

EQUITY RESEARCH

TAKE OFF
RESULTS REVIEW
Press release

BUY

TP 4.5€ (vs 6.5€)
Up/Downside: 106%

Under Pressure

Take Off reported an increase in H1-23 revenue, in line with expectations, but warns of a sharp fall in margins.

Performance expected but not entirely satisfactory – Yesterday, Take Off published its H1-2023 revenue that landed in line with expectations. Revenue for H1-23 reached €15.5m (vs. an estimated €15m), representing growth of 20% yoy. Despite this growth, the results are not entirely satisfactory, especially given the investments made in new openings last year, which were expected to make a much greater contribution. In fact, Q2 was down 14% on the previous quarter. Moreover, these results can be attributed solely to a price effect (average selling price +33% yoy), while volumes were down.

Declining market data - The signs of recovery in the Italian retail market that could be glimpsed at in the Q1 data (non-food retail sales at +4% yoy in value and -1.6% yoy in volume (source: Istat)) did not continue over this quarter, where consumption was penalised by bad weather, particularly in May. May's non-food retail sales amounted to -0.6% yoy in value and -5.2% yoy in volume (source: Istat). The trend was even more marked in shopping centres, where sales fell by an average of 4.9% yoy (source: confrimprese) and where the group concentrated most of its new openings.

Margins under pressure - Margins were the hardest hit by the fall in consumption. The major economic effort involved in supplying and launching new shops (merchandise, marketing, transport) was confronted with a difficult market environment, with high levels of inflation and sharply declining volumes. As a result, new store openings have not achieved the desired levels of profitability. The group has thus decided to provide EBITDA margin guidance of between 15% and 17% for H1-23 and between 18% and 20% by the end of the year, thus forecasting a sharp decline from 24.4% in FY2022. We have decided to position ourselves cautiously at the lower end of the range, estimating a 2023 EBITDA margin of 18.1% (vs. our previous estimate of 26.5%). This change is followed by a reduction in the 2023 EPS estimate of 47%.

Repositioning - As demonstrated in recent months, the group is planning to rapidly close non-performing shops (shopping centres) in order to reposition itself in potentially more profitable areas. This approach, combined with a hoped-for reduction in inflationary pressure, should enable a gradual recovery in margins.

Conclusions - We believe that 2023 will remain a very challenging year, with continued uncertainty over consumer spending and inflation levels. In the short-term, the group is aiming to focus on rebuilding margins, with a view to a more dynamic 2024, perhaps even with some surprises on the external growth front. Following the adjustment of our estimates and market parameters, our price target has been reduced to €4.5 (vs. €6.5 previously). Given the significant upside potential, our Buy recommendation remains unchanged.

TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	29.8	33.1	36.1	38.6	EV/Sales	1.0	0.8	0.6
Current Op Inc (m €)	4.6	3.7	5.1	6.3	EV/EBITDA	5.3	3.9	2.8
Current op. Margin (%)	15.3	11.3	14.1	16.4	EV/EBIT	8.5	5.7	3.9
EPS (€)	0.22	0.16	0.23	0.29	PE	13.8	9.8	7.7
DPS (€)	0.06	0.04	0.06	0.08				
Yield (%)	2.7	2.0	2.8	3.5				
FCF (m €)	1.5	-1.0	3.5	5.3				

Key data

Price (€)	2.2
Industry	Retailers
Ticker	TKO-IT
Shares Out (m)	15.625
Market Cap (m €)	34.4
Average trading volumes (k shares / day)	2.645

Ownership (%)

Summit S.p.A.	53.5
A. Piccarreta & G.L. Zanardi	7.4
Free float	39.1

EPS (€)

	12/23e	12/24e	12/25e
Estimates	0.16	0.23	0.29
Change vs previous estimates (%)	-46.77	-37.03	-29.23

Performance (%)

	1D	1M	YTD
Price Perf	-5.2	-9.8	-49.3
Rel FTSE Italy	-5.4	-15.0	-58.0



Consensus FactSet - Analysts:3	12/23e	12/24e	12/25e
Sales	34.5	36.6	39.5
EBIT	6.9	7.3	7.9
Net income	4.8	5.2	5.6

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	21.2	26.4	29.8	33.1	36.1	38.6
Changes (%)	-34.0	24.6	13.0	11.0	9.2	6.9
Gross profit	12.4	15.9	16.4	16.9	18.8	20.4
% of Sales	58.4	60.3	54.8	51.1	51.9	52.8
EBITDA	6.5	9.5	7.3	6.0	7.4	8.6
% of Sales	30.7	36.1	24.4	18.1	20.4	22.3
Current operating profit	5.0	6.3	4.6	3.7	5.1	6.3
% of Sales	23.7	23.8	15.3	11.3	14.1	16.4
Non-recurring items	0.0	1.4	0.4	0.0	0.0	0.0
EBIT	5.0	7.7	5.0	3.7	5.1	6.3
Net financial result	-0.0	-0.5	-0.4	-0.5	-0.6	-0.6
Income Tax	-1.2	-1.6	-1.1	-0.7	-1.0	-1.3
Tax rate (%)	23.5	21.6	22.6	22.6	22.6	22.6
Net profit, group share	3.8	5.6	3.5	2.5	3.5	4.5
EPS	0.37	0.36	0.22	0.16	0.23	0.29
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	2.0	1.4	1.8	0.6	-0.6	-1.6
Right of Use	7.8	6.6	8.9	11.4	11.4	11.4
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Working capital	3.8	5.1	7.6	12.0	13.1	13.3
Other Assets	2.0	1.7	1.6	1.6	1.6	1.6
Assets	15.6	14.8	19.8	25.5	25.5	24.7
Shareholders equity group	11.8	23.7	24.4	25.9	28.8	32.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	0.0	0.0	0.1	0.1	0.1	0.1
Net debt	-0.1	-12.1	-7.0	-2.6	-5.5	-9.8
Other liabilities	0.8	1.0	1.1	1.1	1.1	1.1
Liabilities	15.6	14.8	19.8	25.5	25.5	24.7
Net debt excl. IFRS 16	-8.2	-19.1	-16.0	-14.1	-17.0	-21.3
Gearing net	-0.0	-0.5	-0.3	-0.1	-0.2	-0.3
Leverage	-0.0	-1.3	-1.0	-0.4	-0.7	-1.1
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	5.2	7.3	5.9	4.8	5.8	6.8
Δ WCR	-3.4	-0.8	-3.7	-4.7	-1.1	-0.2
Operating cash flow	1.7	6.5	2.3	0.1	4.7	6.5
Net capex	-2.0	-0.4	-0.8	-1.1	-1.2	-1.2
FCF	-0.2	6.1	1.5	-1.0	3.5	5.3
Acquisitions/Disposals of subsidiaries	-0.1	0.0	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	3.4	-0.9	-5.7	0.0	0.0	0.0
Dividends paid	-1.0	-6.8	-2.8	-0.9	-0.7	-0.9
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.6	12.0	0.0	0.0	0.0	0.0
Others	0.1	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	2.8	11.1	-7.0	-1.9	2.9	4.4
ROA (%)	9.8%	12.1%	7.5%	5.0%	6.6%	7.8%
ROE (%)	32.2%	23.8%	14.3%	9.6%	12.2%	13.9%
ROCE (%)	30.2%	44.3%	18.2%	12.1%	16.6%	21.3%

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Methodology

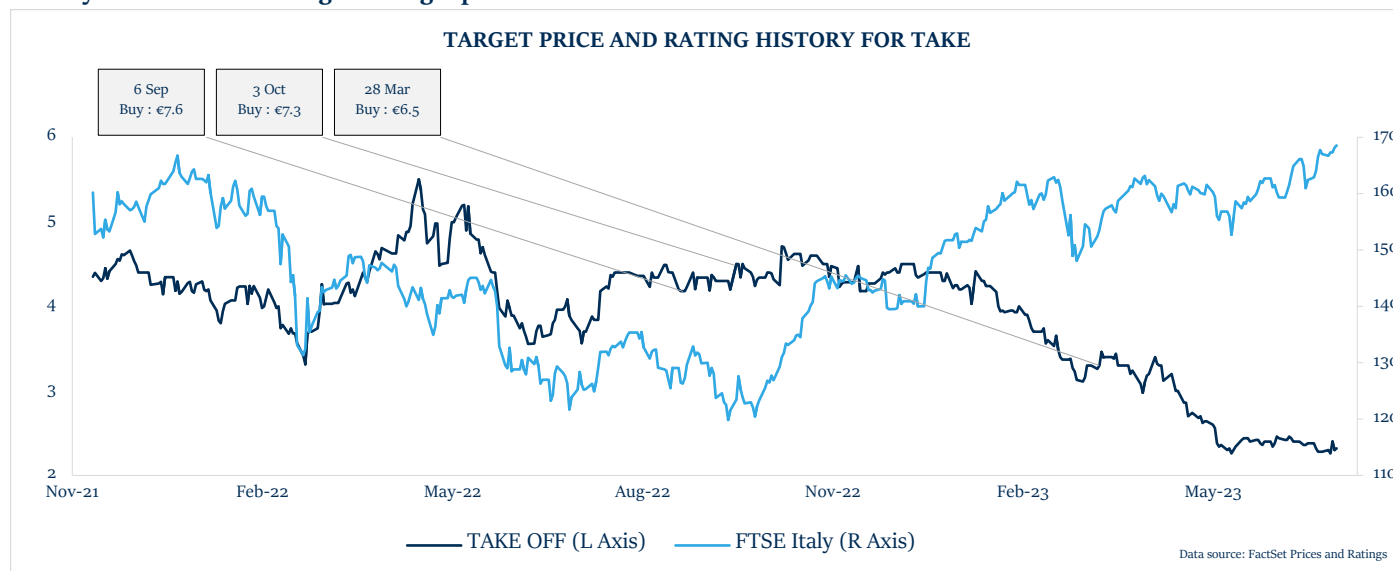
This Report may mention evaluation methods defined as follows:

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.

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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	82%	63%
Hold	15%	55%
Sell	3%	20%
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>.

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