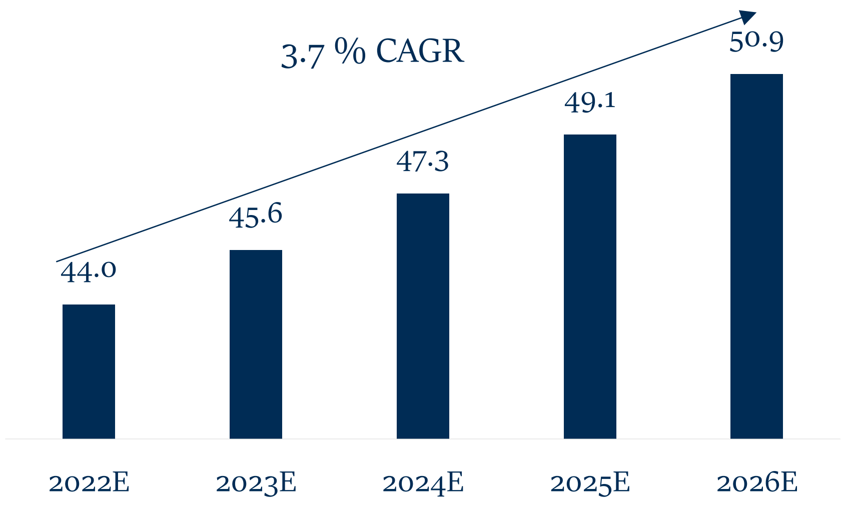
Source: TP ICAP Midcap, Eurostat, Statista, McKinsey Report 2022 - Mastering off-price fashion in an omnichannel world

State of Fashion in Italy

The fashion industry in Italy is going through a similar trend to Europe. A good recovery compared to the Covid period, but still not at pre-pandemic levels. The inflationary context and logistics difficulties are holding back consumption and growth. Eurostat data on "Clothing and Footwear" retail sales in Italy, show a good H1-22, up 20% (vs. H1-21), but still below pre-Covid levels (-15% vs. H1-19). Although the half-year growth may seem very positive, we must prudently consider that it is strongly driven by the January and June sales period. In fact, to get a broader idea of the current market scenario, we examined the fashion sales data of the Italian fashion federation. According to the data, the first months of 2022 showed a relapse. Sales in Q1-22 fell by an average of 10% yoy (January

-9% yoy, February -16%, March -5%). Despite the mentioned difficulties, a strong rebound is expected for the following years, leading to a long-term growth at a CAGR of 3.7% 2022-2026.

Italian Apparel and footwear market evolution (€bn)



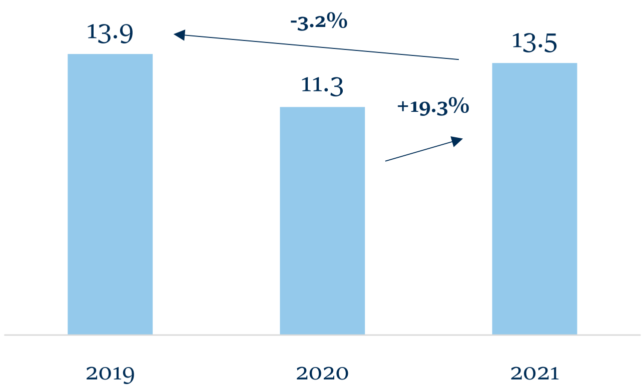
Please note that figures are estimated, and the constant growth yoy has just an illustrative purpose

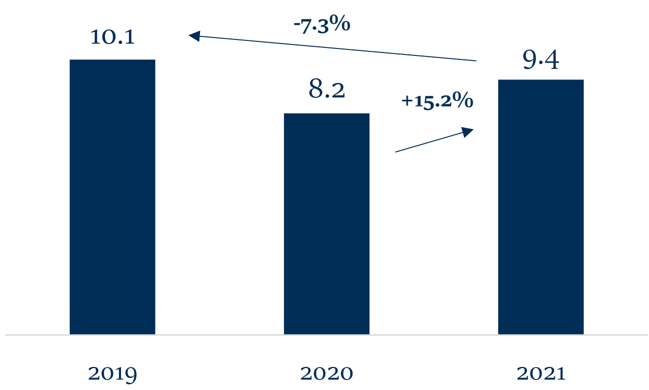
Source: TP ICAP Midcap, Eurostat, Statista, Federazione Moda Italia

Adult fashion in Italy

In adult fashion, the women's segment is undoubtedly the one driving growth in the Italian market. In 2021, it recorded +19.3% growth in turnover vs. 2020, reaching €13.5bn, still not at pre-pandemic levels (-3% vs. 2019). The men's segment also recovered at a high pace with 15% growth vs. 2020, reaching 2021 sales of more than €9bn. There still remains a gap with 2019 performance (-7% vs. 2019). Numbers that comfort Take Off, whose best contribution in terms of revenue comes precisely from the women's segment (60- 70% of total revenues). *Source: Ansa, Sistema Modaitalia, Confindustria Moda*

Women Fashion (left) and Men Fashion (right) in Italy (€bn)





Source: TP ICAP Midcap, Ansa, Sistema Modaitalia, Confindustria Moda

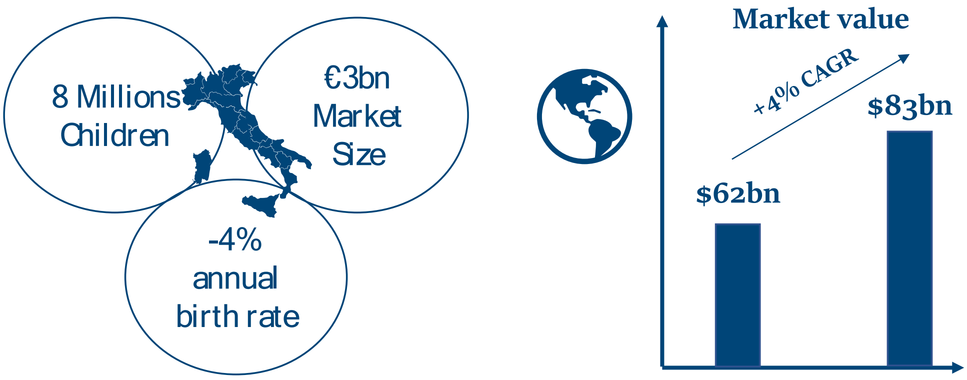
Children fashion

The children's fashion market is certainly more dynamic and resilient than adult fashion. The global market was valued $62bn in 2019, and the good recovery post Covid, allows us to confirm the estimates of $83bn to be reached by 2027, with a CAGR of 4.2%.

Italy as well, after Covid related difficulties, shows a clear recovery, which bodes well for the future. According to data from Confindustria Moda (Fashion Italian trade association), junior fashion recorded annual revenues of €3bn, up 15.5% vs. 2020, getting back to 2019 levels.

However, the expected growth rate of the Italian market is lower than global market estimates, due to a low birth rate. According to data from the CBI Ministry of Foreign Affairs (Centre of Promotion of imports from developing countries), the national birth rate in 2019 is -4% yoy and the average annual growth rate for the age group decreased at a CAGR 14-19 of -1.2%, below the European average of €0.14%. Italy still has the fourth-largest number of children in the European Union with approximately 8 million, leaving certainty regarding the development of children's wear market.

Global Children's wear market value (€bn)



Source: TP ICAP Midcap, CBI, Businesscoot, Confindustria Moda, IlSole24ore

Off-price market is mastering fashion

In a market context where the traditional retail model is facing many difficulties, the take-off model can really make the difference.

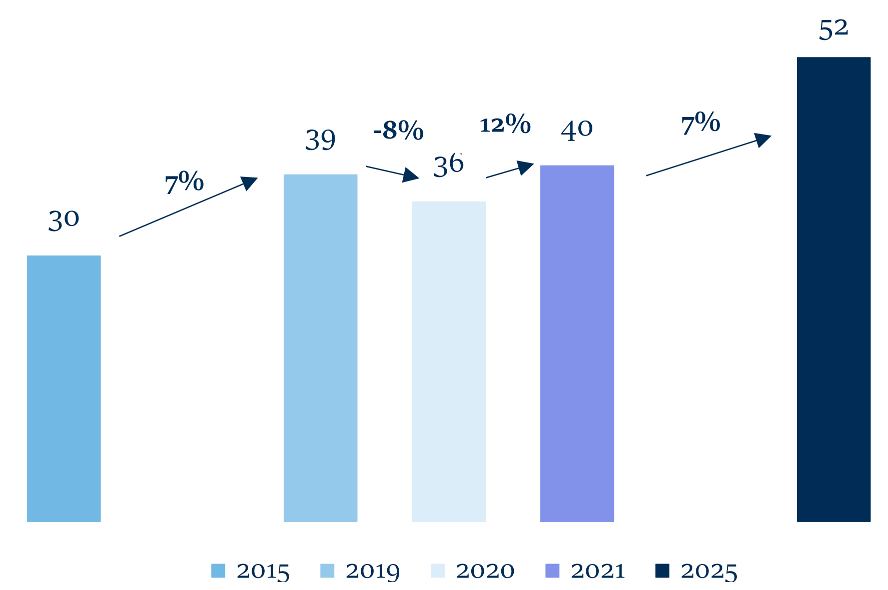
The Take Off model fits perfectly into a high potential market which is rapidly gaining ground in the fashion industry, **the Off-Price market.**

Off-price refers to the segment of the fashion market sold by dedicated off-price players or dedicated brand outlet locations. This segment is adjacent to the discounted fashion market, but our definition of the off-price market does not include in-season and end-of-season sales through full-price players or brands directly. *Source: Report McKinsey 2022 – Mastering off-price fashion in an omnichannel world*

The strong growth trend that is characterising this segment makes it difficult to ignore. According to the McKinsey 2022 report "Mastering off-price fashion in an omnichannel world", **the off-price segment is worth about €40bn, about 11% of the total fashion industry in the EU, which is equivalent to €368bn in total sales in 2021. The share is estimated to rise to 12% by 2025.**

Off-price segment is growing at impressive rates compared to the traditional one. The latter stands at a stable 1-3% per year, while off-price is expected to grow at a CAGR of 7% until 2025.

Off-Price fashion market size and growth (€bn – CAGR %)



Source: Company, TP ICAP Midcap, McKinsey Report – Mastering off-price fashion in an omnichannel world

Online Off-price: un opportunity

The growing popularity of the off-price market is particularly visible in the online channel, due to its greater convenience, simplicity of screening and breadth of assortment. The online off-price channel has seen impressive growth in recent years, as evidenced by revenues growing at a CAGR of 16% over the period 2015-2019, to account for 40% of the off-price market by 2020. According to McKinsey's analysis, this channel is expected to grow at a CAGR of 13% over the period 2021-2025.

For this reason, Take Off is developing its e-commerce offer, thus exploiting an important competitive leverage.

A sustainable solution

Off-price is standing out for two additional reasons, **sustanaibility and liquidity.** Sustainability is an increasing area of focus for manufacturers and brands. Off-price channel becomes a valid ESG solution, because prevents the destruction of potential oversupply. Product lifecycle can be extended, ensuring that energy invested in the supply chain is not wasted, and also reducing the emissions that would be issued to destroy unused goods.

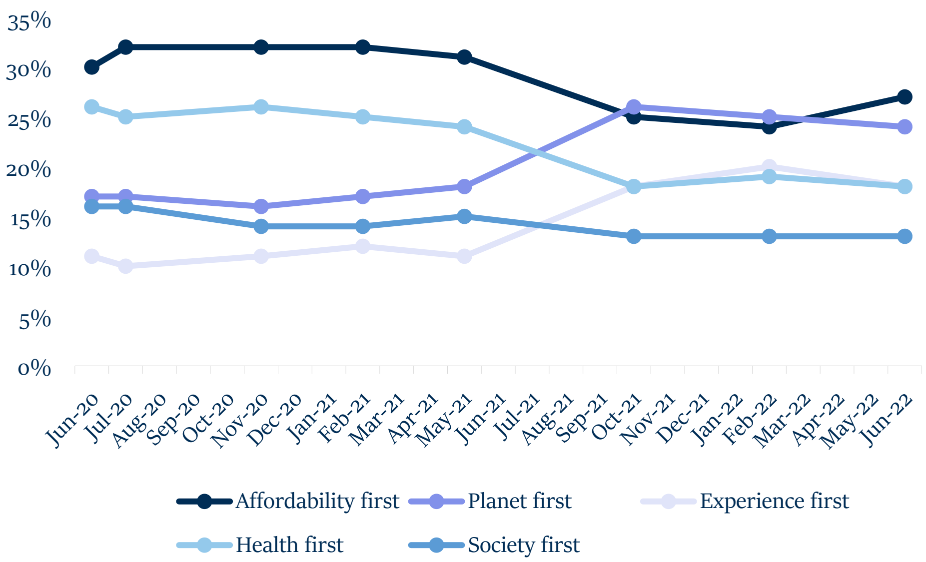
Off-price also gives brands and retailers the opportunity to get rid of excess inventories and maintain a healthy cash availability. Selling unsold goods allows to recover cash that would be otherwise tied up. *Source: McKinsey Report – Mastering off-price fashion in an omnichannel world, InTurn.*

Customer price sensitivity favours Off Price and Take Off

With inflation reaching a record high of 8% in June 2022 in Italy, the level of consumer spending has fallen dramatically. Istat data shows that in the first quarter of 2022, retail sales fell by 0.5% in value and 0.6% in volume. In June, on the other hand, there was a drop of 3.8% in volume compared to June 2021 and 1.8% compared to May 2022. This scenario can only favour players such as Take Off, who offer quality solutions at the lowest price on the market. *Source: ilfattoquotidiano, ilsole24ore, Istat*

In addition, pandemic and geopolitical tensions have radically changed consumers behaviours. A research conducted by EY in June 2022 – "Future Consumer Index"- shows how consumers shifted their priorities in response to emerging disruptions. Consumers became indeed more price sensitive switching their main focus on "Affordability". Nevertheless, they are still need to reward themselves with "treats", that is why they look for the value for money. Off-Price channel is definitely the best way to find the low cost alternative of what they dream of and Take Off definitely gives the best value for money, with its high fashion experience at unbeatable price. *Source: EY report 2022 – Future Consumer Index: In crisis, but in control*

Consumers priorities favour Take Off



Source: TP ICAP Midcap, EY report 2022 – Future Consumer Index: In crisis, but in control

Filling a vacant position gives the lead

The off-price market is now an established reality in the global fashion scene. It will be one of the main growth drivers in the medium to long term.

In this flourishing context, Italy is also becoming increasingly rich in outlets. The peculiarity of the Italian market is the presence of mostly individually managed outlets, thus with a **limited number of locations**, and the offer of **third-party branded products only**.

Prominent on the Italian scene are the McArthurGlen Designer Outlet, present with 5 locations selling only third-party brands, and the Mall Luxury Outlet (Kering), which has its own and third-party brand offerings, but with a limited presence of only 2 locations.

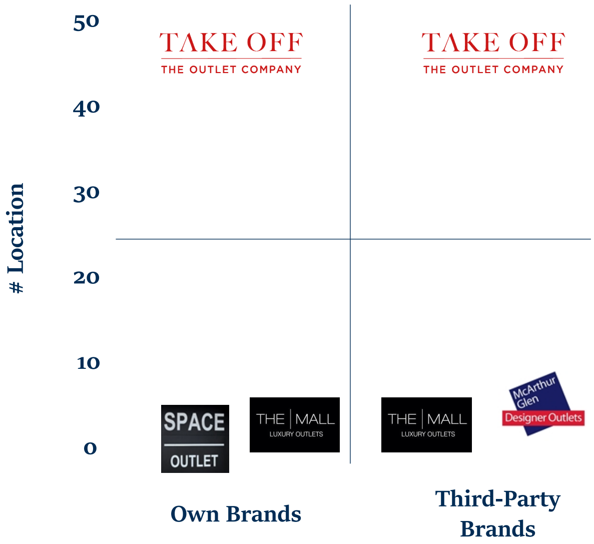
Prada is one of the few brands who started its own outlet, selling products of its **own brands only**. However , it is present with just one location, the “Space Outlet” in Montevarchi (Tuscany).

There is currently no player in the Italian market offering an outlet experience with own and third-party brand products with such a widespread presence in the Italian territory (46 outlets). Take Off therefore manages to exploit a market opportunity, filling that gap.

Moreover, none of the competitors in the territory have such an elaborate discount model. The Take Off model enjoys a high degree of flexibility that allows it to adapt to any market environment, always guaranteeing high mark-ups. Competitors, on the other hand, simply use a fixed discount model, which does not allow them to take full advantage of market opportunities and difficulties.

Take Off outlet unique positioning

	# Locations	Brand Offer	Discount
TAKE OFF THE OUTLET COMPANY	46	Own and Third party	Flexible
McArthur Glen Designer Outlets	5	Third party	Fixed
THE MALL	2	Own and Third party	Fixed
SPACE OUTLET	1	Own brand	Fixed



Source: Company, TP ICAP Midcap

Concerning children's fashion market in Italy, the competitive environment is very fragmented. In fact, several players operate, differing in size, price, quality and territorial presence. Over manages to maintain an excellent competitive positioning thanks to its enviable price/quality ratio and high margins.

Over aims to satisfy a demanding clientele by offering garments made mainly of natural fibres, guaranteeing maximum quality and safety.

However, the element that sets Over apart from all its competitors is its unique affiliation model. This model is much more flexible and has far fewer constraints than traditional franchising. This model allows to optimise operating costs (rent, personnel), transferring them to the franchisee, and above all to reduce risks, thanks to a withdrawal clause in the event of poor performance.

Lean cost structure and flexibility lead Over to offer quality garments at very low prices and maintain a high marginality.

It is also important to emphasise Over’s key role for the group. By adding the children's fashion segment, it completes the group's offer, enhancing its **selling proposition** and its **customer reach**, while the affiliation scheme allows a **quicker expansion of the retail network.** Thus the group can consolidate its leading position in the Italian market.

Over unique positioning

Source: Company, TP ICAP Midcap

Cash is King

Key Financials*

€ - m	FY19	FY20	FY21
Net Sales	**32.1**	**21.2**	**26.4**
Growth	*n.a.*	*-34.0%*	*24.6%*
Take Off	22.8	14.5	19.9
Over	9.3	6.7	6.5
EBITDA	**6.2**	**6.5**	**9.5**
EBITDA Margin	*19.3%*	*30.7%*	*36.1%*
Net Income	**3.5**	**3.8**	**5.6**
FCF	**4.6**	**(0.2)**	**6.1**
Capex	**2.3**	**2.0**	**0.4**
% Sales	*7.2%*	*9.3%*	*1.6%*
Net Debt/(Cash)	**(4.8)**	**(0.1)**	**(12.1)**
Net debt/EBITDA	**-0.8x**	**0.0x**	**-1.3x**
Net Gearing	*-37.1%*	*-1.2%*	*-51.3%*

Source: Company, TP ICAP Midcap

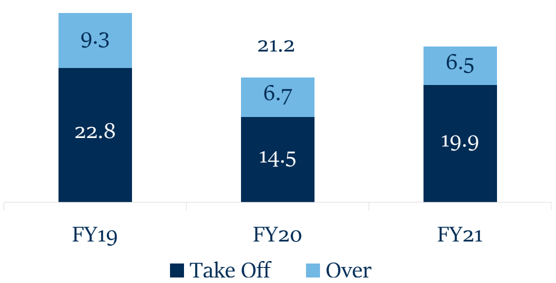
**Please note that FY19 and FY20 values represent aggregated figures of Take Off S.p.A. and Over S.p.A. and do not take into account the consolidation of Over finalised in October 2021. In addition, FY19 includes figures of the controlled companies Horizon Srl and Vistamare Srl, which were subject to a partial demerger occurred in October 2020, and they are no longer in the group perimeter.*

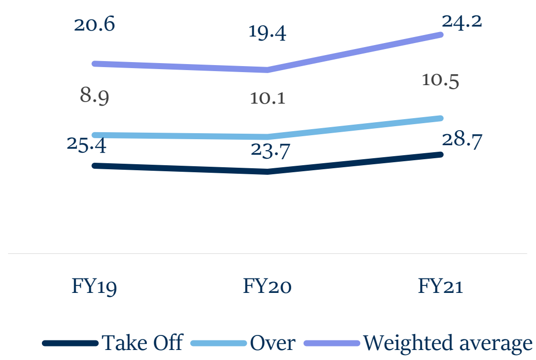
Sales increased by 25% to €26m (vs. €21m) on the back of the full reopening of the stores and a customer turnout back to normal.

Sales growth was driven by Take Off, reporting revenues up by +38% to €20m, which benefitted from increased volumes together with a price effect. Average selling price indeed went up to €28.7€ (vs. €23.7 in 2020 and €25.4 in 2019). Results confirmed the validity of the outlet business model, especially in a context of crisis where consumer are more price sensitive.

Over reported sales of €6.5m (-3% vs. €6.7m in 2020). Slight reduction due to volumes increased not as much as expected, in a traditional business model, which having not the price leverage as for the outlet, it takes slight longer to recover.

Sales breakdown 2021 (left) and sales evolution 2019-2021 (right)

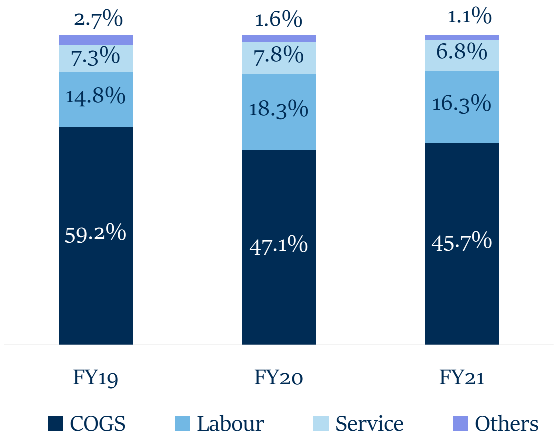


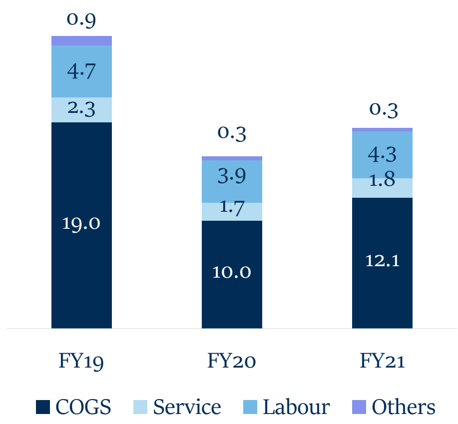


Source: Company, TP ICAP Midcap

Take off was very careful about cost efficiencies. Despite the increase in energy prices and cost of personnel due to inflation and stores reopening, the company managed to optimise the other costs, leading to a lower incidence on sales. In particular, the company drastically reduced the purchases of goods (- €4m), given the existing stock accumulated in 2020, leading to higher selling capacity at lower costs.

Cost incidence on sales (left) and Cost evolution 2019-2021 (right)



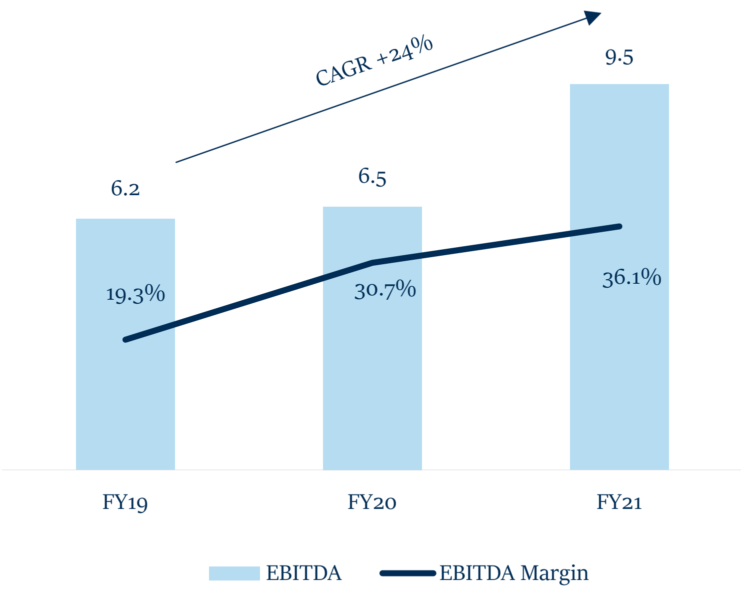


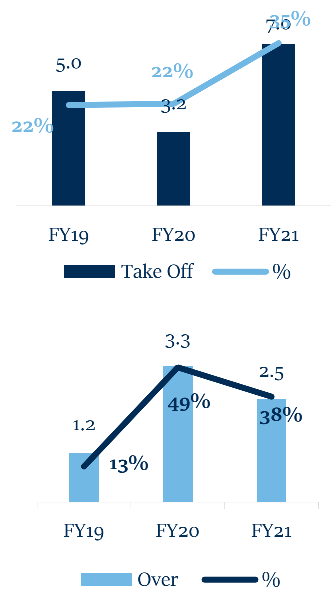
Source: Company, TP ICAP Midcap

The significant growth in revenues, thanks to increased volumes and average sale price, together with lower cost incidence, led to a boost in EBITDA margin. EBITDA landed at €9.5m (up +47% vs. 6.5m in 2020), confirming once again the group's high resiliency in context of crisis. It is relevant to highlight how Take off's business model, thanks to the peculiar pricing method *("divided by")* and cost efficiencies, is able to deliver higher margins than a common *"retailer"*. EBITDA margin indeed increased to 36.1% (vs. 30.7% in FY20).

As we can see from the graph below, both divisions have very high EBITDA margins (>30%). Take off can count on its **effective purchasing policy** (purchasing price for each item has to be between 6%-9%the retail cost price), while Over can boast a **flexible cost structure** guaranteed by the affiliate agreement system (it is the affiliate bearing most of the costs).

EBITDA evolution (left) and EBITDA breakdown by division (right)





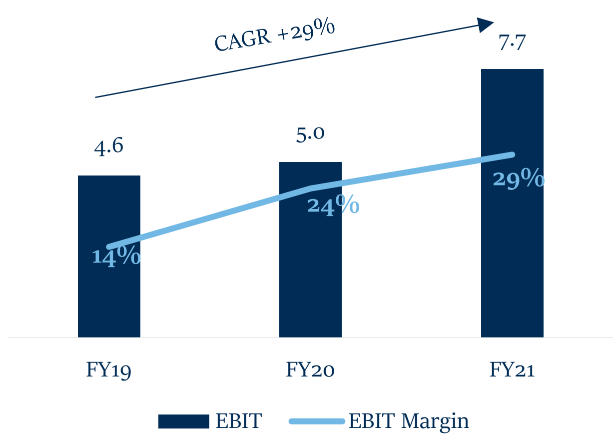
Source: Company, TP ICAP Midcap

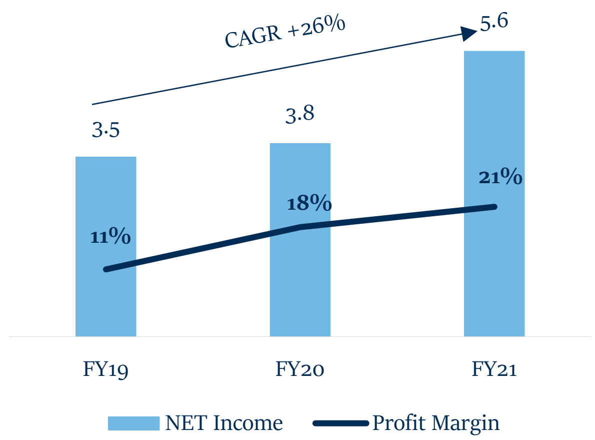
Following the increase in EBITDA and a substantially stable D&A dynamic, EBIT ramped up to €7.7m (vs. €5m in FY20), with margin at 29.1% (vs. 23.7% in FY20).

Net income stood at €5.6m, up by 48% (vs. €3.8m in FY20), on the back of an increased EBITDA, only partially offset by a slightly higher financial burden (due to new financings and leases) and taxes.

It is relevant to emphasise that Take off was always able to be profitable and historically increase its margins, proving its strength and confirming its big growth potential.

EBIT evolution (left) and Net Income evolution (right)





Source: Company, TP ICAP Midcap

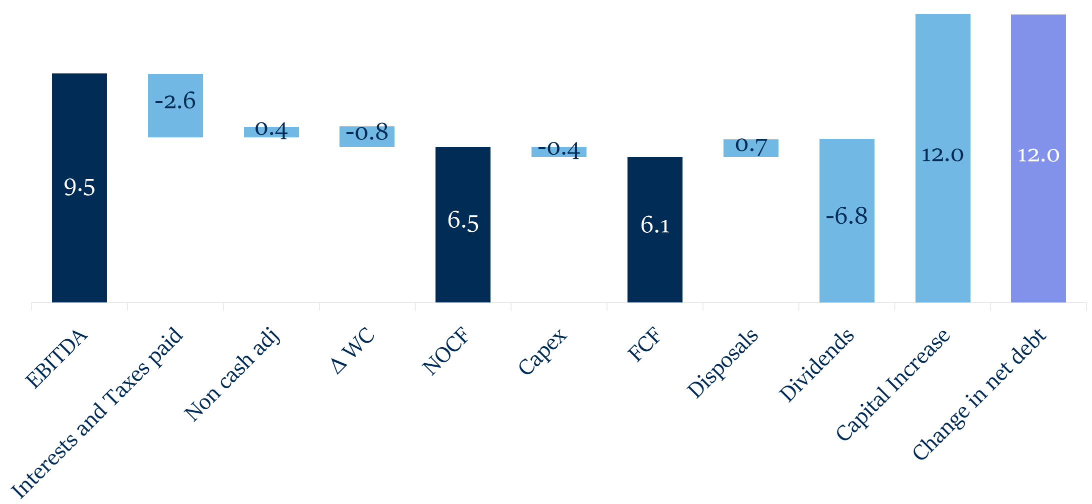
In 2021, the group confirmed its capacity to generate cash. The cash generation benefitted from an outstanding operating performance, an improved WC management, low investments and the capital increase.
Change in WC improved from -€3.5m in 2020 **to -€1m in 2021**. The positive dynamic was mainly market by (i) a decrease in inventory (+€2m), thanks to consumption recovery, offset by (ii) lower trade payables (-€2m), linked to less purchases made during the year (given the already full inventory at end 2020) and (iii) other receivables linked to listing process (-€1m).

Net operating cash flow stood at €6.5m and was further impacted by:

- **Capex for €0.4m.** Lower amount after high investment levels of the past years to follow the store expansion.
- **Dividends of €7m** (0.18/share, yield 4.4%), of which ca. €4m relates to the distribution of extraordinary reserves;
- **Capital Increase of €12m,** following the successful listing in November 2021.

As a result, the group was able to further increase its cash position to €12.1m (vs. €0.1m positive in 2021).

Net debt bridge at YE21



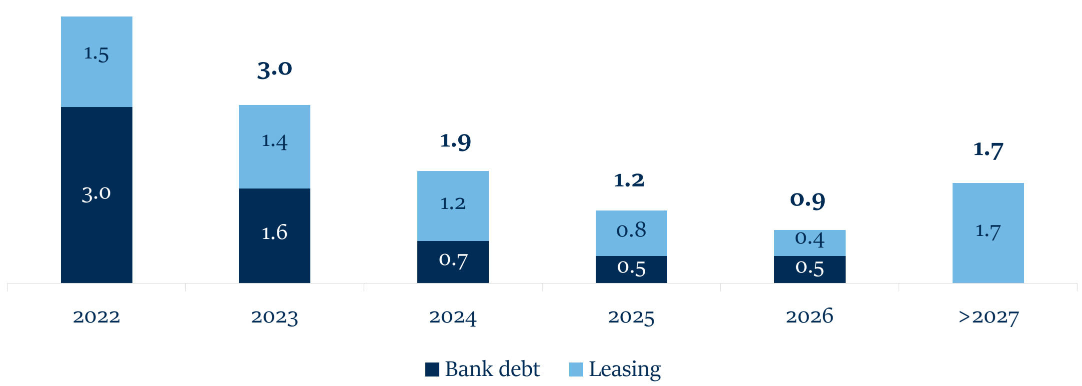
Source: Company, TP ICAP Midcap

Gross debt stood at €14m (vs. €15m at YE20). Reduction linked to the progressive repayment of the existing debt.

The group confirmed a solid credit profile, with a debt-light structure (only €14m debt vs. €27m cash and €24m equity at YE21) and a wide spread maturity profile. Interest rate risk is well under control thanks to a balanced debt structure, made up of 50% fixed rate loans.

It is worth underlining the quality of the group's financing structure, with a strong €12m net cash position and a gross gearing ratio (gross debt/equity) of 61%. **Ratios show how the group is well capable of financing the expansion of the retail network and M&A opportunities only resorting to their own resources.**

Debt Maturity Profile at YE21



Source: Company, TP ICAP Midcap

Business plan

The large cash reserves will be promptly invested in the group's growth. Growth will come, as it has been done since the beginning, through the expansion of the store network. Expansion is a key element for the groups's development, because it would not only increase volumes and generate important economies of scale, but above all, it would strengthen Take Off's brand awareness and reputation in the territory.

As already demonstrated in H1-2022, the group is proceeding apace with the opening of new stores. In H1-22, it has already opened 15 Take Off and 12 Over stores, reaching a total of 170 PoS (46 Take Off and 124 Over). The group has historically focused on new openings at the beginning of the year, so we conservately estimate it could reach a total of 48 Take Off and 128 Over stores by the end of the 2022.

Taking into account the investment required for new openings, estimated at about €100,000 for Take Off (x 17 new openings estimated in 2022) and €10,000 for Over (x 16 new openings), we have estimated a capex of about €2m in 2022. (approx. 6% of sales).

Despite the expected long term cash generation, we conservatively maintain a stable capex at about 5% p.a. from 2023, estimating a continued growth of the retail network and maintenance investments.

As always, new stores will be opened according to the cost, size and location criteria established by the group.

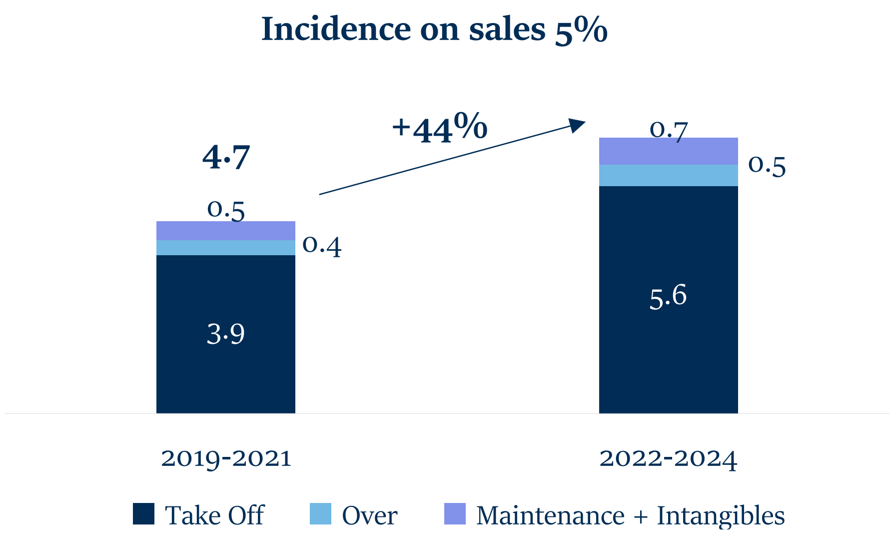
In order to make transport more efficient and improve its commercial effectiveness, the group wants to invest in a new logistics hub. The latter would allow a better connection between the various stores and facilitate the sorting and allocation of goods, which is crucial in Take Off's business model.

E-commerce will develop gradually as the stores expand. For the time being, the online sales channel represents only 1% of the group's revenues, acting only as addictional access for customers, and is therefore estimated to represent only a marginal part of Capex.

We therefore expect an important increase in capex from about €5m in the years 2019-2021 to about €7m in the following three years.

The group is also monitoring potential M&A transactions. The intention is to accelerate growth by integrating established players from the same market. We estimate that the possible target could have a similar size to the group (€15m-€40m turnover), allowing it to double in revenues and consolidate its position as market leader.

Business Plan 2022-2024



Source: Company, TP ICAP Midcap

Outlook

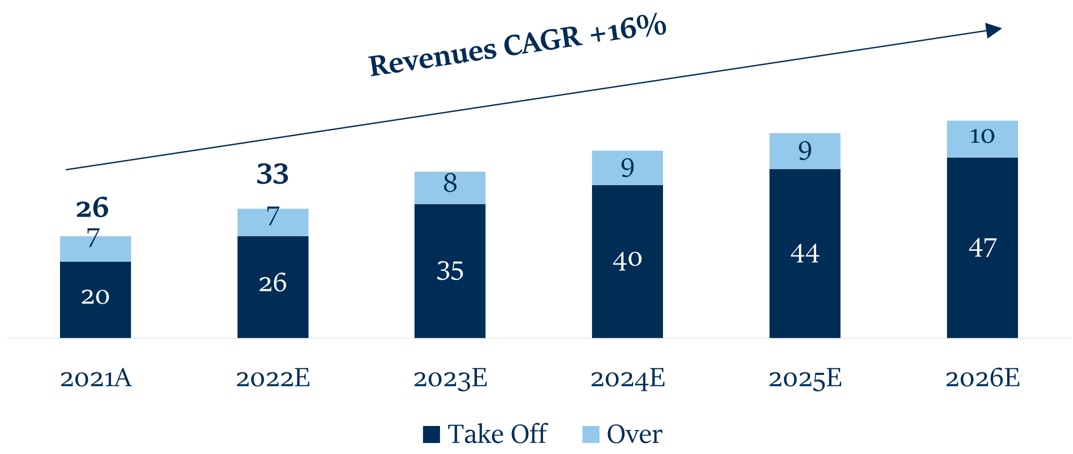
The challenging market environment allowed the group to prove its resilience and bring out its strengths even more. Its business model has the right feautures to scale rapidly in terms of numbers and territorial presence.

The strong expansion of the outlet network, supported by a strongly positive off-price market outlook, leads us to **estimate Take Off division 2022 revenues of €26m. We then expect it to reach €47m by 2026 at a CAGR of 19%.**

For Over, we expect a more stable growth. However, we believe it will benefit from an increased visibility derived from Take Off division boost. Over will in fact serve as a complement to the group's offering, enabling it to extend and consolidate its target customer base.

Taking into account the resilience, the strong expansion potential and many synergies that can be generated between the two brands**, we expect the group will be able to increase its revenues from €33 million in 2022 to €56 million in 2026, with a CAGR of 16%.**

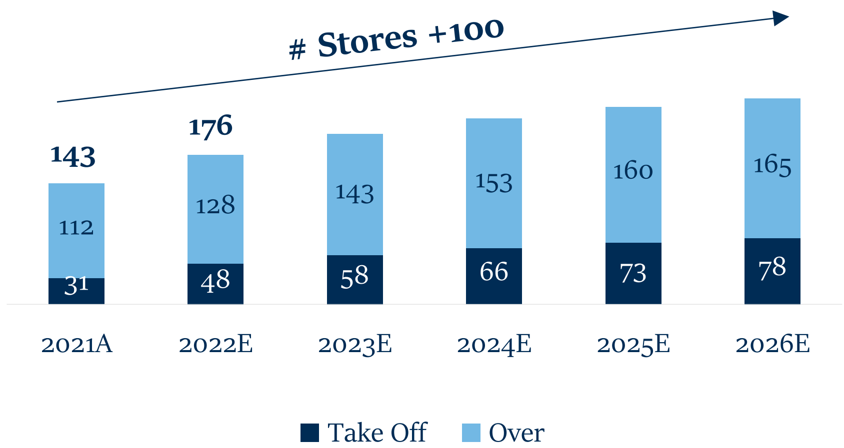
Revenue growth forecast by BU (in €M)



Source: Company, TP ICAP Midcap

Group's growth comes mainly from the expansion of the retail network. Large cash reserves and a favourable market environment, in which the rent price is still relatively low (-20-25% vs. pre-pandemic period), enables the acceleration of new openings. We therefore believe that the group will be able to reach **176 shops (already 170 as of June 2022) by the end of 2022. Holding more conservative estimates from 2023, we estimate that it could reach 243 stores in 2026.**

Store Network forecast (# Stores)



Source: Company, TP ICAP Midcap

Despite a better top line, the inflationary environment, which is refleting in a sharp rise in operating costs, is expected to put pressure on margins in the coming years, while still remaining at higher levels than peers.

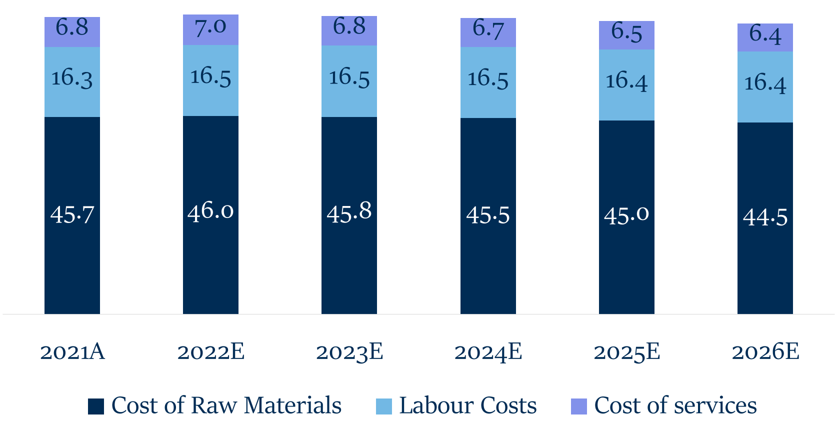
In fact, we estimated:

1. A sharp increase in the cost of goods (with the rise in cost of raw materials), whose incidence on sales is expected to rise from 45.7% in 2021 to 46% in 2022. It is then expected to reducen to 44.5% in 2026 as a result of increased efficiency and negotiating power achieved through the expansion of the retail network.

2. Higher costs of services, driven mainly by rising energy and transport costs. Their incidence on sales is expected to rise from an 6.8% in 2021 to 7% in 2022. We believe it will stabilise at around 6% in 2026, due to generated economies of scale, investments in logistics and a gradual normalisation of energy prices.

3. Increase in labour costs, taking into account inflation at historical levels and the progressive expansion of the number of stores. We have therefore estimated an increasing incidence of 16.5% in 2022 (vs. 16.3% in 2021), which will remain stable in the following years.

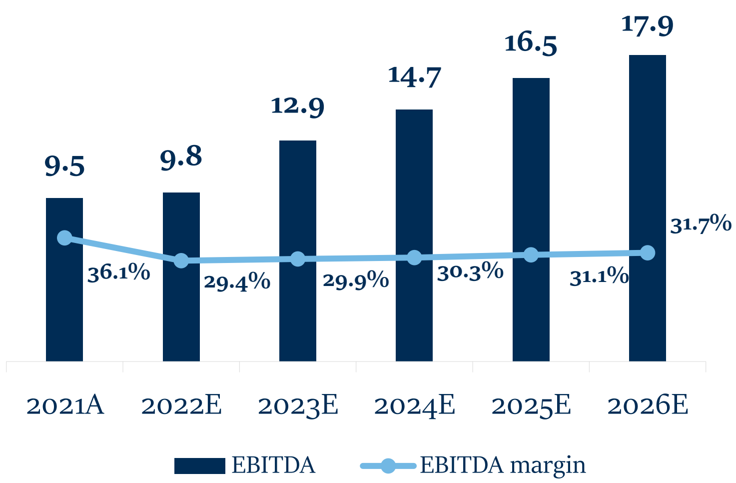
Operating costs forecast (incidence % on sales)



Source: Company, TP ICAP Midcap

As a result, we expect pressure on 2022 EBITDA margins, which we estimate should fall to 29.4% (vs. 36.1% in 2021), remaining highly above both classic retailers (e.g. Inditex, Fast Retailing) and off-price players (e.g. Burlington, TJX). The normalisation of inflation levels, coupled with the generated efficiencies and passing on costs to customers, are expected to gradually revive the group's profitability. We are therefore targeting an EBITDA margin permanently above 30% from 2024.

EBITDA forecasts (€M and margin %)

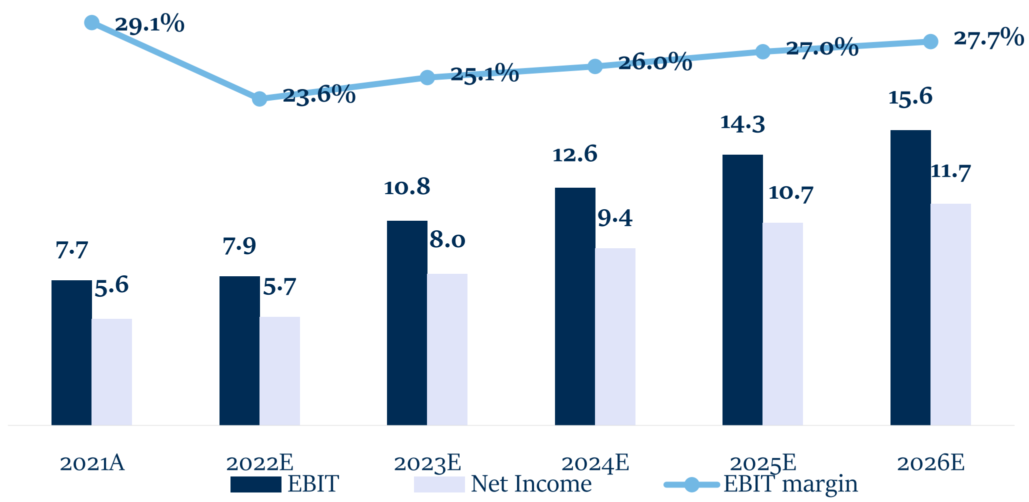


Source: Company, TP ICAP Midcap

Despite an expected slight increase in D&A correlated to the store network expansion, we are confident on an increase in EBIT, in line with higher EBITDA values. EBIT margins are estimated to follow the same trend as EBITDA ones, a drop in 2022 to be rapidly recovered already from 2023. We therefore estimated EBIT to grow at a 15% CAGR 21-26 to reach €16m in 2026, with margins landing at ~28%.

Following substantially stable interest expenses (given a bulk of fixed rate debt) and tax burden, we estimates Net income to reach ~€6m in 2022 to reach ~€12m in 2026.

EBIT and Net Income forecasts



Source: Company, TP ICAP Midcap

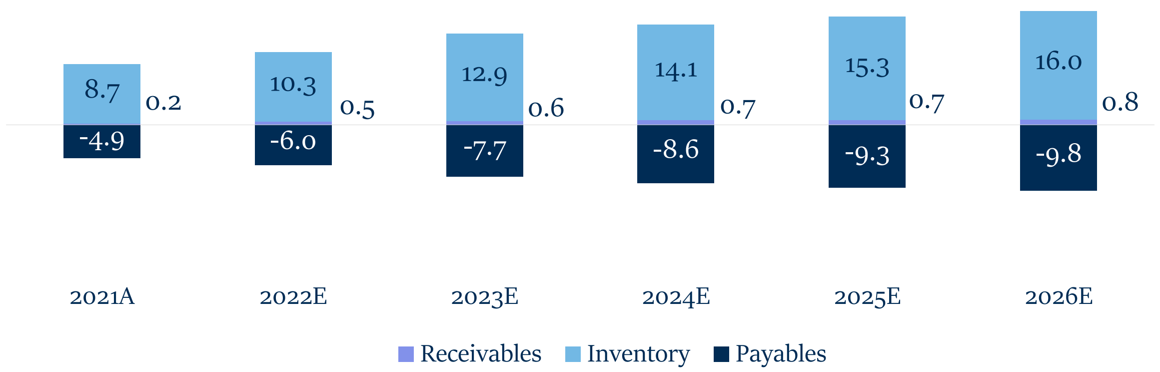
Working Capital

Working capital management is a crucial element for the entire retail sector. The active inventory management and a strong supplier network enables Take Off to make a difference. As further evidence, Take Off has a very fast working capital turnover, with a net cycle of around 118 days in 2021 (considering DSO, DIO and DPO only).

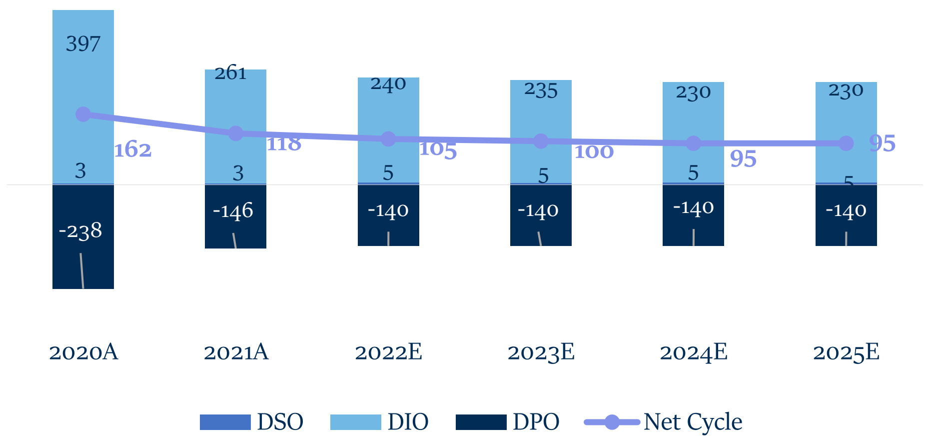
Following an expected recovery of business to normal levels, we forecast a general growth in working capital needs. We have therefore estimated slight higher receivables with DSO increased to 5 days in 2022 (vs. 3 days in 2021), to maintain stable for the whole period. Still negligible thanks to the retail nature of the business. Inventories also expected to increase in absolute value (€10.3m estimated in 2022 vs. €8.7m in 2021), but with a faster inventory turnover, estimated to 240 days in 2022 (vs. 261 days in 2021) and to stabilise to 230 days by 2026. We believe that the efficiency of the warehouse can therefore improve over time, which will be further enhanced if the group invest in a new logistics hub. Established relationships with suppliers lead us to keep DPO stable at around 140 days for the whole period.

Following these estimates, we expect a net cycle ready to stabilise under 100 days.

WC forecasts (€M) and Net Cycle evolution (days)



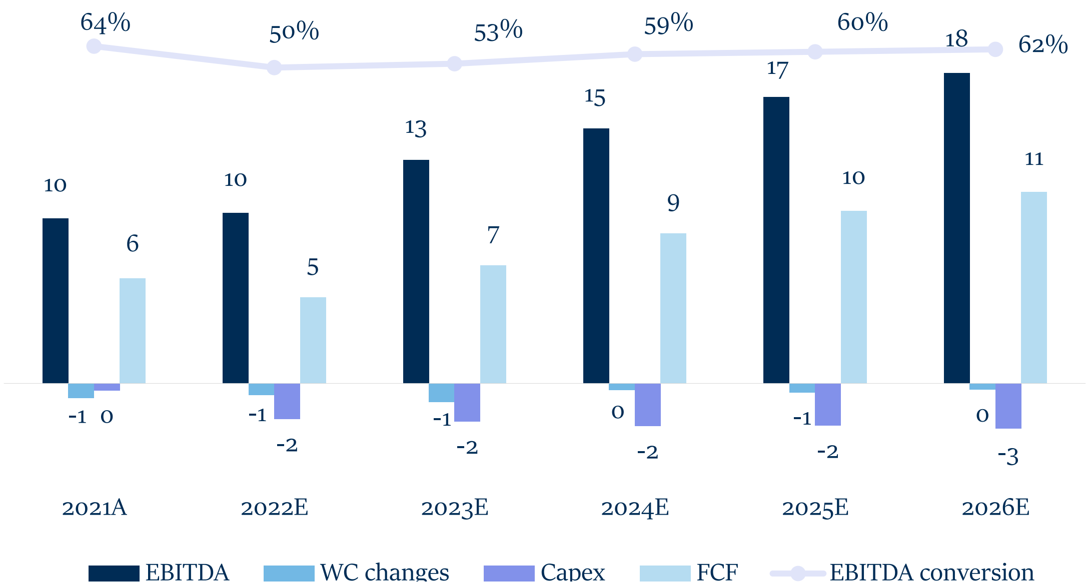
Source: Company, TP ICAP Midcap



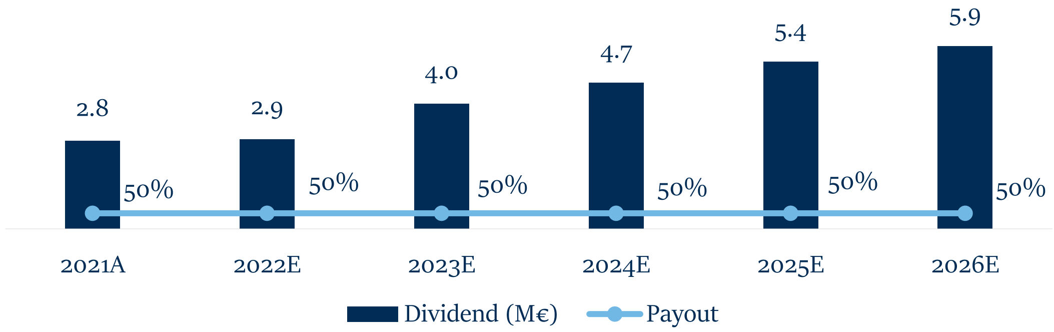
Source: Company, TP ICAP Midcap

Expected positive operational performance, driven by planned expansion and achieved efficiencies, will lead to long term cash generation. As a result, we expect FCF to reach €11m in 2026(vs. €6m in 2021), and a EBITDA conversion rate stably above 50% for the whole period. Free cash flow which should allow to regularly pay dividends to their shareholders (stable pay-out ratio at 50%).

FCF, EBITDA conversion and dividend forecasts



Source: Company, TP ICAP Midcap



Source: Company, TP ICAP Midcap

Valuation: What are you waiting for?

We are initiating our coverage of Take Off with a **Buy rating and a target price of €7.6/share (82% upside potential).**

We determined the intrinsic value using both DCF method (75% weight) and a multiple trading approach (25%).

The company is currently trading at **EV/Sales 2022E of 1.6x, EV/EBITDA 2022E of 5.4x, and P/E 2022E of 11.4x.** At our price target of **€7.6**, Take Off would trade at **EV/Sales 2022E of 3.2x, EV/EBITDA 2022E of 10.9x and P/E 2022E of 20.7x**, thus we are convinced the company current valuation is below its real intrinsic value.

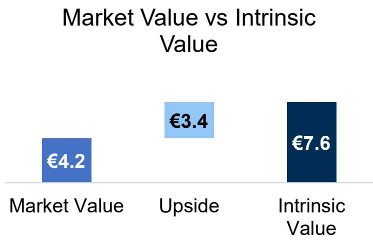
Based on this high upside potential, we believe that Take Off's valuation is very attractive, and we set our **Buy recommendation.**

Valuation Summary

Implied multiples @target

	2022E	2023E	2024E	2025E
EV/Sales	3.2x	2.5x	2.2x	2.0x
EV/EBITDA	10.9x	8.3x	7.3x	6.5x
EV/EBIT	13.6x	9.9x	8.5x	7.5x
P/E	20.7x	14.9x	12.7x	11.1x

Method	FV 2022E	Coefficient
DCF	7.8	75.0%
Multiples	7.2	25.0%
Target Price	**7.6**	
Upside	**82%**	



Source: FactSet, TP ICAP Midcap

Discounted Cash Flow Method

For this approach, we make the following assumptions:

Normative flows

- A normative EBITDA margin of 31.7% by 2031E
- Normative Capex at 4.0% of sales by 2031E
- Stable WC at 10.4% of sales by 2031E
- Modelling of corporate income tax in line with the Italian rate of 27.9%

Discount rate

- A risk-free rate of 3.6% (BTP 10 years)
- A market risk premium of 8.5%
- A re-levered beta of 0.6x including 100% equity financing
- A size, liquidity, and specific risk premium of 3.0%
- A cost of debt of 2.6%
- A long-term growth rate of 1.0%
- A WACC of 11.7%.

DCF flows table

FY ending in Dec (€-M)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Sales	**33.4**	**43.1**	**48.5**	**53.1**	**56.4**	**59.7**	**63.1**	**66.6**	**70.0**	**73.5**
% var	*24.6%*	*28.9%*	*12.5%*	*9.5%*	*6.2%*	*5.9%*	*5.7%*	*5.4%*	*5.2%*	*5.0%*
EBITDA	9.8	12.9	14.7	16.5	17.9	18.9	20.0	21.1	22.2	23.3
% var	*46.5%*	*31.1%*	*14.0%*	*12.4%*	*8.2%*	*5.9%*	*5.7%*	*5.4%*	*5.2%*	*5.0%*
% Sales	*29.4%*	*29.9%*	*30.3%*	*31.1%*	*31.7%*	*31.7%*	*31.7%*	*31.7%*	*31.7%*	*31.7%*
D&A	(1.9)	(2.0)	(2.1)	(2.2)	(2.2)	(2.4)	(2.5)	(2.6)	(2.8)	(2.9)
% Sales	*(5.8%)*	*(4.8%)*	*(4.3%)*	*(4.1%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*
EBIT	7.9	10.8	12.6	14.3	15.6	16.6	17.5	18.5	19.4	20.4
% Sales	*23.6%*	*25.1%*	*26.0%*	*27.0%*	*27.7%*	*27.7%*	*27.7%*	*27.7%*	*27.7%*	*27.7%*
Taxes	(1.7)	(2.4)	(2.8)	(3.2)	(3.5)	(4.6)	(4.9)	(5.2)	(5.4)	(5.7)
Taxes rate	*21.6%*	*22.6%*	*22.6%*	*22.6%*	*22.6%*	*27.9%*	*27.9%*	*27.9%*	*27.9%*	*27.9%*
D&A	(1.9)	(2.0)	(2.1)	(2.2)	(2.2)	(2.4)	(2.5)	(2.6)	(2.8)	(2.9)
CAPEX	(2.1)	(2.2)	(2.5)	(2.4)	(2.6)	(2.7)	(2.7)	(2.8)	(2.9)	(2.9)
% Sales	*(6.2%)*	*(5.1%)*	*(5.1%)*	*(4.6%)*	*(4.6%)*	*(4.5%)*	*(4.4%)*	*(4.3%)*	*(4.1%)*	*(4.0%)*
WC	3.5	4.6	5.0	5.5	5.9	6.2	6.6	6.9	7.3	7.6
var.		*30.2%*	*8.2%*	*10.4%*	*6.3%*	*5.9%*	*5.7%*	*5.4%*	*5.2%*	*5.0%*
% Sales	*10.6%*	*10.7%*	*10.3%*	*10.4%*	*10.4%*	*10.4%*	*10.4%*	*10.4%*	*10.4%*	*10.4%*
Δ WC	0.7	1.1	0.4	0.5	0.3	0.3	0.4	0.4	0.4	0.4
% Sales	*2.0%*	*2.5%*	*0.8%*	*1.0%*	*0.6%*	*0.6%*	*0.6%*	*0.5%*	*0.5%*	*0.5%*
FCF	**5.4**	**7.2**	**9.0**	**10.3**	**11.4**	**11.3**	**12.0**	**12.8**	**13.5**	**14.3**
Discounted FCF	5.2	6.2	7.0	7.2	7.1	6.3	6.0	5.7	5.4	5.1

Source: Company, TP ICAP Midcap

Sum of discounted FCF	**61.4**
Discounted TV	**48.2**
Enterprise Value	**109.6**
Net Debt	**-12.1**
Provisions	**0.0**
Minoritaires	**0.0**
Equity Value	**121.7**
Diluted NoSHm	**15.6**
Valuation/Share	**7.8**
Potential upside (downside)	***85%***

		WACC				
		10.7%	11.2%	11.7%	12.2%	12.7%
TGR	0.5%	8.4	8.0	7.7	7.3	7.0
	0.8%	8.5	8.1	7.7	7.4	7.1
	1.0%	8.6	8.2	**7.8**	7.5	7.2
	1.3%	8.7	8.3	7.9	7.5	7.2
	1.8%	8.9	8.5	8.1	7.7	7.4

Source: Company, TP ICAP Midcap

According to the DCF method, **the enterprise value (EV) amounts to €110m and an equity value of €122m, or 7.8€ per share (15.6m diluted NoSHm).**

Market peers

When analysing Take Off we realised that its peculiar business model makes it a unique player, therefore finding comparable companies was not an easy job. We screened the markets in which the group operates, selecting companies by taking into account their size, EBITDA margins, debt level, but above all their business models.

Operating in off-price fashion, we selected the American giants, Burlington, TJX, Ross and Nordstrom, which differ in size, but they are comparable in terms of their outlet sales model.

We selected players in the clothing and footwear market in Italy, such as Ovs Spa, Giglio.com and Monnalisa, which cover all the segments in which Take Off operates: adult's wear, children's wear, international brand outlets and online sales.

We have added Portobello Spa, as a retail reality, which through its barter-focused model, reaches comparable margin levels.

Multiples of Listed Peers

Company Name	Ticker	Country	Market Value (€m)				EV/Sales			EV/EBITDA			EV/EBIT			P/E		
			Equity	EV	EBITDA Margin	Net Debt/EBITDA	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24
Burlington Stores, Inc.	BURL-US	United States	9,378	13,482	10.9%	0.5x	1.6x	1.4x	1.3x	20.2x	15.4x	13.4x	34.2x	23.7x	19.3x	34.3x	23.3x	18.3x
TJX Companies Inc	TJX-US	United States	73,548	83,558	11.4%	-0.5x	1.7x	1.6x	1.5x	14.7x	13.4x	12.2x	17.4x	15.7x	14.3x	20.5x	18.2x	16.3x
Ross Stores, Inc.	ROST-US	United States	30,496	31,854	14.2%	-0.9x	1.8x	1.7x	1.6x	14.2x	12.6x	11.3x	17.0x	14.6x	13.1x	21.6x	18.2x	16.1x
Nordstrom, Inc.	JWN-US	United States	2,831	6,930	8.7%	2.0x	0.4x	0.4x	0.4x	5.6x	5.4x	5.4x	10.6x	10.1x	10.2x	7.4x	6.8x	6.2x
OVS SpA	OVS-IT	Italy	446	1,547	19.1%	4.5x	1.1x	1.0x	1.0x	7.6x	7.2x	6.1x	14.8x	13.8x	11.5x	7.2x	6.6x	5.1x
Giglio.com SpA	G.COM-IT	Italy	39	25	-6.3%													
Portobello SpA	POR-IT	Italy	81	91	19.3%	1.0x	0.7x	0.4x	0.4x	3.5x	2.4x	1.8x	4.2x	2.8x	2.1x	5.9x	3.9x	2.6x
Monnalisa SpA	MNL-IT	Italy	16	25	-2.5%		0.5x	0.5x	0.4x	8.0x	6.4x	5.0x		26.8x	8.7x		29.0x	8.2x
			Average				1.1x	1.0x	0.9x	10.5x	9.0x	7.9x	16.4x	15.3x	11.3x	16.2x	15.1x	10.4x
Take Off	TKO-IT		66	54	36.1%	-1.3x	1.6x	1.2x	1.1x	5.4x	4.2x	3.6x	6.8x	4.9x	4.3x	11.4x	8.2x	7.0x
							44.8%	22.9%	17.5%	(48.3%)	(53.6%)	(53.9%)	(58.6%)	(67.8%)	(62.5%)	(29.3%)	(46.0%)	(32.8%)

Source: FactSet, TP ICAP Midcap

Peers Valuation

EV/Sales	Dec-22	Dec-23	Dec-24
Sales TAKE OFF	33.4	43.1	48.5
Multiple	1.1x	1.0x	0.9x
Discounted multiple @0%	1.1x	1.0x	0.9x
EV	37.0	43.6	45.6
+/- equity bridge	12.1	14.2	17.0
Equity value	49.1	57.7	62.5
Diluted NoShm	15.6	15.6	15.6
Price/share	**3.14**	**3.70**	**4.00**
Average Price/share		3.61	
% upside/downside		(89.2%)	

EV/EBITDA	Dec-22	Dec-23	Dec-24
EBITDA TAKE OFF	9.8	12.9	14.7
Multiple	10.5x	9.0x	7.9x
Discounted multiple @0%	10.5x	9.0x	7.9x
EV	103.6	115.3	116.0
+/- equity bridge	12.1	14.2	17.0
Equity value	115.7	129.5	133.0
Diluted NoShm	15.6	15.6	15.6
Price/share	**7.40**	**8.29**	**8.51**
Average Price/share		8.07	
% upside/downside		92.1%	

EV/EBIT	Dec-22	Dec-23	Dec-24
EBIT TAKE OFF	7.9	10.8	12.6
Multiple	16.4x	15.3x	11.3x
Discounted multiple @0%	16.4x	15.3x	11.3x
EV	129.3	166.3	142.6
+/- equity bridge	12.1	14.2	17.0
Equity value	141.3	180.5	159.6
Diluted NoShm	15.6	15.6	15.6
Price/share	**9.05**	**11.55**	**10.21**
Average Price/share		10.27	
% upside/downside		144.5%	

P/E	Dec-22	Dec-23	Dec-24
Earning TAKE OFF	5.7	8.0	9.4
Multiple	16.2x	15.1x	10.4x
Discounted multiple @0%	16.2x	15.1x	10.4x
Equity Value	92.8	121.5	97.7
Diluted NoShm	15.6	15.6	15.6
Price/share	**5.94**	**7.77**	**6.25**
Average Price/Share		6.66	
% upside/downside		58.5%	

Average Multiples	
EV/Sales	3.6
EV/EBITDA	8.1
EV/EBIT	10.3
P/E	6.7
Average	**7.2**
Upside	**70.3%**

Source: Company, TP ICAP Midcap

Considering the average multiples of EV/Sales, EV/EBITDA, EV/EBIT and P/E over the years 2022, 2022 and 2024, we obtain a **relative valuation of €7.2, which implies a potential upside of 70%.**

Share Price and Warrants

In May 2022, Take Off issued 15,625,000 warrants to be assigned to shareholders.

Conversion will be in the ratio of 1 share for each 4 warrants held. This will lead to a maximum of 3,906,200 new shares.

The warrant can be exercise in three exercise periods with three different strike prices.

Exercise period I is from November 14 to November 25 2022, with a strike price fixed at the IPO price (€4) +30%, namely €5.2.

Exercise period II is from November 13 to November 24 2023, with a strike price fixed at €5.2+15%, namely €5.98.

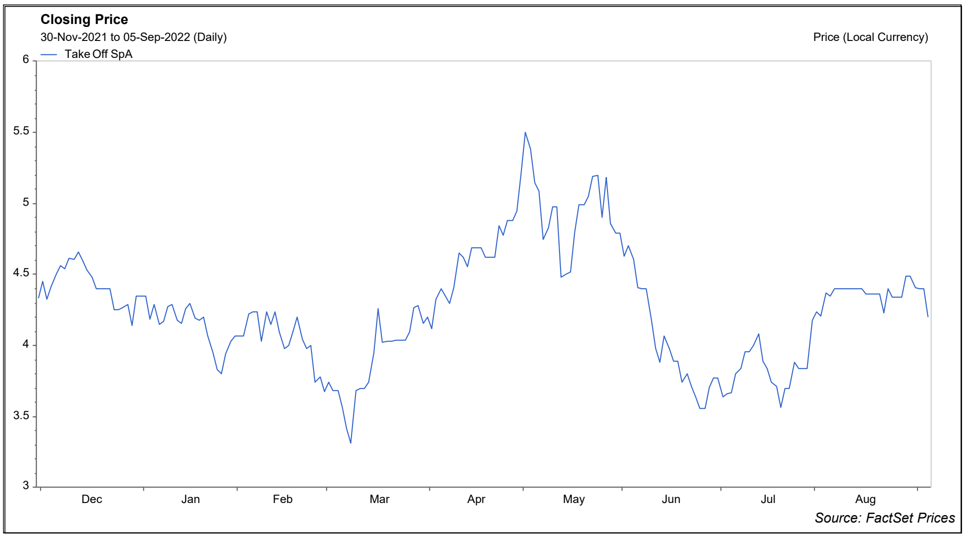
Exercise period II is from November 11 to November 22 2024, with a strike price fixed €5.98+15%, namely €6.87.

Assuming a stock price of €5.2, the group would potentially raise €20.3m.

Considering that the option is currently out of the money, any exercise of the warrants has not been taken into account in our valuation.

Warrants Take Off 2022-2024	
Isin	IT0005467474
4 warrants = 1 new share	
Exercise period I	14/11/2022
Exercise period II	13/11/2023
Exercise period III	11/11/2024
Strike Price period I (IPO+30%)	€ 5.20
Strike Price period II (€5.2+15%)	€ 5.98
Strike Price period III (€6.87+15%)	€ 6.87
# warrants	15,624,800
Conversion Factor	4
# Shares	15,624,800
Potential New Shares	3,906,200
Potential New Capital	€ 20,312,240
Final # Shares	19,531,000

Source: Company, TP ICAP Midcap



Annexes

ESG Commitment

Take-Off released its first Sustainability Report in 2021, with the goal of incorporating ESG factors into its business strategy.

In order to identify, assess and prioritise significant ESG aspects, Take-Off conducted a materiality analysis that included both the Group internal and the external stakeholders' perspectives. Ten relevant material topics have been selected :

- **Environment (3):** Managing consumption and the environmental footprint - Sustainable packaging - Responsible procurement and sustainable products;
- **Social (3):** Development and enhancement of human capital - Occupational health and safety - Communities and local economies;
- **Governance (4):** Consumer privacy - Ethics and integrity - Listening and communicating with the customer - Sound financial performance.

ENVIRONMENT

The Group is conscious of the environmental impact of the industries in which it operates and wishes to encourage their transition to a circular economy.

Internally, Take-Off is committed to minimising waste (limit waste production, promote recycling and reduce the use of plastic), natural resources consumption and to integrate "green products" in its offering. It also aims to increase the number of environmentally aware suppliers, and whenever possible, using environmental criteria in its choice of packaging and consumables.

However, as a retailer, Take-Off's environmental impact is mostly related to its supply chain. Its environmental responsibilities vary depending on the type of activity it performs :

Off-price retailing : If by purchasing unsold goods, Take-Off prevents them from being discarded, this business model is not a sustainable solution in itself because it relies on brands producing too much inventory. That being said, Take-Off can make this activity more sustainable by considering environmental criteria in the selection of his suppliers (e.g. why they use his services: is it incompressible unsold goods or does the brand produced far more than necessary ?) and choosing environmentally friendly ways of distribution. If its suppliers - which mainly operate in Italy (>60%) - are not yet evaluated on environmental criteria, the Group will consider further actions in the future to strengthen the assessment of each supplier's sustainability profile.

Classic retailing : When the Group manufactures its own products, it must consider the raw materials used and the manufacturing methods, in addition to the environmental impact of distribution, because depending on those chosen, the environmental impact differs greatly.

SOCIAL

On the social aspect, two issues are mostly put forward: employee’s health/safety and training :

- Health and safety: the Group has defined and formalised a health and safety policy, which is ISO 45001 certified. For instance, actions have been taken to minimise risks at the source, adopt equipment in production activities that meet the essential safety requirements and ensure adequate awareness on health and safety for all workers.
- Training: in addition to health and safety, trainings also include specific courses on soft skills and technical and organisational skills associated with the different types of employee activities.

GOVERNANCE

Internal process

Take-Off management system is certified ISO 9001 (full achievement by the end of 2022). Products are randomly analysed by specialised laboratories, both in terms of quality and health and safety, to ensure that the composition of the materials does not contain substances that are hazardous to human health and the environment (e.g. formaldehyde, pesticides and herbicides, carcinogenic dyes, etc.).

Supply Chain

Take-Off anti-bribery management system is ISO 37001 certified (full achievement by the end of 2022). In addition, the Group adopted a Code of Ethics on a voluntary basis and an Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/01. Suppliers are selected on its basis. A whistleblowing procedure has also been implemented. This year, zero incidents of non-compliance with social and economic laws and regulations, as well as zero incidents of corruption ascertained have been reported.

CONCLUSION

For its first year, Take-Off did quite well. The identification methodology and the implementation of certifications are good things. However, a lot of information is still missing, especially numerical ones. Take-Off can learn from its larger peers and have its ESG approach assessed by rating agencies, provide more quantitative information, and set quantitative ESG targets to track its performance over time.

Another criticism may be the scope of actions. Most of the information related to the environment is focused on direct impact, whereas most of the impact of Take-Off is indirect.

The Group is on the right track, having published its first Sustainability Report 2021 and having fully integrated ESG factors into its business strategy. The group has already achieved several ESG certifications, and many more are planned to be achieved by 2022, leaving certainty in respect to the group's total ESG commitment.

Source: Company, TP ICAP Midcap

Market Peers

Burlington	Burlington is an American national off-price department store retailer with 1000+ stores in 40 states and Puerto Rico, with its corporate headquarters located in Burlington Township, New Jersey. The company went public again in 2013. Burlington is the third largest off-price retailer after TJX Companies and Ross Stores.
TJX	The TJX Companies, Inc., the leading off-price apparel and home fashions retailer in the U.S. and worldwide, was ranked 75 in the 2022 Fortune 500 company listings. At the end of fiscal 2022, the Company had nearly 4,700 stores across nine countries and three continents, and five distinctive branded e-commerce sites.
ROSS DRESS FOR LESS	Ross Stores, Inc., operating under the brand name Ross Dress for Less, is an American chain of discount department stores headquartered in Dublin, California. It is one of the largest off-price retailers in the U.S. operating through more than 1500 around the country.
NORDSTROM	Nordstrom is an American department store chain headquartered in Seattle, Washington. It is one of the largest off-price retail player in the US and Canada, with its off-price division Nordstrom Rack.
OVS	OVS S.p.A. is the leading company in the Italian women's, men's and kids' apparel market with a market share of 9.3%. Under OVS, UPIM and Stefanel brands it counts over 2,050 stores in Italy and overseas. OVS was floated on the Italian Stock Exchange in March 2015, in 2021 net sales amounted to Euro 1,358.9 million.
GIGLIO.COM	Giglio is the first online fashion store in Italy. Giglio sells luxury and fashion products and accessories online (majority of sales) and through its physical point of sales. It sells more than 300 international fashion brands in more than 150 countries. It also serves the market with an outlet division.
MONNALISA	Monnalisa is an Italian company, specialised in children's wear, footwear and accessories. It offers a premium offerings to children from 0 to 16 years, through its online and physical store network. It also serves the market with an outlet division.
PORTOBELLO	Founded in 2016, Portobello has a network of shops in Italy offering a wide range of branded products at very competitive prices in four main categories: Consumer electronics, Houseware, Cleaning products, Apparel & Accessories. The group operates under an innovative business model characterised by a strong integration between its different segments. Through its Media business, the company sells advertising space in exchange of unsold branded products (advertising barter). The products obtained through barter are then sold in Portobello shops. Anything that cannot be sold through these channels is finally sold via B2B.

Source: Company, TP ICAP Midcap

Take Off Management

Aldo Piccarreta – Chairman and Chief Executive Officer

- Graduated from Technical Institute L. Settembrini in Poggiomarino (Naples)
- Managing director of Gi.mel Srl from 1998 to 2001
- CEO of Moda Mediterranea Spa from 2002 to 2004
- Sole director of Over Spa from 2002 to 2021
- CEO of Take Off Spa and Chairman of Summit Spa's BoD since 2020

Giorgia Lamberti Zanardi – Managing Director

- Graduated from Technical Institute Calasso in Lecce
- Long standing experience in the banking sector
- Managing director of Over Spa from 2008 to 2012
- CEO of Take Off from 2019 to 2020
- Director of Take Off Spa since 2020

Paolo Mongelli – CFO

- Graduated in Economics and Management from the University of Bari
- Long standing audit sector at Deloitte and EY
- CFO of Take Off since 2022

Davide Piccinno – Investor Relations Manager

- Investor Relations Manager of Take Off since 2021

Costantino Natale – Director

- Graduated in Economics from the University of Bari in 2002
- Head of Sales of Italcode Srl in 2003
- CEO of Finlogic SpA

Maurizio Baldassarini – Independent Director

- BoD member of Cassiopea Spa
- Currently Chairman of the Audit Committee in several private companies

Fulvio Conti – Independent Director

- Graduated in Economics and Management from the University Sapienza of Rome
- CEO of Ferrovie dello Stato in 1996 and Managing Director of Telecom Italia in 1998
- CEO and Managing Director of Enel from 2005 to 2014
- Vice President of Confindustria from 2012 to 2014
- Currently Independent Director of Take Off

Source: Company, TP ICAP Midcap

FINANCIAL DATA

Income Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Sales	32.1	21.2	26.4	33.4	43.1	48.5
Changes (%)	7.6	-34.0	24.6	26.7	28.9	12.5
Gross profit	14.1	12.4	15.9	18.1	23.4	26.4
% of Sales	44.0	58.4	60.3	54.0	54.2	54.5
EBITDA	**6.2**	**6.5**	**9.5**	**9.8**	**12.9**	**14.7**
% of Sales	19.3	30.7	36.1	29.4	29.9	30.3
Current operating profit	**4.6**	**5.0**	**7.7**	**7.9**	**10.8**	**12.6**
% of Sales	14.4	23.7	29.1	23.6	25.1	26.0
Non-recurring items	0.0	0.0	-0.0	0.0	0.0	0.0
EBIT	4.6	5.0	7.7	7.9	10.8	12.6
Net financial result	0.5	-0.0	-0.5	-0.5	-0.5	-0.5
Income Tax	-1.5	-1.2	-1.6	-1.7	-2.3	-2.7
Tax rate (%)	30.2	23.5	21.6	22.6	22.6	22.6
Net profit, group share	**3.5**	**3.8**	**5.6**	**5.7**	**8.0**	**9.4**
EPS	0.23	0.37	0.36	0.37	0.51	0.60

Financial Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	2.7	2.0	1.4	1.5	1.7	2.0
Right of Use	6.7	7.8	6.6	6.6	6.6	6.6
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Working capital	2.1	3.8	5.1	5.8	6.8	7.2
Other Assets	2.4	2.0	1.7	1.7	1.7	1.7
Assets	13.9	15.6	14.8	15.6	16.8	17.6
Shareholders equity group	12.8	11.8	23.7	26.5	30.6	35.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	-4.7	-0.1	-12.1	-14.2	-17.0	-21.0
Other liabilities	2.5	0.8	1.0	1.0	1.0	1.0
Liabilities	13.9	15.6	14.8	15.6	16.8	17.6
Net debt excl. IFRS 16	-4.7	-0.1	-12.1	-14.2	-17.0	-21.0
Gearing net	-0.4	-0.0	-0.5	-0.5	-0.6	-0.6
Leverage	-0.8	-0.0	-1.3	-1.4	-1.3	-1.4

Cash flow statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
CF after elimination of net borrowing costs and taxes	5.3	5.2	7.3	7.7	10.1	11.5
ΔWCR	1.6	-3.4	-0.8	-0.7	-1.1	-0.4
Operating cash flow	6.9	1.7	6.5	7.0	9.0	11.1
Net capex	-2.3	-2.0	-0.4	-2.1	-2.2	-2.5
FCF	4.6	-0.2	6.1	5.0	6.8	8.6
Acquisitions/Disposals of subsidiaries	0.0	-0.1	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	-3.2	3.4	-0.9	0.0	0.0	0.0
Dividends paid	0.0	-1.0	-6.8	-2.9	-4.0	-4.7
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.4	0.6	12.0	0.0	0.0	0.0
Changes in exchange rates	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	1.8	2.8	11.1	2.1	2.8	4.0

ROA (%)	10.5%	9.8%	12.1%	11.4%	14.2%	15.1%
ROE (%)	27.7%	32.2%	23.8%	21.7%	26.3%	26.6%
ROCE (%)	35.8%	30.2%	44.3%	47.2%	59.2%	65.3%

DISCLAIMER

Analyst certifications

This research report (the "Report") has been approved by Midcap, a business division of TP ICAP (Europe) SA ("Midcap"), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR"). By issuing this Report, each Midcap analyst and associate whose name appears within this Report hereby certifies that (i) the recommendations and opinions expressed in the Report accurately reflect the research analyst's and associate's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's or associate's compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the Report.

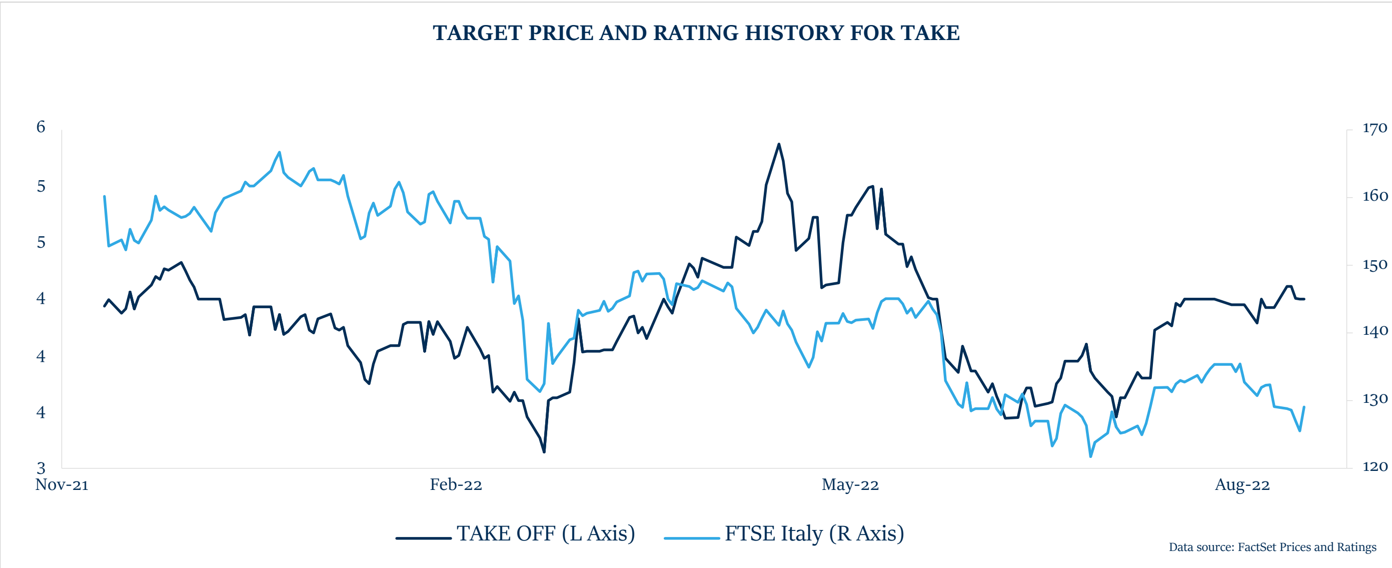
Methodology

This Report may mention evaluation methods defined as follows:
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: TAKE OFF

History of investment rating and target price – TAKE OFF



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	85%	63%
Hold	14%	33%
Sell	1%	0%
Under review	0%	

Midcap employs a rating system based on the following:
Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.
Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.
Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at https://researchtpicap.midcapp.com/en/disclaimer.

General Disclaimer

This Report is published for information purposes only and does not constitute a solicitation or an offer to buy or sell any of the securities mentioned herein. The information contained in this Report has been obtained from sources believed to be reliable, Midcap makes no representation as to its accuracy or completeness. The reference prices used in this Report are closing prices of the day before the publication unless otherwise stated. All opinions expressed in this Report reflect our judgement at the date of the documents and are subject to change without notice. The securities discussed in this Report may not be suitable for all investors and are not intended to recommend specific securities, financial instruments, or strategies to particular clients. Investors should make their own investment decisions based on their financial situation and investment objectives. The value of the income from your investment may vary due to changes in interest rates, changes in the financial and operating conditions of companies and other factors. Investors should be aware that the market price of the securities discussed in this Report may be volatile. Due to the risk and volatility of the industry, the company, and the market in general, at the current price of the securities, our investment rating may not correspond to the stated price target. Additional information regarding the securities mentioned in this Report is available on request.

This Report is not intended for distribution or use by any entity who is a citizen or resident of, or an entity located in any locality, territory, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to or limited by law or regulation. Entity or entities in possession of this Report must inform themselves about and comply with any such restrictions, including MIFID II. Midcap has adopted effective administrative and organizational arrangements, including "information barriers", to prevent and avoid conflicts of interest regarding investment recommendations. The remuneration of financial analysts who participate in the preparation of the recommendation is not linked to the corporate finance activity.

Notice to US Investors:

This Report was prepared, approved, published, and distributed by Midcap, a business division of TP ICAP (Europe) SA (“Midcap”), a company located outside of the United States. This Report is intended for distribution only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”)) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this Report must be affected through Louis Capital Markets, LLC (“LCM”) and not with or through Midcap. Midcap is not registered as a broker-dealer under the Exchange Act. Midcap is not a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), SIPC, or any other U.S. self-regulatory organization.

Midcap is the employer of the research analyst(s) responsible for this Report. The research analysts preparing this Report are residents outside the United States and are not associated with LCM or any US regulated broker-dealer. The analyst(s) is/are not subject to supervision by a US broker-dealer and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification. Each of the analysts identified in this Report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this Report reflect his or her entity’s views about all of the subject companies and securities and such recommendations were elaborated independently; and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this Report. This material was produced solely for information purposes and for the use of the recipient. This Report does not constitute an offer of, or an invitation to buy or sell any security.

The information contained herein has been obtained from published information and other sources which are considered to be reliable. The companies noted herein accept no liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Midcap, or its affiliates, has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, does not expect to receive and does not intend to seek compensation for investment banking services from the subject company in the next 3 months. Midcap, or its affiliates, do not beneficially own 1% or more of the subject securities and there are not any other actual, material conflicts of interest noted at the time of the publication of this research report. As of the publication of this Report, Midcap does not make a market in the subject securities. Midcap will refrain from initiating follow-up contacts with any recipient of this

Report that does not qualify as a Major Institutional Investor or seek to otherwise induce or attempt to induce the purchase or sale of any security addressed in this Report by such recipient.