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EQUITY RESEARCH

# TAKE OFF

**NEWS**
**Press release**

**BUY**
**TP 7.3€**
**Up/Downside: 75%**

## Take Off Expands Its Free Float

**Take Off raises its free float to 39%, opening the door to a possible *translisting* on the main market.**

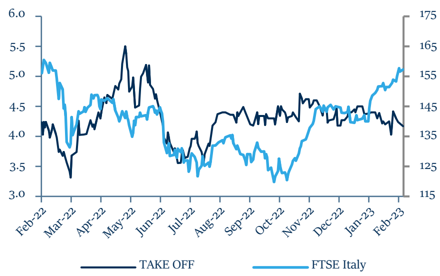
Yesterday, the Take Off group's owner, Summit S.p.A., announced the sale of 10.84% of its share capital to leading Italian and foreign institutional investors. As a result of this sale, Summit S.p.A.'s shareholding has been reduced to 53.49% of the capital (from 64.33% previously) and, above all, the free float has increased to 39.13% (from 28.29%). This operation is perfectly in line with the group's desire to make the share more liquid, increase both the shareholder base and the free float and become more attractive to investors, for whom liquidity and transaction volumes are an essential investment criterion. With this sale, the group exceeds the 35% threshold required for the transition to the STAR segment, a move that the group is considering. This move, as a core segment, would increase visibility and offer a significant upside potential. The transaction represents a new step in the group's growth process, which on the one hand, makes itself more attractive and solid on the stock exchange, and on the other hand, continues to deliver excellent operational performances. The group closed 2022 with ~€30m (+13% yoy) and 19 new outlet stores, and aims to reach 60 Take Off outlets (from 49 currently) by the end of 2023. This will help further consolidate its position in Italy. These numerous new openings are expected to have a major impact on 2022 and 2023 results. As shown by growing revenue, the openings have enabled the group to maintain high volumes in 2022 despite an inflationary environment and a general decline in consumption. We believe that the shops will be operating at full capacity from 2023 onwards, which we believe will enable the group to reach €43m by the end of 2023. Regarding margins, the numerous openings must obviously be accompanied by merchandise purchases to fill the shops and an investment in marketing. These are costs that we expect to penalise the group's margins. As a result, we are cautiously adjusting our 2022 Ebitda margin estimates to 24.8% (from 28.1% previously). The estimated margins remains strong, still above those of competitors in the retail market who have been much more affected by the inflationary environment. These strong margins can be ensured by the group's unique discount model, which has allowed the average selling price to increase (+22% yoy), while still remaining the lowest on the market, and almost completely offsetting cost increases. With an estimated normalisation of inflation, early supply combined with all stores entering full capacity, we believe the group will be able to generate Ebitda margins of around 27% by 2023.

| **Key data** | |
|---|---|
| Price (€) | 4.2 |
| Industry | Retailers |
| Ticker | TKO-IT |
| Shares Out (m) | 15.625 |
| Market Cap (m €) | 65.2 |
| Average trading volumes (k shares / day) | 80.800 |

| **Ownership (%)** | |
|---|---|
| Summit S.p.A. | 53.5 |
| A. Piccarreta & G.L. Zanardi | 7.4 |
| Algebris Investments | 5.2 |
| Free float | 33.9 |

| **EPS (€)** | 12/22e | 12/23e | 12/24e |
|---|---|---|---|
| Estimates | 0.25 | 0.46 | 0.56 |
| Change vs previous estimates (%) | -8.75 | -6.97 | -4.49 |

| **Performance (%)** | 1D | 1M | YTD |
|---|---|---|---|
| Price Perf | -1.7 | -5.2 | -3.9 |
| Rel FTSE Italy | -2.1 | -10.5 | -14.5 |




| TP ICAP Midcap Estimates | 12/21 | 12/22e | 12/23e | 12/24e |
|---|---|---|---|---|
| Sales (m €) | 26.4 | 29.8 | 43.1 | 48.5 |
| Current Op Inc (m €) | 7.7 | 5.5 | 9.7 | 11.8 |
| Current op. Margin (%) | 29.1 | 18.3 | 22.4 | 24.4 |
| EPS (€) | 0.36 | 0.25 | 0.46 | 0.56 |
| DPS (€) | 0.18 | 0.12 | 0.23 | 0.28 |
| Yield (%) | 4.3 | 3.0 | 5.5 | 6.7 |
| FCF (m €) | 6.1 | 3.3 | 5.4 | 8.0 |

| Valuation Ratio | 12/22e | 12/23e | 12/24e |
|---|---|---|---|
| EV/Sales | 1.7 | 1.2 | 1.0 |
| EV/EBITDA | 7.0 | 4.2 | 3.3 |
| EV/EBIT | 9.5 | 5.1 | 3.9 |
| PE | 16.9 | 9.1 | 7.4 |

| Consensus FactSet - Analysts:3 | 12/22e | 12/23e | 12/24e |
|---|---|---|---|
| Sales | 29.5 | 43.4 | 51.3 |
| EBIT | 5.8 | 9.8 | 12.2 |
| Net income | 4.0 | 6.8 | 8.6 |

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# FINANCIAL DATA

| Income Statement | 12/19 | 12/20 | 12/21 | 12/22e | 12/23e | 12/24e |
|---|---|---|---|---|---|---|
| Sales | 32.1 | 21.2 | 26.4 | 29.8 | 43.1 | 48.5 |
| Changes (%) | 7.6 | -34.0 | 24.6 | 12.9 | 44.6 | 12.5 |
| Gross profit | 14.1 | 12.4 | 15.9 | 15.6 | 22.8 | 25.9 |
| % of Sales | 44.0 | 58.4 | 60.3 | 52.3 | 53.0 | 53.5 |
| **EBITDA** | **6.2** | **6.5** | **9.5** | **7.4** | **11.7** | **13.9** |
| % of Sales | 19.3 | 30.7 | 36.1 | 24.8 | 27.2 | 28.7 |
| **Current operating profit** | **4.6** | **5.0** | **7.7** | **5.5** | **9.7** | **11.8** |
| % of Sales | 14.4 | 23.7 | 29.1 | 18.3 | 22.4 | 24.4 |
| Non-recurring items | 0.0 | 0.0 | -0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 4.6 | 5.0 | 7.7 | 5.5 | 9.7 | 11.8 |
| Net financial result | 0.5 | -0.0 | -0.5 | -0.5 | -0.5 | -0.5 |
| Income Tax | -1.5 | -1.2 | -1.6 | -1.1 | -2.1 | -2.6 |
| Tax rate (%) | 30.2 | 23.5 | 21.6 | 22.6 | 22.6 | 22.6 |
| **Net profit, group share** | **3.5** | **3.8** | **5.6** | **3.9** | **7.1** | **8.8** |
| EPS | 0.23 | 0.37 | 0.36 | 0.25 | 0.46 | 0.56 |

| 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 | 1.6 | 1.8 | 2.1 |
| 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 | 5.4 | 7.0 | 7.3 |
| Other Assets | 2.4 | 2.0 | 1.7 | 1.7 | 1.7 | 1.7 |
| Assets | 13.9 | 15.6 | 14.8 | 15.3 | 17.1 | 17.8 |
| Shareholders equity group | 12.8 | 11.8 | 23.7 | 25.6 | 29.2 | 33.6 |
| 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 | -13.5 | -15.4 | -19.1 |
| Other liabilities | 2.5 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 |
| Liabilities | 13.9 | 15.6 | 14.8 | 15.3 | 17.1 | 17.8 |
| Net debt excl. IFRS 16 | -4.7 | -0.1 | -12.1 | -13.5 | -15.4 | -19.1 |
| Gearing net | -0.4 | -0.0 | -0.5 | -0.5 | -0.5 | -0.6 |
| Leverage | -0.8 | -0.0 | -1.3 | -1.8 | -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 | 5.8 | 9.2 | 10.9 |
| ΔWCR | 1.6 | -3.4 | -0.8 | -0.3 | -1.6 | -0.4 |
| Operating cash flow | 6.9 | 1.7 | 6.5 | 5.5 | 7.6 | 10.5 |
| Net capex | -2.3 | -2.0 | -0.4 | -2.2 | -2.2 | -2.5 |
| FCF | 4.6 | -0.2 | 6.1 | 3.3 | 5.4 | 8.0 |
| 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 | -1.9 | -3.6 | -4.4 |
| Repayment of leasing debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity Transaction | 0.4 | 0.6 | 12.0 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in net cash over the year | 1.8 | 2.8 | 11.1 | 1.4 | 1.8 | 3.7 |

| | | | | | | |
|---|---|---|---|---|---|---|
| ROA (%) | 10.5% | 9.8% | 12.1% | 7.8% | 12.9% | 14.5% |
| ROE (%) | 27.7% | 32.2% | 23.8% | 15.1% | 24.4% | 26.1% |
| ROCE (%) | 35.8% | 30.2% | 44.3% | 33.3% | 52.0% | 60.4% |

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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.

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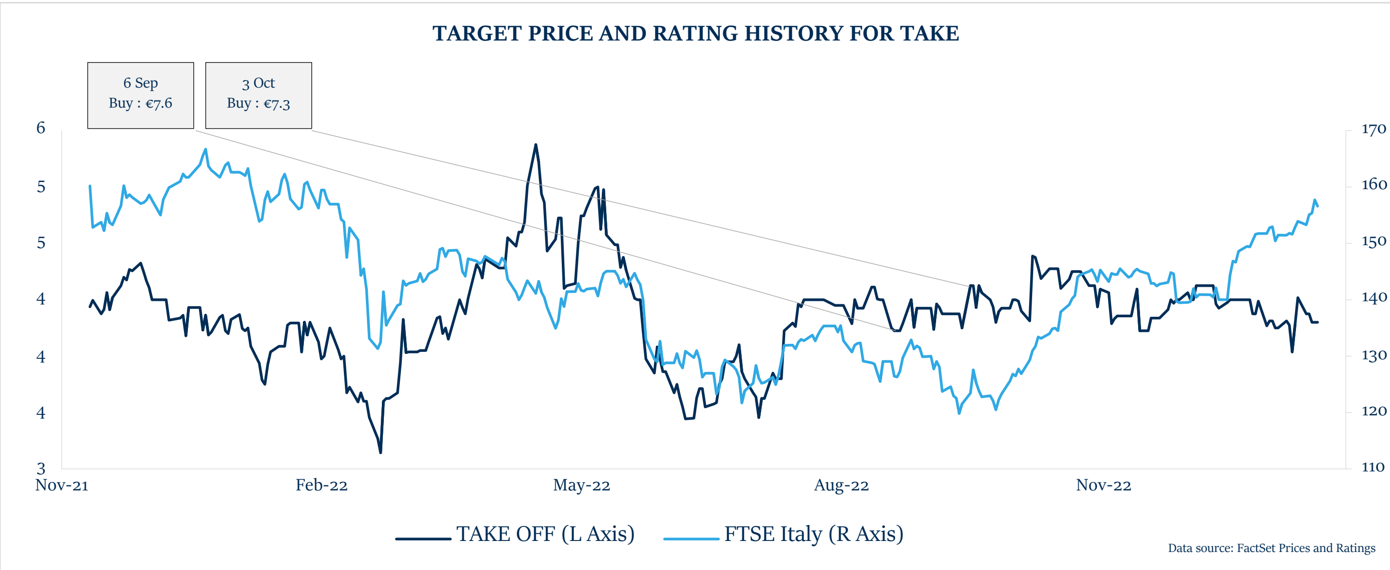
G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: TAKE OFF

**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 | 13% | 42% |
| Sell | 1% | 50% |
| Under review | 1% | 100% |

Midcap employs a rating system based on the following:
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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.

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