

TAKE OFF

THE OUTLET COMPANY

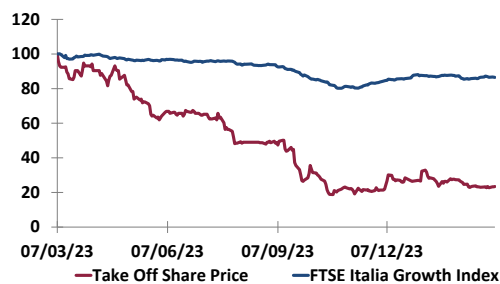
FLASH NOTE

OUTPERFORM

Current Share Price (€): 0.86

Target Price (€): 1.90

Take Off - 1Y Performance



Source: S&P Capital IQ - Note: 07/03/2023=100

Company data

ISIN number	IT0005467425
Bloomberg code	TKF IM
Reuters code	TKF.MI
Industry	Apparel retail
Stock market	Euronext Growth Milan
Share Price (€)	0.86
Date of Price	06/03/2024
Shares Outstanding (m)	15.6
Market Cap (€m)	13.4
Market Float (%)	39.1%
Daily Volume	15,070
Avg Daily Volume YTD	119,197
Target Price (€)	1.90
Upside (%)	122%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
Take Off - Absolute (%)	-14%	-12%	-53%	-76%
FTSE Italia Growth (%)	-1%	2%	-6%	-14%
1Y Range H/L (€)			3.65	0.69
YTD Change (€) / %			-0.12	-12%

Source: S&P Capital IQ

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FY23 KPIs and conservative estimates

Stock performance: stable after 2023 downtrend

Since our last note (October 3rd), Take Off share price, which then was in the region of €1.10, is currently stable around €0.90.

FY23 preview: Sales in line YoY, profitability slowdown

Take Off disclosed FY23 preview, with €29.9m sales, in line with FY22, driven by Take Off outlet sales growth up to €24.6m (+3.9% YoY), offsetting Over sales decline (€5.3m, -13%). Average transaction price grew from €18.42 in 2022 to €19.62, with Take Off at €28.36 and Overkids at €8.18. Operating profitability is expected in the region of 15%, revising upward the profit warning issued in mid-October which anticipated a worsening of 2023E profitability outlook below 9% EBITDA margin. According to management the current high inflation framework which is shrinking household disposable income and the shifting of weather conditions compared to fashion seasons, have been affecting sales.

Moderate slowdown in Q4 sales, stores relocation strategy follows on

Take Off reported a lower than expected Q4 2023, with sales at €7.8m, down by 24% on Q4 2022, a frequent condition among the apparel retail industry. Sales breakdown: Take Off outlet sales were €6.4m (-21.4% YoY) and Over recorded €1.3m sales, -34.7%. Take Off is continuing with the repositioning strategy of stores, resulting in 12 closedowns, of which 9 located in department stores in northern and central Italy. Conversely, 2 openings have been announced within year end in Abruzzo and Marche.

Estimates revision: 2023E adjustment

On the back of management guidance, KPIs and general economic backdrop, we adjust our 2023E sales estimates and factor in the expected profitability decrease. According to management, 2024 focus will be preserving a healthy financial profile and profitability, based on cost containment measures to resume retail network growth.

Target Price €1.90 per share (from €3.34), OUTPERFORM rating

Following the expected impact of reorganization costs and operating profit reduction, we have reperformed the valuation according to the short-term perspective accompanied by more conservative mid/long-term assumptions. The revised DCF suggests an EV under the symmetrically revised EV/Sales multiples threshold, suitable to take into account Take Off retail network value as an asset, regardless of current financial performance. Based on the resulting range of €1.22-3.85 per share, we adjust our target price to €1.90, with a 122% upside on current market price. Rating OUTPERFORM confirmed.

KEY FINANCIALS AND ESTIMATES

€m	2021	2022	2023E	2024E	2025E
Sales	26.4	29.8	29.6	30.2	31.5
YoY %	25%	13%	-1%	2%	4%
EBITDA	9.5	7.3	4.4	4.6	5.0
Margin on Sales	36%	24%	15%	15%	16%
EBIT	7.7	5.0	1.4	1.7	2.0
Margin on Sales	29%	17%	5%	6%	6%
Net Income	5.6	3.5	0.8	1.1	1.3
Net (Debt) Cash	12.1	7.0	4.2	6.9	10.5
Equity	23.7	24.4	24.3	25.3	26.6

Source: Company data 2021-22A, EnVent Research 2023-25E

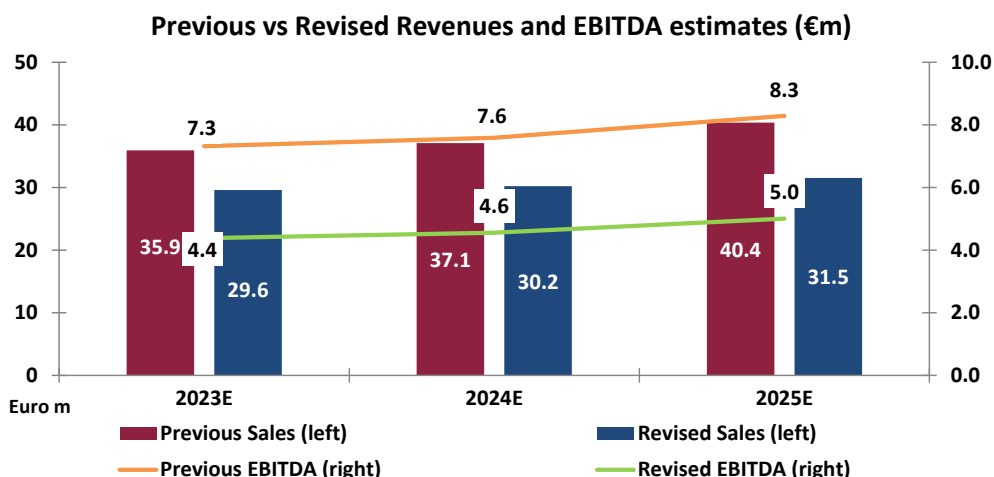
Take Off, listed on Euronext Growth Milan since 2021, is an Italian fashion value-for-money retailer which operates through a chain of 51 stores selling women and men apparel and 114 stores selling childrenswear, with a joint business model: off-price retailer of products from designer brands and vertically integrated apparel retailer.

Business update

- 2023: settlement agreement with Hangzhou Refine Import & Export Co. Ltd, an Over supplier, for €0.8m.

Estimates revision

Change in estimates



Source: EnVent Research

€m	Revised			Previous			Change % (Rev vs Prev)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Sales	29.6	30.2	31.5	35.9	37.1	40.4	-18%	-19%	-22%
Revenues	29.9	30.5	31.8	36.2	37.4	40.7	-17%	-18%	-22%
EBITDA	4.4	4.6	5.0	7.3	7.6	8.3	-40%	-40%	-40%
<i>Margin on Sales</i>	15%	15%	16%	20%	20%	21%			
EBIT	1.4	1.7	2.0	4.8	4.5	4.5	-72%	-61%	-56%
<i>Margin on Sales</i>	5%	6%	6%	13%	12%	11%			
Net Income	0.8	1.1	1.3	3.3	3.0	3.1	-76%	-64%	-59%
Net (Debt) Cash	4.2	6.9	10.5	5.4	7.9	11.7	-22%	-13%	-10%

Source: EnVent Research

Market multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
TJX	2.1x	2.4x	2.2x	19.0x	20.0x	17.4x	22.7x	23.8x	20.4x	29.3x	29.8x	25.1x
Ross Stores	2.2x	2.7x	2.5x	14.5x	21.3x	18.8x	16.5x	25.6x	22.5x	24.2x	33.4x	27.3x
Burlington Stores	1.8x	2.0x	1.8x	16.7x	25.7x	20.1x	21.6x	42.8x	31.3x	33.5x	49.2x	34.8x
Inditex	2.7x	3.7x	3.4x	13.3x	14.2x	12.3x	17.3x	21.6x	17.9x	23.8x	30.5x	23.9x
H&M	1.0x	1.2x	1.2x	14.2x	7.6x	6.6x	32.2x	19.6x	14.0x	50.4x	23.1x	16.4x
Fast Retailing (Uniqlo)	3.3x	4.5x	4.2x	21.6x	21.5x	19.5x	24.0x	32.7x	28.0x	29.8x	na	na
Gap	0.6x	0.7x	0.8x	7.0x	18.9x	11.0x	11.0x	nm	22.3x	16.8x	neg	15.9x
OVS	1.2x	1.2x	1.2x	9.0x	na	na	13.3x	16.7x	14.8x	12.0x	8.5x	8.0x
Monnalisa	0.9x	na	na	5.3x	na	na	7.3x	na	na	neg	na	na
Giglio.com	0.7x	0.3x	0.2x	neg	nm	7.6x	neg	neg	20.2x	neg	neg	26.5x
Mean	1.7x	2.1x	1.9x	13.4x	18.4x	14.2x	18.4x	26.1x	21.3x	27.5x	29.1x	22.2x
Median	1.5x	2.0x	1.8x	14.2x	20.0x	14.9x	17.3x	23.8x	20.4x	26.7x	30.1x	24.5x
Take Off	2.0x	0.4x	0.4x	11.1x	3.0x	3.1x	12.2x	3.3x	3.5x	19.5x	5.7x	6.0x

Source: EnVent Research on S&P Capital IQ, 06/03/2024

Valuation

We have updated our DCF valuation and market multiples analysis.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.4% (Italia 10-year government bonds interest rate – last 30 days average. Source: Bloomberg, March 2024)
- Market return: 12.8% (last 30 days average. Source: Bloomberg, March 2024)
- Market risk premium: 10.3%
- Beta: 1.2 (judgmental)
- Cost of equity: 14.7%
- Cost of debt: 5%
- Tax rate: 24% IRES
- 40% debt/(debt+equity)
- WACC calculated at 10.3%, according to above data, from previous 10%
- Perpetual growth rate after explicit projections (G): 2.5%
- Terminal value assumes a normalized sustainable EBIT margin of 8.7% from 17%

DCF Valuation

€m	2023E	2024E	2025E	Perpetuity
Revenues	29.9	30.5	31.8	32.6
EBIT	1.4	1.7	2.0	2.8
<i>Margin on Sales</i>	4.6%	5.8%	6.4%	8.7%
Taxes	(0.4)	(0.5)	(0.6)	(0.8)
NOPAT	1.0	1.3	1.5	2.0
D&A	0.4	0.6	0.7	0.8
Provisions	0.2	(0.1)	0.1	0.0
Cash flow from operations	1.7	1.7	2.2	2.8
Trade Working Capital	(1.3)	0.0	0.4	(0.2)
Other assets and liabilities	0.0	(0.0)	(0.1)	0.0
Capex	(0.8)	(0.8)	(0.8)	(0.8)
Retail leases - Right of use	(3.8)	(0.3)	(0.3)	0.0
Yearly unlevered free cash flow	(4.3)	0.6	1.4	1.9
Free Cash Flow to be discounted	(0.1)	0.6	1.4	1.9
WACC	10.3%			
Long-term growth (G)	2.5%			
Discounted Cash Flows	(4.1)	0.5	1.1	
Sum of Discounted Cash Flows	(2.4)			
Terminal Value				23.9
Discounted TV	18.7			
Enterprise Value	16.2			
Net cash as of 30/06/23	2.9			
Equity Value	19.1			
Equity Value per share (€)	1.22			

Source: EnVent Research

Market multiples

Application of market multiples							
Take Off (€m)			Market Multiples	EV	Net cash as of 30/06/23	Equity value	Equity value per share (€)
2023E	Sales	29.6	2.1x	61.7	2.9	64.6	4.13
2024E	Sales	30.2	1.8x	55.8	2.9	58.7	3.76
	Mean			58.8		61.6	3.94
2023E	EBITDA Adj	1.8	20.2x	36.5	2.9	39.3	2.52
2024E	EBITDA Adj	2.3	14.9x	34.4	2.9	37.3	2.39
	Mean			35.4		38.3	2.45
2023E	EBIT	1.4	24.1x	32.9	2.9	35.8	2.29
2024E	EBIT	1.7	21.0x	36.6	2.9	39.5	2.53
	Mean			34.8		37.6	2.41
2023E	Earnings	0.8	30.2x			24.4	1.56
2024E	Earnings	1.1	24.6x			26.5	1.70
	Mean					25.5	1.63

Source: EnVent Research

Target price

Please refer to important disclosures at the end of this report.

Take Off Price per Share	€
Target Price	1.90
Current Share Price (06/03/2024)	0.86
Premium (Discount)	122%

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NEUTRAL: stocks are expected to have a performance between -10% and +10% consistent with market or industry trend and appear less attractive than Outperform rated stocks;

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Date and time of Production: 06/03/2024 h. 6.20pm

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DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
01/02/2022	OUTPERFORM	7.11	4.07
25/04/2022	OUTPERFORM	8.03	4.84
17/10/2022	OUTPERFORM	7.72	4.34
31/01/2023	OUTPERFORM	7.72	4.30
18/04/2023	OUTPERFORM	6.41	3.08
03/10/2023	OUTPERFORM	3.34	1.13
07/03/2024	OUTPERFORM	1.90	0.86

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