

## Achieving a Capillary Network of 175 Stores

ADD | Fair Value: €7.28 (€8.37) | Current Price: €4.40 | Upside: +65.5%

€ Million	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Revenues	33.2	22.3	28.0	30.7	41.0	50.0	58.1
EBITDA	6.2	6.5	9.5	8.4	12.1	15.0	17.9
margin	18.7%	29.1%	34.0%	27.3%	29.5%	30.1%	30.8%
Net Profit	3.5	3.8	5.6	3.8	5.8	7.5	9.2
margin	10.7%	17.1%	20.1%	12.4%	14.1%	15.0%	15.8%
EPS	n.a.	n.a.	0.36	0.26	0.37	0.48	0.59
NFP	(4.7)	(0.1)	(12.1)	(5.2)	(8.2)	(13.6)	(20.8)

Source: Company data (2019–21), KT&amp;Partners' elaboration (2022–25)

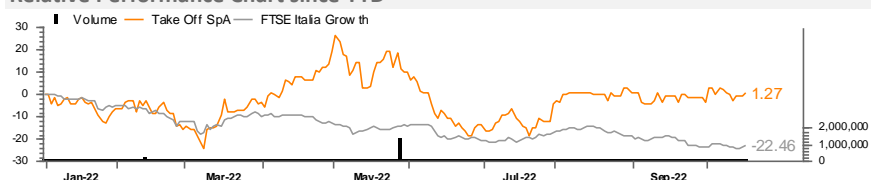
**Double-digit sales growth confirmed by 1H22 financial results.** Take Off S.p.A. (TKO-IT) shown 1H22 sales revenues at €12.9mn, growing by 11.9% YoY. The Group's sales were 12.7% below our estimates mainly due to the lower contribution of new stores, because of a longer than expected set-up time (an average of 4 months between the signing of the agreement and the opening), and with their effective contribution starting in 2H22. 1H22 Total revenues grew by 13% YoY, reaching €13.5mn, with Take Off sales revenues up by 18.2% YoY, while Over reported revenues were below 1H21 (-6.9% YoY). Regarding the retail network development, during 1H22 the Company was able to sign agreements for 23 new stores, of which 12 are related to Take Off. Profitability was negatively impacted by higher-than-expected incidence of cost of services and personnel expenses (+5.4pp YoY and +3.6pp YoY, respectively), also as result of new openings and rising inflation leading to an EBITDA margin of 24.3% (-8.9pp YoY and -4pp vs our estimates). Therefore, 1H22 EBITDA decreased to €3.3mn (-17.2% YoY from €3.8mn) and ended up 24.1% below our estimates. Looking at the bottom line, the Group showed a decrease in 1H22A net margin of 7.2pp YoY resulting in a net income of €1.4mn (-32.8% YoY). NFP worsened by €4.4mn, amounting to a net cash position of €7.7mn in 1H22 from €12.1mn of net cash in FY21A.

**Business development update.** According to TKO-IT, since the beginning of 2022, the group signed 40 agreements for new stores and closed 8 non-performing stores, reaching a capillary network of 175 stores, of which ca. 30 are to be effectively opened in the coming months. Take Off's signed agreements for 20 new stores (17 DOS and 3 TPOS) and closed two DOS. On the other hand, Over signed agreements for 20 new TPOS stores and decided to close 6. More specifically, 14 of the 20 new Take Off stores are based in Northern Italy, in line with the sales network expansion plan announced in the IPO. We note that only 11 out of 40 new stores are already operating, while the remaining will be opened by 4Q22.

**Estimates revision.** Following 1H22 financial results, we have revised downward our 2022–24 estimates factoring in: i) longer set-up time required for each new store, which also led to a weaker-than-expected sales revenues in 1H22; and ii) the higher-than-expected cost of services and people expenses occurred in 1H22. As a result, we now anticipate FY22E total revenues at €30.7mn (vs €35mn), growing to €50mn (vs €54mn) in FY24E. Given the lower-than-expected profitability, we prudently revised downward our 2022–24 EBITDA margin projection. Indeed, although we are expecting that in FY22E EBITDA margin will partially recover (reaching 27.3%, 2.6pp below our previous estimates) thanks to a better revenue mix in 2H22, we prudently reduce EBITDA margin estimates for the entire forecast period reaching 30.1% in FY24E. We maintain our expectation that the Company will remain cash positive throughout the forecast period, maintaining the opportunity to expand through M&A (which however is not included in our estimates).

**Valuation update.** Our valuation – based on DCF and market multiples returns an average equity value of €113.7mn or €7.28ps, implying a potential upside of 65.5% on the current market price.

## Relative Performance Chart since YTD



## Research Update

October 20, 2022 – 7.00 h

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## Market Data

Market Data	
Main Shareholders	
Summit S.p.A.	64.15%
Aldo Piccarreta	5.53%
Giorgia Lamberti Zanardi	1.84%
Mkt Cap (€ mn)	68.7
EV (€ mn)	56.6
Shares out.	15.6
Free Float	28.5%

Market multiples	2021A	2022E	2023E
EV/EBITDA			
Take Off SpA	5.9x	6.8x	4.7x
Comps Median	12.0x	12.6x	11.4x
Take Off SpA vs Median	-50%	-46%	-59%
P/E			
Take Off SpA	12.2x	18.1x	11.9x
Comps Median	17.4x	21.1x	18.2x
Take Off SpA vs Median	-30%	-14%	-35%

## Stock Data

52 Wk High (€)	5.64
52 Wk Low (€)	3.19
Avg. Daily Trading 90d	2,353
Price Change 1w (%)	0.00
Price Change 1m (%)	1.38
Price Change YTD (%)	1.15

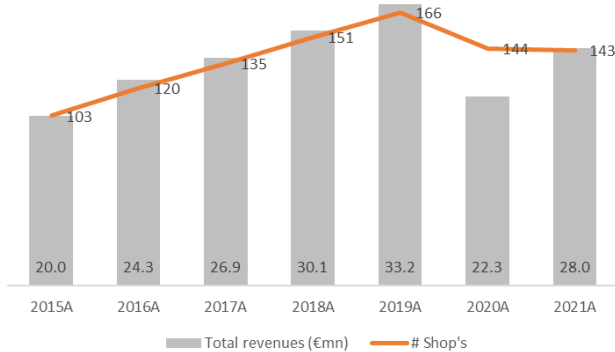
## Key Figures – Take Off S.p.A.

	Current price (€)	Fair Value (€)		Sector			Free Float (%)		
	4.40	7.28		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	0.26	0.37	0.48	0.59
Dividend per share (ord)			n.a.	n.m.	0.18	0.06	0.09	0.12	0.15
Dividend pay out ratio (%)			28%	178%	49%	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	30.7	41.0	50.0	58.1
EBITDA			6.2	6.5	9.5	8.4	12.1	15.0	17.9
EBIT			4.6	5.0	7.7	5.4	8.5	10.9	13.2
EBT			5.1	5.0	7.2	5.4	8.1	10.5	13.0
Taxes			(1.5)	(1.2)	(1.6)	(1.6)	(2.4)	(3.1)	(3.8)
Tax rate			30%	23%	22%	30%	29%	29%	29%
Net Income			3.5	3.8	5.6	3.8	5.8	7.5	9.2
<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	16.1	17.8	18.2	17.6
Net Working Capital (NWC)			(1.3)	2.2	4.0	4.7	5.6	6.4	8.0
Provisions			(0.5)	(0.7)	(1.0)	(1.4)	(1.9)	(2.5)	(3.3)
Total Net capital employed			8.1	11.7	11.5	19.5	21.5	22.1	22.3
Net financial position/(Cash)			(4.7)	(0.1)	(12.1)	(5.2)	(8.2)	(13.6)	(20.8)
Total Shareholder's Equity			12.8	11.8	23.7	24.7	29.7	35.7	43.1
<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	6.8	9.6	11.9	14.1
Change in NWC			n.a.	(3.5)	(1.9)	(0.7)	(0.9)	(0.8)	(1.6)
Capital expenditure			n.a.	(0.7)	(1.3)	(1.8)	(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	4.7	7.7	10.2	11.8
<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	68.7	68.7	68.7	68.7
Minorities			-	-	-	-	-	-	-
Net financial position/(Cash)			(4.7)	(0.1)	(12.1)	(5.2)	(8.2)	(13.6)	(20.8)
Enterprise value			n.m.	n.m.	55.8	63.5	60.6	55.2	48.0
<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%	27.3%	29.5%	30.1%	30.8%
EBIT margin			13.9%	22.5%	27.5%	17.7%	20.7%	21.7%	22.7%
Gearing - Debt/equity			-36.8%	-1.2%	-51.3%	-21.2%	-27.5%	-38.0%	-48.2%
Interest cover on EBIT			-9.7%	0.8%	6.4%	8.8%	3.9%	2.9%	2.0%
NFP/EBITDA			-75.9%	-2.2%	-127.4%	-62.5%	-67.6%	-90.3%	-116.0%
ROCE			57.0%	43.0%	66.7%	27.9%	39.3%	49.0%	59.3%
ROE			27.6%	32.2%	23.8%	15.4%	19.5%	21.0%	21.4%
EV/Sales			1.71x	2.53x	2.02x	1.85x	1.38x	1.13x	0.97x
EV/EBITDA			9.10x	8.72x	5.95x	6.77x	4.69x	3.77x	3.16x
P/E			19.42x	18.02x	12.19x	18.12x	11.90x	9.18x	7.47x
Free cash flow yield			n.m.	2.3%	9.1%	8.4%	13.6%	18.1%	20.8%
<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%	9.5%	33.6%	22.0%	16.3%
EBITDA			n.a.	4.4%	46.5%	-12.2%	44.4%	24.6%	19.1%
EBIT			n.a.	8.8%	52.9%	-29.5%	56.2%	28.3%	21.8%
Net Income			n.a.	7.8%	47.8%	-32.7%	52.3%	29.6%	22.8%

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

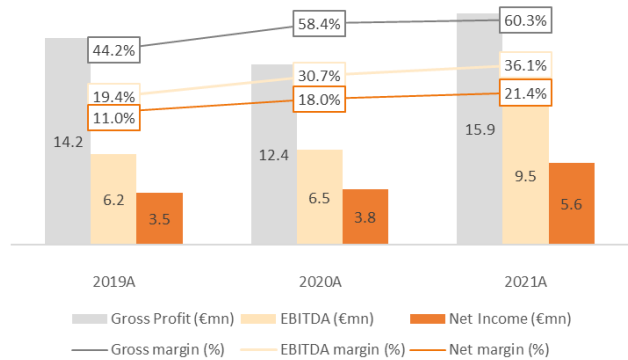
## Key Charts

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



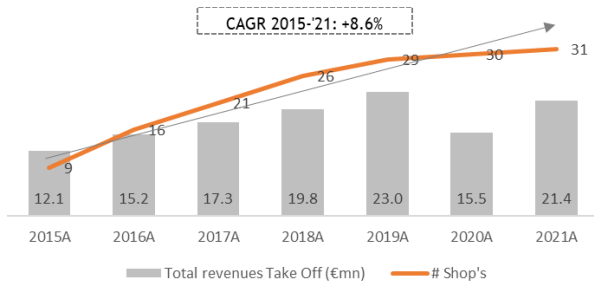
Source: Company data, KT&Partners' elaboration

**Profitability Evolution (€mn, %)**



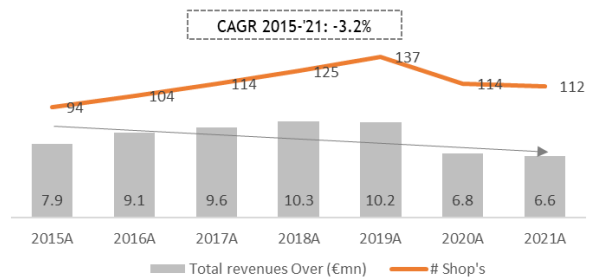
Source: Company data, KT&Partners' elaboration

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



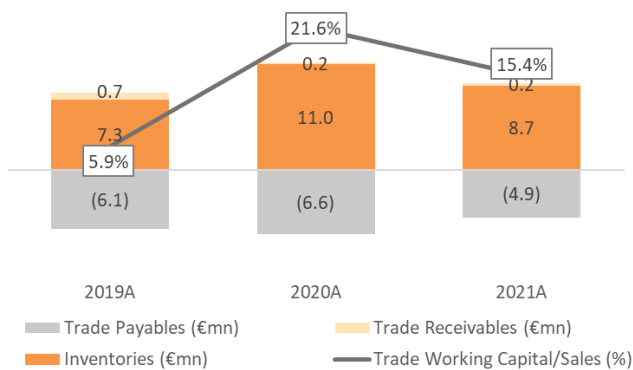
Source: Company data, KT&Partners' elaboration

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



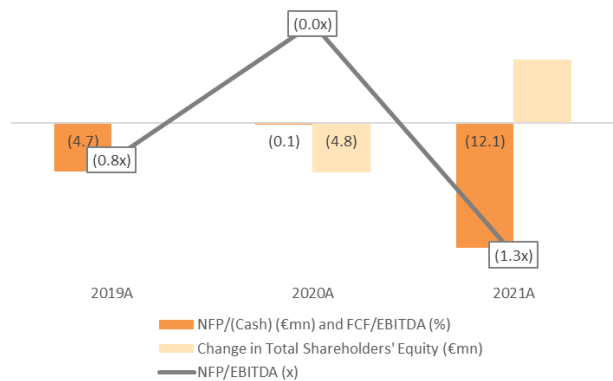
Source: Company data, KT&Partners' elaboration

**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 175 stores – offering families a complete product portfolio from adult off-price apparel – through its brand Take Off – to childrenswear – through its proprietary brand Over Kids. 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 49 fashion outlet boutiques (of which 42 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). Over’s network covers most of the Italian territory through 126 affiliated stores, offering full-price products. The Group is now planning to expand its retail network both by entering new Italian regions and by increasing penetration in already covered markets.

TKO-IT was listed on Euronext Growth Milan (EGM) on November 23, 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 stores in 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 converting 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 fashion outlet boutiques, offering a high-level customer experience within refined stores with personal sales assistance and an 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 175 stores, covering most of the Italian regions through Over’s network and with a capillary presence in the center-southern regions through 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 Over) 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 a result, the Company reported FY21 EBITDA margin of 36.1% (calculated on sales revenues), i.e., a FY21 EBITDA of €9.5mn (+46.5% YoY).
- **Positioned in 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 2022–24.** 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; and iii) in the third window at a strike price of +15% on the second window strike price.

## 1H22 Financial Results

The Group's sales revenues increased by 11.9% YoY to €12.9mn (vs €11.5mn in 1H21A), even though 12.7% below our previous estimates due to: i) lower contribution from new stores, whose set-up time was longer than expected (an average of 4 months between the signing of the agreement and the opening of the store), expecting that they will start to generate revenues only by 2H22; and ii) several adverse macroeconomic events mainly related to rising inflation that have not encouraged customers' consumption. Take Off sales revenues grew by 18.2% YoY, leading group growth, while Over reported revenues below 1H21 (-6.9% YoY). Total revenues grew by 13% YoY, reaching €13.5mn in 1H22.

Regarding the retail network evolution, during 1H22 the Company was able to sign agreements for 23 new stores, of which 12 are related to Take Off and 13 belong to Over. Furthermore, according to TKO-IT's announcement, during 1H22 there have also been 4 store closures. It is worth noting that only 11 out of 23 new stores were already operating in 1H22, while the remaining will be opened by 4Q22.

Despite global supply chain disruptions and high inflation, the Group was able to achieve a stable gross margin of 56.6% (vs 52.1% estimated). However, the Group's profitability was negatively impacted by higher-than-expected incidence of cost of services (e.g. logistics, marketing and people training expenses) and personnel expenses (+5.4pp YoY and +3.6pp YoY, respectively) also as result of new openings and rising inflation, leading to an EBITDA margin of 24.3% (-8.9pp YoY and -4pp vs our estimates). Therefore, in absolute terms, 1H22 EBITDA decreased by 17.2% YoY to €3.3mn (from €3.8mn in 1H21), ending 24.1% below our estimates.

Looking at the bottom line, the Group showed a decrease in 1H22A net margin of 7.2pp YoY resulting in a net income of €1.4mn (-32.8% YoY) and 35.9% below our estimates also due to unexpected financial expenses related to new leasing contracts and foreign exchange loss from Over.

During the first semester of 2022, fixed assets increased by ca. €0.6mn as a result of new leasing signed for new openings, amounting to €9.1mn in 1H22A. Looking at the trade working capital, its incidence on revenue went from 14.5% in 2021 to 20.7% in 1H22, mainly due to an increase in inventories – for the upcoming 2022–23 winter season – and an increase in advance supplier receivables, driving Net Working Capital (NWC) to €5.6mn in the first half of 2022 from €4.1mn in FY21A.

Over the same period, the NFP worsened by €4.4mn, amounting to a net cash position of €7.7mn in 1H22 from €12.1mn of net cash in FY21A. The change in NFP was mainly due to: i) €2.8mn of dividends payments; ii) ca. €3.5mn NWC cash absorption caused by increasing inventories and other assets; and iii) €1.3mn attributable to new leasing contracts (ROU IFRS 16).

**1H22A Income Statement (€mn)**

€ Millions	1H20A	1H21A	1H22A	YoY %	1H22E	A vs E %
<b>Sales Revenues</b>	<b>8.8</b>	<b>11.5</b>	<b>12.9</b>	<b>11.9%</b>	<b>14.8</b>	<b>-12.7%</b>
Other Revenues	1.0	0.4	0.6	47.9%	0.5	18.8%
<b>Total Revenues</b>	<b>9.8</b>	<b>11.9</b>	<b>13.5</b>	<b>13.0%</b>	<b>15.3</b>	<b>-11.7%</b>
Products and Raw materials	(5.9)	(5.2)	(5.8)	12.2%	(7.3)	-20.0%
<b>Gross Profit</b>	<b>3.9</b>	<b>6.7</b>	<b>7.6</b>	<b>13.7%</b>	<b>8.0</b>	<b>-4.1%</b>
<i>Gross Margin</i>	<i>39.8%</i>	<i>56.3%</i>	<i>56.6%</i>	<i>0.3%</i>	<i>52.1%</i>	<i>4.5%</i>
Cost of Services	(0.6)	(0.7)	(1.6)	128.6%	(1.1)	41.4%
Personnel Expenses	(1.6)	(2.0)	(2.6)	31.3%	(2.4)	8.3%
Other Operating Expenses	(0.1)	(0.1)	(0.2)	85.2%	(0.1)	41.7%
<b>EBITDA</b>	<b>1.6</b>	<b>4.0</b>	<b>3.3</b>	<b>-17.2%</b>	<b>4.3</b>	<b>-24.1%</b>
<i>EBITDA margin</i>	<i>16.3%</i>	<i>33.2%</i>	<i>24.3%</i>	<i>-8.9%</i>	<i>28.3%</i>	<i>-4.0%</i>
D&A and Provisions	(0.7)	(0.9)	(1.0)	14.4%	(1.2)	
<b>EBIT</b>	<b>0.9</b>	<b>3.0</b>	<b>2.2</b>	<b>-26.7%</b>	<b>3.1</b>	<b>-28.8%</b>
<i>EBIT margin</i>	<i>9.2%</i>	<i>25.5%</i>	<i>16.5%</i>	<i>-8.9%</i>	<i>20.5%</i>	<i>-4.0%</i>
Financial Income and Expenses	(0.1)	(0.2)	(0.4)	61.0%	0.0	
Extraordinary items	-	-	-		-	
<b>EBT</b>	<b>0.8</b>	<b>2.8</b>	<b>1.9</b>	<b>-33.9%</b>	<b>3.1</b>	<b>-41.0%</b>
Taxes	(0.1)	(0.7)	(0.4)	-37.3%	(0.9)	
<i>Tax Rate</i>	<i>12.5%</i>	<i>24.2%</i>	<i>22.9%</i>		<i>29.0%</i>	
<b>Net Income</b>	<b>0.7</b>	<b>2.1</b>	<b>1.4</b>	<b>-32.8%</b>	<b>2.2</b>	<b>-35.9%</b>
<i>Net margin</i>	<i>7.1%</i>	<i>17.8%</i>	<i>10.6%</i>	<i>-7.2%</i>	<i>14.6%</i>	<i>-4.0%</i>

Source: Company data, KT&Partners' elaborations

**1H22A Balance Sheet (€mn)**

€ Millions	1H21A	FY21A	1H22A
<b>Fixed Assets</b>	<b>9.0</b>	<b>8.5</b>	<b>9.1</b>
Trade receivables	0.1	0.2	0.1
Inventory	10.6	8.7	10.8
Trade Payables	(4.1)	(4.9)	(5.3)
<b>Trade Working Capital</b>	<b>6.7</b>	<b>4.1</b>	<b>5.6</b>
Other assets and liabilities	(5.8)	(0.0)	0.9
<b>Net Working Capital</b>	<b>0.9</b>	<b>4.0</b>	<b>6.5</b>
<b>Other Provisions</b>	<b>(0.8)</b>	<b>(1.0)</b>	<b>(1.0)</b>
<b>Net Capital Employed</b>	<b>9.1</b>	<b>11.5</b>	<b>14.7</b>
<b>Total shareholders' equity</b>	<b>9.5</b>	<b>23.7</b>	<b>22.3</b>
Short-term debt / Cash (-)	(9.2)	(22.0)	(17.4)
Long-term liabilities	8.8	9.9	9.7
<b>Net Financial Position</b>	<b>(0.4)</b>	<b>(12.1)</b>	<b>(7.7)</b>
<b>Sources</b>	<b>9.1</b>	<b>11.5</b>	<b>14.7</b>

Source: Company data

## Estimates Revision

On the light of Company's 1H22 financial results, we have revised downward our estimates for the 2022–24 period.

Looking at the top-line, we have adjusted our estimates downward to factor in: i) the longer than expected set-up time required for new stores, which also led to a lower-than-expected sales revenues in 1H22. However, we note that, according to management, following group strategy, 12 new store openings (net of expected closures), of which 6 Take Offs and 6 Over stores were signed off after 1H22, with their openings expected to take place by the end of 2022. More specifically, 6 of the 7 new Take Off openings are based in northern Italy, in line with the sales network expansion plan announced in the IPO. Furthermore, we also believe that the development of a digital channel distribution channel and of "Take Off Magazine" will support the customers' loyalty, with potential positive impact on TKO-IT's sales. As result, we now anticipate FY22E total revenues at €30.7mn (12.5% lower than previous research), growing at 21.3% CAGR21–24 (3.3pp below our previous estimates) to €50mn in FY24E.

On the profitability side, we revised downward our 2022–24 EBITDA margin projection, factoring in the weaker-than-expected 1H22 profitability. As result, we now anticipate FY22E EBITDA margin at 24.5% (-5.3pp vs our previous research), amounting to €8.4mn (-20.1% of our previous estimates), even though we are expecting that in 2H22 EBITDA margin will partially recover compared to the first semester thanks to a better revenue mix. Furthermore, we have also prudently revised downward our profitability estimates by -1.4pp and -1.3pp in 2023 and 2024, respectively, reaching 30.1% of FY24E EBITDA margin. In absolute terms, we now anticipate EBITDA to increase by +16.5% CAGR21–24, amounting to €15mn in FY24E (11.6% lower than our previous estimates).

As far as the bottom-line is concerned, we anticipate that it will grow at CAGR21–24 8.1pp lower than previous forecast due to a lower EBITDA projection, and a constant level of D&A. We now expect net income to €3.8mn in FY22E (12.4% net margin) growing to a value of €7.5mn in FY24E (15% net margin).

Finally, we foresee net cash position to €5.2mn in FY22E, reaching €13.6mn in 2024. NFP also includes the payment of a €2.8mn dividend occurred during 1H22 and our future dividend estimates based on the assumption of a 25% payout ratio (as announced by TKO-IT management at the IPO).

### Estimates Revision

€ Millions	2021A	2022E	2022E	Change	2023E	2023E	Change	2024E	2024E	Change	CAGR Old	CAGR New
	Actual	Old	New		Old	New		Old	New			
<b>Total Revenues</b>	<b>28.0</b>	<b>35.0</b>	<b>30.7</b>	<b>-12.5%</b>	<b>44.8</b>	<b>41.0</b>	<b>-8.5%</b>	<b>54.1</b>	<b>50.0</b>	<b>-7.7%</b>	<b>24.6%</b>	<b>21.3%</b>
YoY Change (%)	25.3%	25.2%	9.5%		46.0%	33.6%		20.9%	22.0%			
<b>EBITDA</b>	<b>9.5</b>	<b>10.5</b>	<b>8.4</b>	<b>-20.1%</b>	<b>13.8</b>	<b>12.1</b>	<b>-12.6%</b>	<b>17.0</b>	<b>15.0</b>	<b>-11.6%</b>	<b>21.4%</b>	<b>16.5%</b>
YoY Change (%)	46.5%	9.9%	-12.2%		65.2%	44.4%		23.2%	24.6%			
EBITDA Margin	34.0%	29.9%	27.3%		30.8%	29.5%		31.4%	30.1%			
<b>EBIT</b>	<b>7.7</b>	<b>8.0</b>	<b>5.4</b>	<b>-32.5%</b>	<b>10.7</b>	<b>8.5</b>	<b>-21.2%</b>	<b>13.4</b>	<b>10.9</b>	<b>-18.8%</b>	<b>20.2%</b>	<b>12.2%</b>
YoY Change (%)	52.9%	4.5%	-29.5%		98.1%	56.2%		24.5%	28.3%			
EBIT Margin	27.5%	22.9%	17.7%		24.0%	20.7%		24.7%	21.7%			
<b>Net Income</b>	<b>5.6</b>	<b>6.1</b>	<b>3.8</b>	<b>-37.5%</b>	<b>7.6</b>	<b>5.8</b>	<b>-24.4%</b>	<b>9.5</b>	<b>7.5</b>	<b>-21.4%</b>	<b>19.1%</b>	<b>9.9%</b>
YoY Change (%)	47.8%	7.6%	-32.7%		101.4%	52.3%		24.7%	29.6%			
Net Margin	20.1%	17.3%	12.4%		17.1%	14.1%		17.6%	15.0%			
<b>NFP</b>	<b>(12.1)</b>	<b>(10.7)</b>	<b>(5.2)</b>	<b>5.5</b>	<b>(14.6)</b>	<b>(8.2)</b>	<b>6.4</b>	<b>(21.0)</b>	<b>(13.6)</b>	<b>7.4</b>		
YoY Change (%)	n.m.	-11.6%	-56.9%		35.9%	56.4%		44.1%	66.4%			

Source: Company data, KT&Partners' elaborations

## Valuation

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

1. EV/EBITDA and P/E multiples, which returns an equity value of €82.7mn or €5.30ps;
2. DCF analysis, based on WACC of 10% and 1.5% perpetual growth, returns an equity value of €144.8mn or €9.26ps.

The average of the two methods yields a fair value of €7.28ps or an equity value of €113.7mn.

### Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	90.2	5.77
P/E	75.2	4.82
<b>Average - multiples</b>	<b>82.7</b>	<b>5.30</b>
DCF	144.8	9.26
<b>Average</b>	<b>113.7</b>	<b>7.28</b>

Source: FactSet, KT&Partners' elaboration



## Market Multiples Valuation

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

### Peer Comparison – Market Multiples 2022–24

Company Name	Exchange	Market Cap	EV/SALES	EV/SALES	EV/SALES	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	P/E	P/E	P/E
			2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
B&M European Value Retail SA	London	3,673	1.1x	1.0x	1.0x	6.9x	6.7x	6.2x	10.1x	10.1x	9.7x	8.8x	9.1x	8.2x
Burlington Stores, Inc.	NYSE	7,905	1.4x	1.2x	1.1x	17.3x	13.1x	11.1x	29.4x	20.1x	16.0x	29.1x	19.3x	14.6x
Dunelm Group plc	London	1,921	1.2x	1.3x	1.2x	6.6x	7.6x	7.2x	9.1x	11.1x	10.3x	9.7x	11.7x	11.3x
FAST RETAILING CO., LTD.	Tokyo	61,499	3.4x	3.1x	2.8x	16.2x	14.7x	14.0x	26.0x	22.6x	20.2x	31.8x	37.7x	33.6x
Portobello SpA	Milan	58	0.6x	0.5x	0.4x	3.7x	2.6x	2.0x	4.5x	3.0x	2.2x	4.5x	3.1x	n.a.
Ross Stores, Inc.	NASDAQ	29,828	1.7x	1.6x	1.5x	13.7x	12.1x	11.0x	16.5x	14.2x	12.8x	20.8x	17.4x	15.5x
TJX Companies Inc	NYSE	78,771	1.7x	1.6x	1.5x	14.9x	13.6x	12.3x	17.6x	15.9x	14.5x	21.4x	19.0x	17.0x
Workman Co., Ltd.	Tokyo	2,594	2.5x	2.3x	2.2x	11.5x	10.6x	8.5x	12.5x	11.7x	10.9x	21.9x	20.5x	19.1x
Average peer group		23,281	1.7x	1.6x	1.5x	11.4x	10.1x	9.1x	15.7x	13.6x	12.1x	18.5x	17.2x	17.0x
Median peer group		5,789	1.5x	1.4x	1.4x	12.6x	11.4x	9.8x	14.5x	12.9x	11.9x	21.1x	18.2x	15.5x
Take Off SpA	Milan	69	1.9x	1.4x	1.1x	6.8x	4.7x	3.8x	10.5x	6.7x	5.2x	17.0x	11.9x	9.2x

Source: FactSet, KT&Partners' elaboration

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

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

### EV/EBITDA Market Multiples Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	12.6x	11.4x	9.8x
Take Off EBITDA adj	6.4	9.4	11.9
<b>Enterprise value</b>	<b>80.1</b>	<b>106.6</b>	<b>117.0</b>
Take Off FY21 Net Debt/(Cash) Adj.	(19.1)	(19.1)	(19.1)
<b>Equity Value</b>	<b>99.2</b>	<b>125.7</b>	<b>136.0</b>
Average Equity Value		<b>120.3</b>	
Liquidity/Size Discount		25%	
<b>Equity Value Post-Discount</b>		<b>90.2</b>	
Number of shares (mn)		15.6	
<b>Value per Share €</b>		<b>5.77</b>	

Source: FactSet, KT&Partners' elaboration

### P/E Market Multiples Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	21.1x	18.2x	15.5x
Take Off SpA Net Income	3.8	5.8	7.5
<b>Equity Value</b>	<b>80.1</b>	<b>105.1</b>	<b>115.8</b>
Average Equity Value		<b>100.3</b>	
Liquidity/Size Discount		25%	
<b>Equity Value Post-Discount</b>		<b>75.2</b>	
Number of shares (mn)		15.6	
<b>Value per Share €</b>		<b>4.82</b>	

Source: FactSet, KT&Partners' elaboration

## DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 10.9% cost of equity, 4% cost of debt, and a D/E ratio of 14.2% (Damodaran for Apparel). The cost of equity is a function of the risk-free rate of 3.56% (Italian 10y BTP), 5.12% equity risk premium (Damodaran for a mature market, T12 with sustainable payout), and a premium for size and liquidity of 2.46% (source: Duff&Phelps). We, therefore, obtained 10% WACC.

We discounted 2022E–24E annual cash flows and considered a terminal growth rate of 1.5%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

### DCF Valuation (€mn)

€ Millions	2022E	2023E	2024E	2025E
<b>EBIT</b>	<b>5.4</b>	<b>8.5</b>	<b>10.9</b>	<b>13.2</b>
Taxes	(1.6)	(2.5)	(3.1)	(3.8)
D&A	2.9	3.6	4.2	4.7
Change in Net Working Capital	(0.7)	(0.9)	(0.8)	(1.6)
Change in Funds	0.4	0.5	0.6	0.7
<b>Net Operating Cash Flow</b>	<b>6.5</b>	<b>9.2</b>	<b>11.7</b>	<b>13.2</b>
Capex	(1.8)	(1.5)	(1.5)	(1.5)
<b>FCFO</b>	<b>4.7</b>	<b>7.7</b>	<b>10.2</b>	<b>11.8</b>
<b>g</b>	<b>1.5%</b>			
<b>Wacc</b>	<b>10.0%</b>			
FCFO (discounted)	4.7	6.9	8.3	8.7
Discounted Cumulated FCFO	28.5			
TV	141.1			
TV (discounted)	104.1			
<b>Enterprise Value</b>	<b>132.6</b>			
NFP/(Cash) FY21A	(12.1)			
<b>Equity Value</b>	<b>144.8</b>			
Current number of shares (mn)	15.6			
<b>Value per share (€)</b>	<b>9.26</b>			

Source: Company data, KT&Partners' elaboration

### Sensitivity Analysis (€mn)

€ Millions		WACC				
		10.5%	10.2%	10.0%	9.7%	9.5%
Terminal growth Rate	1.0%	131.7	135.0	138.5	142.1	146.0
	1.3%	134.4	137.9	141.5	145.4	149.5
	1.5%	137.3	140.9	144.8	148.8	153.2
	1.8%	140.3	144.1	148.2	152.5	157.1
	2.0%	143.5	147.5	151.8	156.4	161.3

Source: Company data, KT&Partners' elaboration

## Appendix

### Peer Comparison

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

Looking at the Italian market, we note that there are no companies listed that are active in the off-price retail market, providing both third-party and proprietary brands. Among Italian companies, we selected Portobello as, like Take Off, it has developed a business model that creates value from third-party inventories.

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

- **B&M European Value Retail SA (BME-GB):** listed on the London Stock Exchange, with a market capitalization of ca. €3.7bn, the company is a general merchandise discount retailer. It offers FMCG brands and a variety of non-grocery products in a range of categories and price points. The company's product range is spread over several non-grocery merchandise categories, including houseware, DIY, electrical, toys, and pet products. B&M European Value Retail was founded in 1978 and is headquartered in Luxembourg. In FY21A, the company's revenues amounted to €5.5bn.
- **Burlington Stores, Inc. (BURL-US):** listed on the NYSE, with a market capitalization of ca. €7.9bn, the company engages in retailing off-price apparel and home products. It offers women's ready-to-wear apparel, accessories, footwear, menswear, youth apparel, baby, coats, beauty, toys, and gifts. The company was founded in 1972 and is headquartered in Burlington, NJ. In FY21A, the company's revenues amounted to €7.9bn.
- **Dunelm Group Plc (DNLM-GB):** listed on the London Stock Exchange, with a market capitalization of ca. €1.9bn, the company is a houseware retailer, and sells its products to customers through stores, over the internet, and via a catalogue. The company was founded by William Adderley and Jean Adderley in 1979 and is headquartered in Charnwood, United Kingdom. In FY21A, the company's revenues amounted to €1.5bn.
- **Fast Retailing Co., Ltd. (9983):** listed on the Tokyo Stock Exchange, with a market capitalization of €61.5bn, it operates as a holding company that engages in the management of its group companies, which center on casualwear. The company was founded by Hitoshi Yanai in March 1949 and is headquartered in Yamaguchi, Japan. In FY21A, the company's revenues amounted to €16.7bn.
- **Portobello SpA (POR-IT):** listed on the Borsa Italiana, with a market capitalization of ca. €58mn, the company operates through three business units active in the media & advertising, retail, and B2B sectors. The company deals with the resale of advertising space, owned or purchased by third parties, for a monetary consideration or alternatively through the barter system. The company also operates a chain of Portobello branded shops, both direct and franchised, as well as an e-commerce channel (portobelloclub.it). The company was founded by Simone Prete in 2016 and is headquartered in Rome, Italy. In FY21A, the company's revenues amounted to €84mn.
- **Ross Stores, Inc. (ROST-US):** listed on NASDAQ, with a market capitalization of ca. €29.8bn, the company engages in the operation of off-price retail apparel and home accessories stores. Its products include branded and designer apparel, accessories, footwear, and home fashions through the Dress for Less and dd's DISCOUNTS brands. The company was founded by Stuart G. Moldaw in 1957 and is headquartered in Dublin, CA. In FY21A, the company's revenues amounted to €16.1bn.

- **The TJX Cos., Inc. (TJX-US):** listed on NASDAQ, with a market capitalization of ca. €78.8bn, the company engages in the retail of off-price apparel and home fashion products. The Marmaxx division sells family clothing, home fashions, and other merchandise. The HomeGoods division offers a range of home fashion items, including furniture, rugs, lighting, soft home, decorative accessories, tabletop accessories, and cookware as well as expanded pet, kids, and gourmet food departments. The company was founded by Bernard Cammarata in 1976 and is headquartered in Framingham, MA. In FY21A, the company's revenues amounted to €41bn.
- **Workman Co., Ltd. (7564-JP):** listed on the London Stock Exchange with a market capitalization of ca. €2.6bn, the company engages in the operation of franchise chain stores and directly managed stores that sell workwear, casualwear, family clothing, footwear, and work-related products. The company was founded in 1979 and is headquartered in Isesaki, Japan. In FY21A, the company's revenues amounted to €0.85bn.

We analyzed the peer companies by considering their average revenue and EBITDA growth and compared them to Take Off's historical and expected financials. By looking at 2019–21 revenue growth, the peers' average – composed of off-price, discount stores, and apparel companies – experienced a CAGR19–21 of +4.1% while Take Off's revenues registered a CAGR19–21 of -9.3%, lower than comparable growth due to the stricter restrictions experienced by the Group when compared to USA peers. Over the 2021–24 period, Take Off's sales are expected to grow at a 23.1% CAGR vs 9% average of the peer's average. Looking at EBITDA, Take Off registered a CAGR19–21 of 23.7%, outperforming the peers' average by ca. +17.4pp. According to our financial projection, Take Off's EBITDA shows an expected 16.5% CAGR21–24, compared with expected growth of the peers' average of +9%.

#### Peers Comparison – Sales and EBITDA Growth 2019–24

Company Name	Sales						CAGR 2019-'21	CAGR 2021-'24
	2019	2020	2021	2022	2023	2024		
B&M European Value Retail SA	4,359	5,381	5,498	5,572	5,918	6,362	12.3%	5.0%
Burlington Stores, Inc.	6,526	5,012	7,922	8,722	9,636	10,609	10.2%	10.2%
Dunelm Group plc	1,248	1,205	1,508	1,832	1,784	1,855	9.9%	7.2%
FAST RETAILING CO., LTD.	18,312	16,713	16,658	15,902	17,344	18,850	-4.6%	4.2%
Portobello SpA	45	63	84	137	186	212	36.5%	36.0%
Ross Stores, Inc.	14,365	10,913	16,096	18,458	19,667	20,906	5.9%	9.1%
TJX Companies Inc	37,363	27,987	41,312	50,656	53,599	56,704	5.2%	11.1%
Workman Co., Ltd.	764	856	847	871	936	988	5.3%	5.3%
<b>Peers Average</b>	<b>10,373</b>	<b>8,516</b>	<b>11,240</b>	<b>12,769</b>	<b>13,634</b>	<b>14,561</b>	<b>4.1%</b>	<b>9.0%</b>
<b>Take Off SpA</b>	<b>32</b>	<b>21</b>	<b>26</b>	<b>30</b>	<b>40</b>	<b>49</b>	<b>-9.3%</b>	<b>23.1%</b>

Company Name	EBITDA						CAGR 2019-'21	CAGR 2021-'24
	2019	2020	2021	2022	2023	2024		
B&M European Value Retail SA	662	945	974	893	925	993	21.3%	0.6%
Burlington Stores, Inc.	754	-91	865	689	910	1,075	7.1%	7.5%
Dunelm Group plc	189	223	279	342	297	314	21.6%	4.0%
FAST RETAILING CO., LTD.	2,508	2,894	3,385	3,300	3,640	3,797	16.2%	3.9%
Portobello SpA	8	11	16	23	33	42	42.2%	37.6%
Ross Stores, Inc.	2,236	691	2,292	2,298	2,598	2,856	1.2%	7.6%
TJX Companies Inc	4,723	1,218	4,692	5,882	6,456	7,118	-0.3%	14.9%
Workman Co., Ltd.	170	207	210	186	202	251	11.3%	6.0%
<b>Peers Average</b>	<b>1,406</b>	<b>762</b>	<b>1,589</b>	<b>1,702</b>	<b>1,882</b>	<b>2,056</b>	<b>6.3%</b>	<b>9.0%</b>
<b>Take Off SpA</b>	<b>6</b>	<b>6</b>	<b>10</b>	<b>8</b>	<b>12</b>	<b>15</b>	<b>23.7%</b>	<b>16.5%</b>

Source: FactSet, KT&Partners' elaboration

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

#### Peer Comparison – EBITDA Margin and Net Margin 2019–24

Company Name	EBITDA Margin						Net Margin					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
B&M European Value Retail SA	15.2%	17.6%	17.7%	16.0%	15.6%	15.6%	5.1%	8.9%	9.0%	7.3%	6.6%	6.8%
Burlington Stores, Inc.	11.6%	neg	10.9%	7.9%	9.4%	10.1%	6.4%	neg	4.4%	3.1%	4.2%	4.9%
Dunelm Group plc	15.1%	18.5%	18.5%	18.7%	16.6%	16.9%	9.2%	8.3%	9.6%	10.8%	9.1%	9.1%
FAST RETAILING CO., LTD.	13.7%	17.3%	20.3%	20.8%	21.0%	20.1%	7.1%	4.5%	8.0%	11.9%	9.2%	9.5%
Portobello SpA	17.4%	16.8%	19.0%	16.5%	17.7%	19.6%	10.5%	9.5%	10.7%	9.0%	9.9%	n.a.
Ross Stores, Inc.	15.6%	6.3%	14.2%	12.5%	13.2%	13.7%	10.4%	0.7%	9.1%	7.7%	8.4%	8.7%
TJX Companies Inc	12.6%	4.4%	11.4%	11.6%	12.0%	12.6%	7.8%	0.3%	6.8%	7.1%	7.6%	7.9%
Workman Co., Ltd.	22.2%	24.2%	24.8%	21.4%	21.5%	25.4%	14.5%	16.1%	15.7%	13.4%	13.3%	13.6%
<b>Peers Average</b>	<b>15.4%</b>	<b>15.0%</b>	<b>17.1%</b>	<b>15.7%</b>	<b>15.9%</b>	<b>16.8%</b>	<b>8.9%</b>	<b>6.9%</b>	<b>9.2%</b>	<b>8.8%</b>	<b>8.6%</b>	<b>8.6%</b>
<b>Take Off SpA</b>	<b>19.4%</b>	<b>30.7%</b>	<b>36.1%</b>	<b>27.8%</b>	<b>29.9%</b>	<b>30.5%</b>	<b>11.0%</b>	<b>18.0%</b>	<b>21.4%</b>	<b>12.6%</b>	<b>14.3%</b>	<b>15.2%</b>

Source: FactSet, KT&Partners' elaboration

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

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