

# CALEFFI

1H 2020: sharp increase in profitability

**Important increase in profitability and a boost in demand in the Home Fashion industry.** Caleffi Group, market leader in the Italian Home Fashion industry, recently announced 1H20 results which confirmed the positive trend in profitability recorded in FY19. More in detail, revenues were down by c. -14% YoY to Euro 19.7 m, after an inevitable drop caused by the lockdown months during which the retail and GSS&GDO channels saw important restrictions. The online and loyalty channels on the other hand showed very positive results. EBITDA stood at Euro 1.6 m (+19%) with a significant improvement in EBITDA margin to 8.1% (5.9% in 1H19) thanks to cost savings along the entire supply chain and the implementation of a COVID-19 related containment plan. Net Group's Net Result was positive for Euro 155K vs. a. Net Loss of Euro -390k of FY19. Net Debt was of Euro 20.6 m vs. Euro 19.8 m of FY 19.

**FY20 guidance and Outlook.** According to Management the lockdown has caused a boost in the Home Fashion industry as home and furniture have been brought back to the centre of everyday life. This newfound importance of the domestic sphere coupled with the important use of online sales, channels that the Group has experienced over the last months, are likely to outlive the pandemic laying the ground for a positive outlook for the Group. Management also presented guidance for a FY20 with revenues in-line or above FY19 and with an improvement in profitability.

**Estimates 2020-2022.** Based on 1H20 results, we revised our forecasts to align with management's guidance. We now assume a FY20 top-line growth of +4.5% (-6.5% previously) to Euro 52.0 m. (vs Euro 46.6 previously). In FY20 EBITDA could reach Euro 5.0 m with a margin of 9.5% (7.0% previously). At the end of the period Net Debt should amount to Euro 11.8 m with a Net Debt/EBITDA ratio of 2.1x (vs 5.3x FY 2019).

**Valuation:** We set a target price of Euro 2.02 per share, (Euro 1.52 p.s. previously), providing for a +202% upside on current stock price obtained reducing the weight of the relative valuation to set our target price to 20%, as well we believe that, considering the current global market reaction to Covid-19, DCF provides a better representation of the stock's value based on fundamentals.

## Sector: Personal & Household Goods

Target Price (Euro)	2.02 (1.52 pr)
Market Price (Euro)	0.67
Market Cap (Euro m)	10
EV (Euro m)	31
<i>(as of September 21<sup>st</sup>, 2020)</i>	

### Share Data

Market	MTA
Bloomberg/Reuters	CLF.MI / CLF IM
ISIN	IT0003025019
N. of Shares	15,628,081
Free Float	41.57%
Main Shareholder	Giuliana Caleffi 53.1%
CEO	Guido Ferretti

### MTA Positioning

FY 2019 (Euro m)	Company	Super Sector	MTA S&M Cap
Revenues	50	607	1,103
Revenues YoY	-2%	4%	48%
EBITDA margin	7%	13%	-2%
Net Debt (Cash)	19	32	982
Net Debt/EBITDA	5.3	3.1	5.9

Market Data	Company	Super Sector	MTA S&M Cap
Capitalisation	10	721	593
Perf. TTM	-51%	-29%	-14%
Free Float	42%	36%	38%
ADTT YTD Euro m	15	1,878	1,466

### Performance

	1M	3M	6M
Absolute	-6.3	-13.0	-50.6
Relative (TSE Italia STAR)	-4.3	-10.5	-47.4
52-week High/Low (Eu)	1.40	0.59	

### IR TOP RESEARCH

Luisa Primi – l.primi@irtop.com  
Andrea Praga – a.praga@irtop.com  
T +39 02 89056957



Key Figures (Euro m)	Revenues	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2019A	49.8	-1.6%	3.6	7.1%	0.6	1.1%	(0.0)	18.9
2020E	52.0	+4.5%	5.0	9.5%	2.1	3.9%	1.0	17.9
2021E	53.0	+1.8%	5.2	9.8%	2.2	4.0%	1.1	15.0
2022E	54.6	+3.0%	5.6	10.1%	2.3	4.3%	1.3	11.8

**KEY FIGURES**

<b>Profit&amp;Loss Statement</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Sales	50.6	49.8	52.0	53.0	54.6
EBITDA	0.6	3.6	5.0	5.2	5.6
EBIT	(1.0)	0.6	2.1	2.1	2.3
Financial Income (charges)	(0.1)	(0.3)	(0.4)	(0.3)	(0.3)
Pre-tax profit (loss)	(1.0)	0.2	1.7	1.8	2.1
Taxes	0.2	(0.1)	(0.6)	(0.6)	(0.7)
Minorities	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net profit (loss) Group	(0.9)	(0.0)	1.0	1.1	1.3
<b>Balance Sheet</b>					
Fixed assets	9.4	15.8	13.5	11.3	9.0
NWC	17.9	19.2	21.3	21.9	22.6
M/L Funds	(2.3)	(2.5)	(2.4)	(2.5)	(2.7)
Net Capital Employed	24.9	32.4	32.5	30.8	28.9
Net Debt	11.4	18.9	17.9	15.0	11.8
Group Equity	13.0	12.9	13.9	15.0	16.3
Minorities	0.5	0.6	0.7	0.8	0.9
Net Equity	13.5	13.5	14.6	15.8	17.2
<b>Cash Flow</b>					
EBIT	(1.0)	0.6	2.1	2.1	2.3
D&A	1.3	1.1	1.2	1.3	1.5
Tax	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Other	0.0	0.0	0.0	0.0	0.0
Change in M/L Funds	(0.0)	0.2	(0.1)	0.1	0.2
Gross Cash Flow	0.3	1.8	3.1	3.5	4.0
Change in NWC	4.2	(1.3)	(2.1)	(0.6)	(0.7)
Operating Cash Flow	4.5	0.5	0.9	2.9	3.4
Capex	(0.7)	(0.1)	(0.6)	(0.8)	(0.8)
Acquisitions and divestments	0.0	0.0	0.0	0.0	0.0
Financial Income (charges)	(0.1)	(0.3)	(0.4)	(0.3)	(0.3)
Free Cash Flow	3.7	0.1	(0.0)	1.8	2.3
Change in Equity	(0.5)	(0.1)	0.0	0.0	0.0
Change in Net debt	3.2	(0.0)	(0.0)	1.8	2.3
<b>Per Share Data</b>					
Current Price (Euro)	<b>0.67</b>				
Total shares out (mn) average	15.2				
EPS	(0.06)	(0.00)	0.07	0.07	0.08
DPS	-	-	-	-	-
FCF	0.24	0.01	(0.00)	1.83	2.31
Pay out ratio*					
<b>Ratios</b>					
EBITDA margin	1.2%	7.1%	9.6%	9.9%	10.2%
EBIT margin	-1.9%	1.1%	4.0%	4.1%	4.3%
Net Debt/Equity (Gearing)	84.2%	140.0%	122.3%	94.9%	68.4%
Net Debt/EBITDA	18.4x	5.3x	3.6x	2.9x	2.1x
Interest cover EBIT	-14.8x	1.8x	5.8x	-0.1x	-0.1x
ROE	-7.0%	0.0%	7.5%	7.5%	7.8%
ROCE	-4.8%	2.2%	8.2%		
Free Cash Flow Yield	36%	1%	n.m.	8%	10%
<b>Growth Rates</b>					
Sales	-10%	-2%	4%	2%	3%
EBITDA	-68%	472%	40%	5%	7%
EBIT	-371%	158%	262%	5%	9%
Net Profit	-854%	100%	51995%	8%	13%

\*on Caleffi Spa net profit

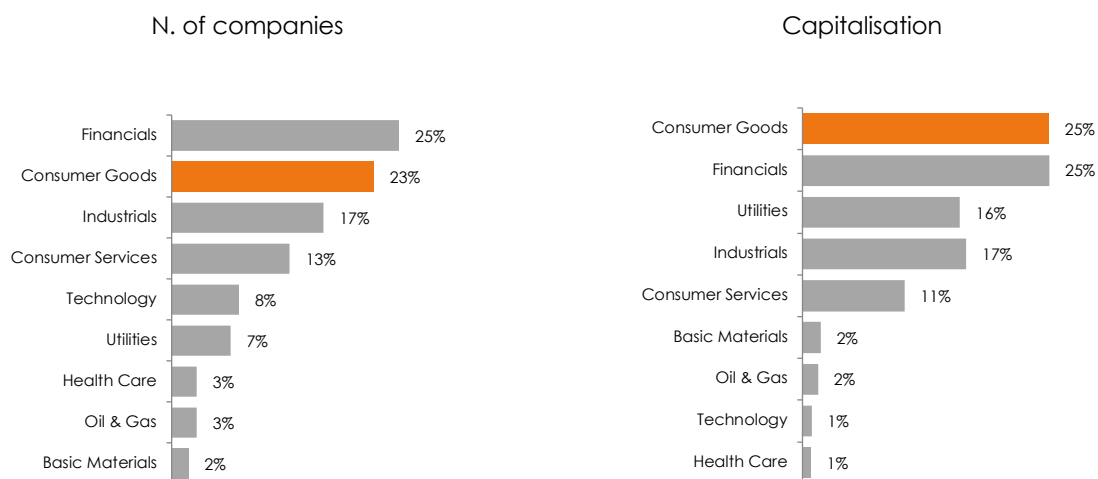
**MTA POSITIONING**

Caleffi is leader in the Italian Home Fashion industry and specialized in high-end **home linen products**. It has been listed since 2005 (former on Expandi market and, since 2009, on MTA) and it is included in the **FTSE Italia**

**small cap index and in Borsa Italiana's Super Sector "Personal and Household Goods"** (part of the **Consumer Goods sector**).

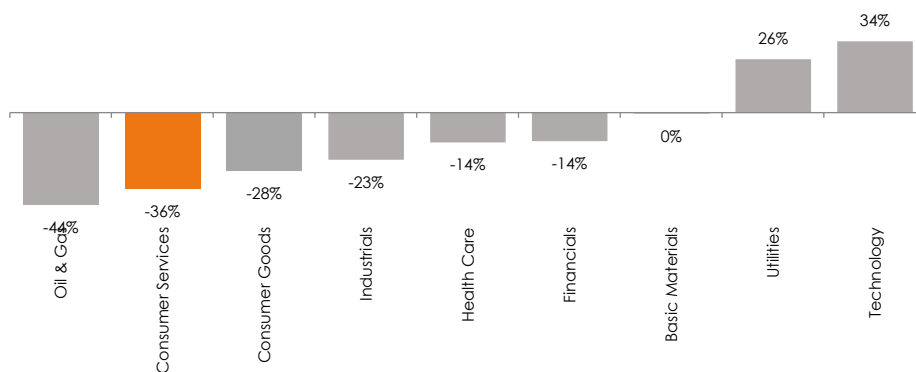
Of the total listed companies, Consumer Goods represents 23% in terms of number of companies and 25% in terms of market capitalisation.

### MTA Small & Mid Cap: breakdown by Sector



Best YTD performance is Technology (+34%), followed by Utilities (+26%).

### MTA Small & Mid: average YTD share price performance



According to Borsa Italiana's classification, the Consumer Goods Industry is made up of three Super Sectors: Food & Beverage, Automobiles & Parts and Personal & Household Goods where Caleffi is allocated. Personal & Household Goods is the first sector in term of number of companies (16).

### MTA Consumer Goods: average 2019 Financial data

Super Sector	Revenues (Eu m)	yoy	EBITDA %	NFP (Cash) (Eu m)
Food & Beverage	56	-10%	3%	(4)
Automobiles & Parts	1.447	0%	8%	352
Personal & Household Goods	607	4%	13%	32
<b>Consumer Goods</b>	<b>681</b>	<b>2%</b>	<b>10%</b>	<b>85</b>

### MTA Consumer Goods: average market data

Super Sector	N. of companies	Capitalisation (Eu m)	Free Float	ADTT YTD (Eu)	EV/EBITDA 2019
Food & Beverage	4	207	14	103,600	11.3
Automobiles & Parts	4	907	38	3,170,068	7.5
Personal & Household Goods	16	721	36	2,064,712	23.3
<b>Consumer Goods</b>	<b>24</b>	<b>667</b>	<b>33</b>	<b>1,922,086</b>	<b>18.5</b>

The Personal and Household Goods Super Sector is represented by 16 companies, 5 mid caps and 11 small caps with average revenues of Euro 607 m and average EBITDA margin of 13%.

2019 Data (Eu m)		Revenues	YoY	EBITDA%	NFP (Cash)	EV/EBITDA	NFP/EBITDA
Brunello Cucinelli*	MTA - MID CAP	608	10%	29%	481	12.8	2.7
De' Longhi	MTA - MID CAP	2,100	1%	14%	-225	14.5	-0.8
Salvatore Ferragamo*	MTA - MID CAP	1,377	2%	24%	502	7.6	1.5
Technogym	MTA - MID CAP	666	5%	21%	-4	10.9	0.0
Tod's*	MTA - MID CAP	916	-3%	28%	451	4.9	1.8
Basic Net	MTA - SMALL CAP	250	61%	-7%	75	n.m.	n.m.
Bialetti Industrie	MTA - SMALL CAP	140	11%	5%	n.a.	n.a.	n.a.
<b>Caleffi*</b>	MTA - SMALL CAP	<b>50</b>	<b>-2%</b>	<b>7%</b>	<b>19</b>	<b>8.3</b>	<b>5.3</b>
CSP International	MTA - SMALL CAP	109	-3%	2%	2	6.4	0.9
Geox	MTA - SMALL CAP	806	-3%	13%	295	4.4	2.9
OVS	MTA - SMALL CAP	1,375	-6%	17%	1,214	6.0	5.2
Piquadro*	MTA - SMALL CAP	152	3%	7%	32	9.3	3.0
Ratti	MTA - SMALL CAP	116	6%	17%	-2	5.5	-0.1
Ross	MTA - SMALL CAP	34	0%	4%	14	16.4	11.2
Safilo Group*	MTA - SMALL CAP	939	3%	6%	75	3.9	1.2
Zucchi	MTA - SMALL CAP	70	-15%	14%	84	9.3	8.8
<b>Average</b>		<b>607</b>	<b>4%</b>	<b>13%</b>	<b>32</b>	<b>8.6</b>	<b>3.1</b>
Personal & Household Goods MID		1,134	3%	23%	241	10.1	1.0
Personal & Household Goods SMALL		367	5%	8%	181	7.7	4.3
Average Brands		533	2%	15%	212	7.8	2.8

Source: Factset data as of September 21<sup>st</sup>, 2020

\* Made in Italy Brands

In our view Caleffi positions within a group of companies active in apparel & home fashion with **strong "Made in Italy" brands**, and from the selection above in particular with Brunello Cucinelli, Piquadro, Tod's and Safilo. Compared to these and to the Personal & Household Goods Small Caps Caleffi shows:

In terms of capitalisation, Caleffi is smaller than its peers (Euro 10 m vs. Euro 806 m) but with a higher free float (42% vs. 36%). TTM performance of stock price is -51%.

2019 Data (Eu m)		Capitalisation (Eu m)	Free Float %	Perf. TTM	ADTT YTD (Eu)
Brunello Cucinelli	MTA - MID CAP	1,769	47%	-7%	3,752,129
Salvatore Ferragamo	MTA - MID CAP	2,042	29%	-31%	9,678,129
Tod's	MTA - MID CAP	786	25%	-49%	2,401,012
<b>Caleffi</b>	MTA - SMALL CAP	<b>10</b>	<b>42%</b>	<b>-51%</b>	<b>14,925</b>
Piquadro	MTA - SMALL CAP	69	24%	-40%	40,323
Safilo Group	MTA - SMALL CAP	157	50%	-43%	707,357
<b>Brands</b>		<b>806</b>	<b>36%</b>	<b>-37%</b>	<b>2,765,646</b>

## 1H 20 RESULTS

Caleffi recently announced 1H 20 results which confirmed the positive trend in profitability already recorded in FY19 thanks to actions taken by the management to optimize the supply chain and to face the Covid-19 pandemic.

More in detail, revenues were down by c. -14% YoY to Euro 19.7 m after an inevitable drop caused by the lockdown months. 95% of sales were realized in the domestic market (93% in FY19). In terms of sales channel:

- the retail and the GSS&GDO channels, affected by the lockdown period, showed important restrictions;
- the online and the loyalty channels, on the other hand, recorded a very positive results thanks to the new digital habits and the increase in spending on food.

The 70% owned luxury subsidiary Mirabello Carrara SpA, registered revenues of Euro 3.7 m vs. Euro 7.1 m in 1H19 whereas Caleffi SpA maintained revenues at Euro 16.9 m (Euro 16.7 m in 1H19).

EBITDA rose to Euro 1.6 m (+19% vs 1H 19) with a significant improvement in EBITDA margin to 8.1% vs. 5.9% in 1H19 after a significant reduction in operating costs, particularly in the second quarter, following structural cost savings implemented by Management along the entire supply chain and the implementation of a COVID-19 related containment plan coupled with the recovery in sales recorded as of the end of May.

After D&As of Euro 1.4 m (Euro 1.5 m in 1H 19), EBIT came in at Euro 0.2 m with an EBIT margin of 1.1% and vs. a negative EBIT of Euro -0.2 m of June 2019.

Group Net Result was positive for Euro 155k vs. a Net Loss of Euro -390k of FY 19.

Net Debt was of Euro 20.6 m vs. Euro 19.8 m of FY 19. Net Debt adjusted for the IFRS 16 effect was of Euro 13.0 m.

## FY20 GUIDANCE AND OUTLOOK

According to Management the lockdown has caused a boost in the Home Fashion industry as home and furniture have been brought back to the centre of everyday life. This newfound importance of the domestic sphere coupled with the important use of online sales channels that the Group has experienced over the last months, are likely to outlive the pandemic, and which lay the groundwork for a positive outlook for the Group. With the approval of 1H20 results, Management also presented guidance, based on the renewed interest in household products, current trading, and order backlog for a FY20 with sales in-line or above FY19 (Euro 49.8 m) and with an improvement in profitability should no other lockdown measures be necessary.

Caleffi also renewed licenses with Disney and Marvel continuing to market Disney and Marvel branded products until 2021 with the aim of consolidating its presence in the kids' segment.

## ESTIMATES

Based on the positive 1H20 results, we revised our forecasts to align with management's guidance. We now assume a FY20 top-line growth of +4.5% (-6.5% previously) to Euro 52.0 m. (vs Euro 46.6 previously). Overall, this resulted in an average growth rate of 12%. In FY20 EBITDA could reach Euro 5.0 m with an EBITDA margin of 9.5% (7.0% previously). At the end of the period Net Debt should amount to Euro 11.8 m with a Net Debt/EBITDA ratio of 2.1x (vs 5.3x FY 2019). We finetuned Capex in order to consider the closing period imposed by the lockdown: Capex for the period FY20-FY22 should amount to Euro 2.2 m (Euro 2.4 m previously). We stress that our forecast does not include any potential opportunities arising from further M&A activity.

## ESTIMATE REVISION

<b>Euro m – IAS/IFRS</b>	<b>19A</b>	<b>20E Old</b>	<b>20E New</b>	<b>21E Old</b>	<b>21E New</b>	<b>22E Old</b>	<b>22E New</b>
<b>Revenues</b>	<b>49.8</b>	<b>46.6</b>	<b>52.0</b>	<b>47.4</b>	<b>53.0</b>	<b>48.8</b>	<b>54.6</b>
yoy	-1.6%	-6.5%	+4.5%	+1.8%	+1.8%	+3.0%	+3.0%
<b>EBITDA</b>	<b>3.6</b>	<b>3.3</b>	<b>5.0</b>	<b>4.1</b>	<b>5.2</b>	<b>4.7</b>	<b>5.6</b>
margin	7.1%	7.0%	9.5%	8.6%	9.8%	9.5%	10.1%
<b>EBIT</b>	<b>0.6</b>	<b>0.4</b>	<b>2.1</b>	<b>1.0</b>	<b>2.2</b>	<b>1.4</b>	<b>2.3</b>
margin	1.1%	0.8%	3.9%	2.0%	4.0%	2.9%	4.3%
<b>Pre tax profit</b>	<b>0.2</b>	<b>0.0</b>	<b>1.1</b>	<b>0.7</b>	<b>1.2</b>	<b>1.2</b>	<b>1.4</b>
<b>Group's Net Profit</b>	<b>(0.0)</b>	<b>0.0</b>	<b>1.0</b>	<b>0.4</b>	<b>1.1</b>	<b>0.8</b>	<b>1.3</b>

Euro m – IAS/IFRS	19A	20E Old	20E New	21E Old	21E New	22E Old	22E New
Net Working Capital (NWC)	19.2	18.7	21.3	18.9	21.9	19.6	22.6
Fixed net assets	15.8	13.7	13.5	11.5	11.3	9.1	9.0
Funds	(2.5)	(2.3)	(2.4)	(2.6)	(2.5)	(2.7)	(2.7)
<b>Net Capital Employed</b>	<b>32.4</b>	<b>30.2</b>	<b>32.5</b>	<b>27.8</b>	<b>30.8</b>	<b>26.0</b>	<b>28.9</b>
Net Financial Position (Cash)	18.9	16.6	17.9	13.9	15.0	11.2	11.8
Group's Equity	12.9	12.9	13.9	13.3	15.0	14.1	16.3
Minority Interest	0.6	0.6	0.7	0.7	0.8	0.7	0.9
<b>Sources</b>	<b>32.4</b>	<b>30.2</b>	<b>32.5</b>	<b>27.8</b>	<b>30.8</b>	<b>26.0</b>	<b>28.9</b>

Source: Group data (IAS/IFRS) for FY 2019, IR Top Research estimates for FY 2020-2022

## VALUATION

Our valuation on Caleffi Group is based on a DCF and Multiple Comparison.

2019 Euro m	Revenues	yoy	EBITDA%	NFP (Cash)
Caleffi	50	-2%	7.1%	19
AEFFE	17,390	1%	12.7%	139
Brunello Cucinelli	1,628	10%	29.0%	481
Ferragamo Salvatore	152	2%	24.5%	502
Luxottica	939	61%	24.2%	4,037
Moncler	916	15%	40.7%	(20)
Safilo	1,628	3%	6.4%	75
Tod's	152	-3%	27.7%	451
<b>Median Peers</b>	<b>939</b>	<b>+3%</b>	<b>24.5%</b>	<b>451</b>

Source: Company Data for Caleffi and FactSet data as of September 21<sup>st</sup>, 2020 for comparable

	EV/EBITDA (x)		
	20E	21E	22E
Caleffi	6.2	5.9	5.6
AEFFE	16,4	8,9	7,8
Brunello Cucinelli	25,4	14,1	12,1
Ferragamo Salvatore	18,7	10,8	8,8
Luxottica	18,6	12,1	10,6
Moncler	16,3	12,3	10,5
Safilo	n.a.	14,2	8,1
Tod's	27,0	12,3	9,4
<b>Median Peers</b>	<b>18,6</b>	<b>12,3</b>	<b>9,4</b>
Discount/Premium to Peers	-67%	-52%	-41%

Source: FactSet data as of September 21<sup>st</sup>, 2020 for comparable

## VALUATION SUMMARY

We set a TP of Caleffi of Euro 2.02 p.s. (from Euro 1.52 p.s. previously), implying an upside of +202% with respect to its current market value. Given the deep negative reactions of all the global main financial markets, we have, for now reduced the weight of the relative valuation to set our target price to 20%, as we believe the DCF provides a better representation of the stock's value based on fundamentals.

Method	Weight	Price (Euro)
Multiple analysis	20%	3.28
DCF	80%	1.71
<b>Target Price</b>	<b>100%</b>	<b>2.02</b>

## IPO

Trading Market: MTA – Borsa Italiana SpA  
Date: October 13<sup>th</sup>, 2005  
Price: 2.80  
Capital raised: Euro 1.3 m  
Capitalisation: Euro 35 m

## SHARES (as of September 21<sup>st</sup>, 2020)

Code: CLF  
Bloomberg: CLF IM  
Reuters: CLF.MI  
ISIN: IT0003025019  
Share Capital: Euro 8,126,602  
Shares: 15,628,081  
Price: Euro 0.67  
Performance from IPO: -76%  
Capitalisation: Euro 10 m

## WARRANT CALEFFI 2015-2020 (as of September 21<sup>st</sup>, 2020)

During the fifth and last exercise period of warrants (ended on June 30<sup>th</sup>, 2020) no warrants were exercised and the share capital remains unchanged: equal to Euro 8,126,602 divided into n. 15,628,081 ordinary shares. Warrants not exercised before the deadline are considered as lapsed and without any validity.

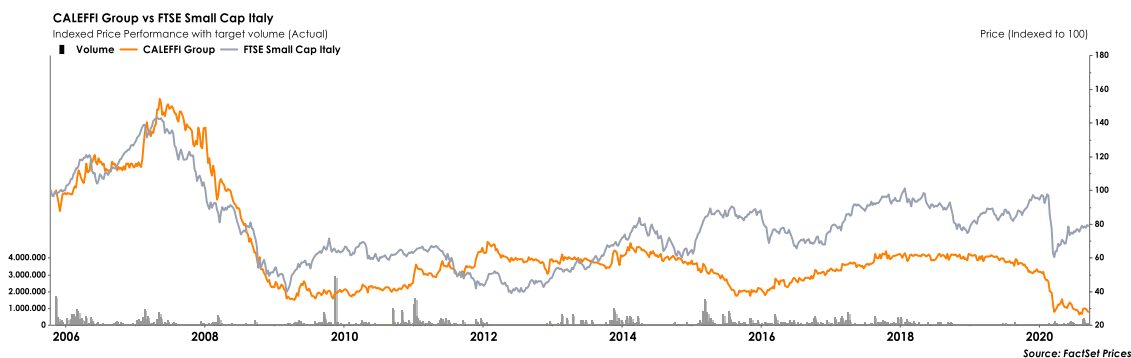
The share capital subscribed and paid up is Euro 8,126,602, made up by n. 15,628,081 ordinary shares. Free float is 41.57%.

After a reorganization of the ownership structures within the Caleffi family, the shareholder structure is as follows.

Shareholder	N° of shares	%
Minerva Srl	8,610,884	55,1%
Other Shareholders (<5%)	6,539,931	41.9%
Treasury Shares	477,266	3.1%
<b>Total</b>	<b>15,628,081</b>	<b>100.0%</b>

Source: Company data as of September 21<sup>st</sup>, 2020

Minerva Srl is a holding company owned by the chairman of the Board of Director, Giuliana Caleffi (ca. 96%) and her son Raffaello Favagrossa (ca. 4%).



## COMPANY DESCRIPTION

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Caleffi Group is market leader in the Italian Home Fashion industry and specialized in high quality home linen products. With over 55 years of history and 178 employees, the Group is present in over 1,800 stores in Italy and in over 400 stores worldwide.

The Group, that includes Caleffi SpA and Mirabello Carrara (70% controlled), closed FY 2019 with revenues of Euro 49.8 m. In FY 2019 Caleffi Group managed to confirmed its position as second player in the market with market share of 7.7% (vs 7.8% in 2018).

## PORTFOLIO BRAND

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The Group is present in the market with a prestigious and balanced brand portfolio, which includes:

- Iconic property brands: Caleffi, Mirabello, Carrara and Besana;
- Luxury licences: Roberto Cavalli, Trussardi, and Diesel;
- Fashion and teen licences: Sogni di Viaggio, Disney and Marvel.

## STRATEGY

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Caleffi Group updated its business plan in May 2019 and has just provided targets up to 2022. The new business plan, with focus on cost cutting, improved competitive positioning in new segments of the home fashion market and with a more fast fashion oriented product offering, is based on four strategic guidelines:

- development and creation of sustainable value over time (commercial development, brand and strategic marketing, product offerings, trade and consumer marketing);
- rationalization of costs along the entire supply chain;
- development of specific sustainability projects;
- redefinition of the organizational structure to support future challenges.

Management also confirmed intentions to boost growth through M&A.

## OPPORTUNITIES

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- **Leader in a highly fragmented market:** with a 7.7% market share, Caleffi (without Mirabello) ranked 2<sup>nd</sup> in the Italian home linen market
- **High brand positioning:** the Group enjoys high brand recognition (Caleffi in the medium-high segment and Mirabello in the luxury segment) thanks to a long history of attention to quality and design, affirmed by luxury brands such as Cavalli and Trussardi
- **Flexible production:** significant part of production is outsourced to partners mainly in low labour cost countries in order to be able to quickly adapt to market trends and customer requests and to keep costs down.
- **Multichannel:** the Group operates with a multichannel strategy in Italy and abroad in order to reach all target market segments. The distribution network is capillary with over 1,800 stores in Italy and 400 abroad.
- **Made-to-order:** production of made-to-order collections for fashion brands, leveraging on its recognition as luxury licence producer. High margin segment and without cost for distribution.
- **Export:** Thanks to high visibility of its licenced brands, the Group is well positioned to target new export markets especially in areas where personal luxury goods market is expected to grow rapidly in the next years (China, UEA).

## MAIN RISKS

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- **Fluctuation of raw material price:** the main commodity used by the Group, in the production of home linen is cotton.
- **Competitiveness risk:** in terms of supply, the sector is overall not very concentrated, especially in the Home Textile area, where, alongside some big players, a lot of companies operate, including many small companies.
- **Exchange rate fluctuation risk:** especially tied to the purchase of cotton, which takes place in dollars. For this reason there could be a reflection of the dollar trend on cotton price. In order to mitigate this risk, the Group operates by reviewing the raw material purchase contracts every six months and sometimes uses derivative contracts and forward purchases of currency.
- **Imports** continue to pose a threat to national companies, especially by large Asian producers, which are now leaders in the low-price market and are progressively shifting towards the intermediate segments.
- **Non renewal of licences:** a notable part of the sales comes from license agreements. The non-renewal could lead to a decline in turnover if not offset by new contracts.

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Date	Target Price	Market Price	Validity Time
September 22 <sup>nd</sup> , 2020	2.02	0.67	12 months
April 21 <sup>st</sup> , 2020	1.52	0.80	12 months
September 18 <sup>th</sup> , 2019	1.69	1.36	12 months
April 10 <sup>th</sup> , 2019	1.46	1.46	12 months
September 14 <sup>th</sup> , 2018	1.56	1.40	12 months
March 21 <sup>st</sup> , 2018	1.69	1.44	12 months

**VALUATION METHODOLOGY (HORIZON: 12M):** IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

#### RESEARCH TEAM:

Luisa Primi, (Senior Analyst, AIAF Associated)

Andrea Praga, (Analyst)

Chiara Cardelli, (Researcher)

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