

CALEFFI

Very strong set of 1H21 results

Double digit revenue growth (+44%). In 1H21 Caleffi Group, market leader in the Italian Home Fashion industry, confirmed the positive trend of the previous quarters and reported revenues of Euro 28.4 m, +44% vs. 1H20 (Euro 19.7m) and +25% vs. 1H19 (Euro 22.8 m). The positive result was driven in by strong market demand supported by new living and working habits which has revived consumers interest in the home fashion industry and the efficient adoption of strategies to adapt to new customer behaviour with particular focus to online sales. More in detail, Mirabello Carrara, the 70% owned luxury subsidiary, recorded Euro 8.2 m, more than doubling 1H20 results (Euro 3.7 m), whereas Caleffi SpA increased revenues by c. 23% to Euro 20.8 m (Euro 16.9 in 1H20). Very good performance in export markets, which recorded revenue growth of +190% to Euro 3.0 m (Euro 1.0 m in 1H20) increasing its total weight on sales to 11% (c. 5% in 1H20). Revenues in the domestic market reached Euro 25.4 m after an increase vs. 1H20 by +36% (Euro 18.7m).

Sharp increase in profitability too. EBITDA margin at 13.7% and Net Income of Euro 1.5 m. EBITDA came in at Euro 3.9 m vs. Euro 1.6 m in 1H20 (Euro 1.3 m in 1H19) recording an EBITDA margin of 13.7%, after a significant improvement vs. 8.1% in 1H20 and 5.9% in 1H19 and in line with FY20 (14.1%). EBIT stood at Euro 2.6 m (Euro 0.2 m in 1H20 and Euro -0.2 m in 1H19) and Net Income was of Euro 1.5 (Euro 0.2 m in 1H20). Net Debt at the end of the period considered was of Euro 16.4, down from Euro 17.1 m at the end of December 2020 thanks to good operating cashflow and despite a seasonal increase in inventory.

Strong ESG Profile. The Group recently released its first sustainability report which was presented on a voluntary basis in order to provide a periodically updated information tool for the benefit of all stakeholders (see ESG Profile).

Positive outlook for FY21 and going forward. Management did not give any guidance for FY21 but highlighted that they forecast FY21 results in line with the excellent results of 2020. We expect the newfound interest in the home fashion market to persist even in a post-pandemic scenario as living and working habits have changed permanently. We however expect a slowdown in demand compared to FY20 as consumer spending on the home during the lockdown months will partially be replaced by the purchase of goods and services such as apparel, travel and outdoor eating that so far have been constrained by the restrictions. This coupled with the higher structural profitability following Management's cost saving efforts along the entire supply chain does, in our opinion, lay good ground for the coming months.

Change in estimates. Given the above we adjusted our estimates to reflect the higher-than-expected 1H21 results. We also added FY23 to our explicit forecast period. Overall, we made a 4%, 23% and 72% average increase in our sales, EBITDA and EPS forecasts respectively.

Increased target price: Based on our new estimates and our updated DCF and multiples models we revised upwards our target price for Caleffi to Euro 3.34 p.s (2.68 previously). Our target price provides for a potential upside vs. current stock price (Euro 1.23 p.s.) of +173%. The stock currently trades at 4.5x and 4.4x EV/EBITDA FY21-22 vs. peers' average of 14.3x and 11.4x. At our target price the stock would be trading at an EV/EBITDA 2021 of 8.5x.

Sector: Personal & Household Goods

Target Price (Euro)	3.34 (2.68 pr)
Market Price (Euro)	1.23
Market Cap (Euro m)	19.1
EV (Euro m)	.35.6
As of September 17, 2021	

Share Data

Market	AIM Italia
Reuters/Bloomberg	CLF.MI/CLF IM
ISIN	IT0003025019
N. of Shares	15,628,081
Market	44.9%
Main Shareholder	Minverva (55.1%)
CEO	Guido Ferretti

Financials

	2020A	2021E	2022E	2023E
Sales	56.1	57.4	58.8	60.3
YoY %	13%	2%	2%	2%
EBITDA	7.9	7.9	8.0	8.3
EBITDA %	14.1%	13.7%	13.6%	13.7%
EBIT	5.0	5.0	5.1	5.2
EBIT %	9.0%	8.7%	8.6%	8.6%
Net Income	3.5	3.2	3.3	3.5
Net Cash	17.1	14.6	10.4	6.8
Group Equity	16.4	19.5	22.9	26.3

Performance

	1M	3M	6M
Absolute	+13%	+17%	+82%
Relative (FTSE AIM Italia)	+9.4%	+14%	+15%
52-week High/Low (Eu)	1.36	/	0.50

Sustainability

ESG Profile available

IR TOP RESEARCH

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KEY FIGURES

Profit & Loss Statement	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Sales	56,3	50,6	49,8	56,1	57,4	58,8	60,3
EBITDA	2,0	0,6	3,6	7,9	7,9	8,0	8,3
EBIT	0,4	(1,0)	0,6	5,0	5,0	5,1	5,2
Financial Income (charges)	(0,3)	(0,1)	(0,3)	(0,2)	(0,4)	(0,3)	(0,2)
Pre-tax profit (loss)	0,1	(1,0)	0,2	4,8	4,6	4,8	5,0
Taxes	(0,1)	0,2	(0,1)	(1,0)	(1,1)	(1,2)	(1,2)
Minorities	(0,1)	(0,1)	(0,1)	(0,3)	(0,2)	(0,3)	(0,3)
Net profit (loss) Group	(0,1)	(0,9)	(0,0)	3,5	3,2	3,3	3,5

Balance Sheet							
Fixed assets	9,9	9,4	15,8	14,6	13,8	13,6	13,4
NWC	22,1	17,9	19,2	22,0	24,1	23,9	24,6
M/L Funds	(2,4)	(2,3)	(2,5)	(2,2)	(2,5)	(2,8)	(3,1)
Net Capital Employed	29,7	24,9	32,4	34,4	35,3	34,7	34,8
Net Debt	14,8	11,4	18,9	17,1	14,6	10,4	6,8
Group Equity	14,4	13,0	12,9	16,4	19,5	22,9	26,3
Minorities	0,4	0,5	0,6	1,0	1,2	1,5	1,7
Net Equity	14,8	13,5	13,5	17,3	20,7	24,3	28,1

Cash Flow							
EBIT	0,4	(1,0)	0,6	5,0	5,0	5,1	5,2
D&A	1,3	1,3	1,1	1,0	1,0	1,1	1,2
Tax	(0,0)	0,0	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)
Other	0,0	0,0	0,0	0,0	0,0	0,0	1,0
Change in M/L Funds	(0,0)	(0,0)	0,2	(0,3)	0,3	0,3	0,3
Gross Cash Flow	1,6	0,3	1,8	5,8	6,3	6,5	7,7
Change in NWC	(1,4)	4,2	(1,3)	(2,8)	(2,2)	0,2	(0,6)
Operating Cash Flow	0,3	4,5	0,5	3,0	4,2	6,7	7,1
Capex	(1,8)	(0,7)	(0,1)	(0,0)	(0,2)	(0,8)	(0,8)
Acquisitions and disinvestments	0,0	0,0	0,0	0,0	0,0	0,0	1,0
Financial Income (charges)	(0,3)	(0,1)	(0,3)	(0,2)	(0,4)	(0,3)	(0,2)
Free Cash Flow	(1,8)	3,7	0,1	2,7	3,6	5,6	7,0
Change in Equity	0,1	(0,5)	(0,1)	(0,0)	0,0	0,0	(0,0)
Change in Net debt	(1,7)	3,2	(0,0)	2,7	3,6	5,6	7,0

Per Share Data							
Current Price	1,23						
Total shares out (mn) average	15,2						
EPS	(0,01)	(0,06)	(0,00)	0,23	0,21	0,22	0,23
DPS	-	-	-	-	-	-	-
FCF	(0,12)	0,24	0,01	0,18	3,55	5,58	7,02
Pay out ratio*							

Ratios							
EBITDA margin	3,5%	1,2%	7,1%	14,1%	13,7%	13,6%	13,7%
EBIT margin	0,6%	-1,9%	1,1%	9,0%	8,7%	8,6%	8,6%
Net Debt/Equity (Gearing)	99,9%	84,2%	140,0%	98,5%	70,5%	42,8%	24,2%
Net Debt/EBITDA	7,6x	18,4x	5,3x	2,2x	1,9x	1,3x	0,8x
Interest cover EBIT	1,3x	-14,8x	1,8x	21,6x	-0,1x	-0,1x	0,0x
ROE	-0,7%	-7,0%	0,0%	21,4%	16,2%	14,6%	13,1%
ROCE	1,6%	-4,8%	2,2%	17,5%	17,4%	18,0%	18,5%
Free Cash Flow Yield	n.m.	20%	1%	15%	29%	45%	57%

Growth Rates							
Sales	-5%	-10%	-2%	13%	2%	2%	3%
EBITDA	-33%	-68%	472%	122%	0%	2%	3%
EBIT	-73%	-371%	158%	785%	-1%	1%	3%
Net Profit	-119%	-854%	100%	n.a.	-9%	5%	4%

KEY FINANCIALS 1H21

Euro m	1H21A	1H20A	1H19A	2020A	2019A
Sales	28,4	19,7	22,8	56,1	49,8
yoy	44,3%	-13,6%	-99,4%	12,6%	-1,6%
Ebitda	3,9	1,6	1,3	7,9	3,6
margin	13,7%	8,1%	5,9%	14,1%	7,1%
Ebit	2,6	0,2	(0,2)	5,0	0,6
margin	9,0%	1,1%	-0,8%	9,0%	1,1%
Pre-tax Result	2,4	0,1	(0,3)	4,8	0,2
Group's Net results	1,5	0,2	(0,4)	3,5	(0,0)
Net Working Capital (NWC)	22,5	21,1	18,7	22,0	19,2
Fixed net assets	15,2	15,4	16,7	14,6	15,7
Funds	-2,2	-2,5	-2,3	-2,2	-2,5
Net Capital Employed	35,5	34,1	33,1	34,4	32,4
Net debt (cash)	16,5	20,6	19,9	17,0	18,9
Group's Equity	17,9	13,0	12,5	16,4	12,9
Minorities Interest	0,2	-0,1	-0,1	0,3	0,1
Sources	34,5	33,4	32,4	33,7	31,9

Source: Group Data

ESTIMATES REVISION

Euro m	20A	21E Old	21E New	22E Old	22E New	23E New
Revenues	56,1	55,3	57,4	56,9	58,8	60,3
VoP YoY % growth	12,6%	-1,4%	2,4%	3,0%	6,4%	5,1%
EBITDA	7,9	6,6	7,9	6,3	8,0	8,3
EBITDA margin	14,1%	11,8%	13,7%	10,9%	13,6%	13,7%
EBIT	5,0	3,7	5,0	3,2	5,1	5,2
EBIT margin	8,9%	6,6%	8,7%	5,6%	8,6%	8,6%
EBT	4,8	3,4	4,6	2,9	4,8	5,0
Group's Net Profit	3,5	2,0	3,2	1,8	3,3	3,5
Net margin	6,2%	3,6%	5,5%	3,2%	5,7%	5,7%
EPS (Eu)	0,23	0,13	0,21	0,12	0,22	0,23
Net working capital (NWC)	22,0	22,4	24,1	23,0	23,9	24,6
Net fixed assets	14,6	13,5	13,8	13,0	13,6	13,4
Funds	-2,2	-2,6	-2,5	-2,8	-2,8	-3,1
Net Capital Employed	34,4	33,3	35,3	33,2	34,7	34,8
Net financial Debt (Cash)	17,1	14,6	14,6	12,6	10,4	6,8
Group Equity	16,4	17,7	19,5	19,4	22,9	26,3
Minorities	1,0	1,0	1,2	1,2	1,5	1,7
Sources	34,4	33,3	35,3	33,2	34,7	34,8

Source: Group Data for 2020 and IR Top Research estimates for 2021-2023

CALEFFI ESG PROFILE – in partnership with


MATERIAL ESG ISSUES	HIGHLIGHTS
Governance <ul style="list-style-type: none"> Business ethics and compliance with regulations Data security and privacy protection 	<p>The Board of Directors includes 6 members, of which three male and three female. One of the members is under 30 years old, whereas the rest of the board members are all of an age of +50.</p> <p>The Company has adopted an “Integrated Management System” to ensure the highest level of product quality and continuous improvement of aspects related to health and safety at work, as well as full compliance with applicable regulatory requirements, customer and stakeholder expectations</p>
Suppliers /Supply Chain <ul style="list-style-type: none"> Sustainability of the supply chain 	<p>The selection of suppliers plays a fundamental role in Caleffi's business model and is based on the ability of each supplier in terms of quality, innovation, costs and services. In addition to the above the supplier selection policy also includes an analysis of the values of the Caleffi Code of Conduct including the principles of legality, correctness, and loyalty. Selection criteria of a more general and technical nature include the evidence of the integrity / reliability requirements, compliance with EU legislation and other regulations on the origin and quality of products.</p> <p>56% of total purchases value are made from suppliers who adhere to the general principles of international standard SA8000 subject to Audit.</p>
Clients/Products <ul style="list-style-type: none"> Innovation and research Product quality and safety Brand image and reputation Customer satisfaction and responsible marketing 	<p>Product quality and recycled materials: In the last quarter of 2020, Caleffi carried out a commercial campaign at large retailers with GRS certified products (Global RecycleStandard).</p> <p>Product Certification: Close to all Caleffi and Mirabello suppliers have obtained the Oeko-Tex® Confidence certification in Textiles-Standard 100 and GOTS (Global Organic TextileStandard) for the products distributed. Caleffi has a quality management system, which has is ISO 9001: 2000 certified since 2003. In developing its business, Caleffi is committed to ensuring high quality products, with particular attention to environmental protection.</p> <p>Responsible Marketing and transparency: Caleffi undertakes to carry out responsible marketing activities based on transparency & trust, customer satisfaction, safety, quality and accuracy of information</p>
Economic <ul style="list-style-type: none"> Generation and distribution of value 	<p>In FY20 Caleffi generated revenues of Euro 56.6 m (+12 yoy). Of the total economic value generated, 88% was distributed to its stakeholders, of which Euro 41.1 m to suppliers, Euro 7.5 m to its human capital (as personnel expenses), Euro 0.7 m to the community in the form of taxes and Euro 0.6 m to Financial Institutions (as financial charges).</p>
People <ul style="list-style-type: none"> Human resources management, training, skills development Health and safety of workers 	<p>At the end of 2020, the Caleffi Group counted 154 employees, of which 113 women (73%) and 41 men (27%). 98% of the total workforce are over 30 years old, and an in-depth analysis of the workforce shows the progressive ageing of its components, something which is typical of the textile industry. Worth highlighting is that that 153 out of 154 resources have a permanent contract.</p> <p>In 2020, the Company recorded a turnover rate of just -1.9%, with almost all exits being motivated by retirement.</p> <p>Educational activities are a key component of Caleffi's human capital valorization and, despite Covid related difficulties, all employees had the opportunity to be involved in an average of 2 hours of learning courses last year.</p> <p>Finally, thanks to the adoption of a management system for Health and Safety in the workplace (ISO 45001.2018), the Company had 0 work related injuries during 2020.</p>
Environment <ul style="list-style-type: none"> Sustainable materials and packaging Energy, emissions and climate change Responsible use of resources (waste and water) 	<p>Environmental responsibility stands at the core of Caleffi's operations, as the Company is committed to minimise its environmental impact, contributing to preserve the naturale heritage and biodiversity through the reduction of energy and water consumption, the non-use of toxic raw materials, the reduction of waste production and emissions and the use of renewable energy sources and sustainable packaging.</p> <p>In 2020 the Company used 1 megalitre of water for its operations, producing no hazardous waste (-35% vs 2018). It also used 1 photovoltaic system of 1 mgw, making the use of renewable energy account to 14.37% of the total energy used. Lastly, Diesel consumption went down by -36% compared to 2018.</p>

VALUATION UPDATE
Valuation Summary

Method	Weight	Price (Euro)
Multiple Comparison	20%	4.23
DCF	80%	3.12
Target Price	100%	3.34

DCF model

DCF Valuation	
<i>Euro '000</i>	
WACC	7.3%
Sum of PV 2021-24 FCFs	14.1
Discounted terminal value	50.5
Enterprise Value	64.6
Net Debt	16.4
Minorities	1.0
Equity Value	47.2
N. of outstanding shares (m)	15.2
Fair Value p.s.	3.12

Multiples Comparison

Companies	Country	Market Cap	Price	Sales 2021E	Sales YoY 21/20	EBITDA % 2021E	EBIT % 2021E	NI % 2021E
AEFFE	Italia	204,6	1,9	304,5	13%	10%	1%	4%
Brunello Cucinelli	Italia	3.261,3	48,0	662,8	21%	26%	10%	5%
Geox	Italia	272,2	1,1	616,9	15%	10%	-5%	-6%
Moncler	Italia	14.510,7	53,0	1.962,2	36%	41%	29%	19%
Piquadro	Italia	94,5	1,9	n.a.	n.a.	n.a.	n.a.	n.a.
Safilo	Italia	432,9	1,6	960,2	23%	8%	2%	-1%
Tod's	Italia	1.499,1	45,3	815,8	28%	17%	-2%	-3%
Average				887,1	23%	19%	6%	3%
CALEFFI	ITA			57,4	2%	14%	9%	5%

Source: FactSet data as of February 19th, 2021 IR Top estimates for Caleffi

Companies	EV/EBITDA		
	20A	21E	22E
AEFFE	81,4	13,2	10,6
Brunello Cucinelli	33,1	22,4	18,9
Geox	n.a.	9,6	5,9
Moncler	21,9	17,5	14,7
Piquadro	15,4	n.a.	n.a.
Safilo	649,2	8,6	7,0
Tod's	38,4	14,7	11,6
Average	139,9	14,3	11,4
CALEFFI	4,5	4,5	4,4
Premium/Discount to Peers	-97%	-68%	-61%

Source: FactSet data as of September 17th, 2021 IR Top estimates for Caleffi

CALEFFI IN BRIEF

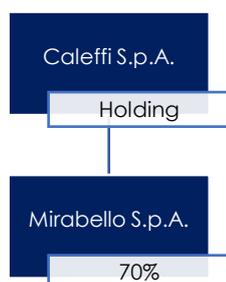
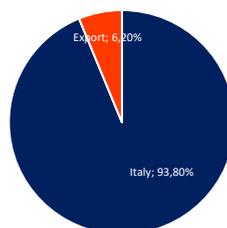
Caleffi Group is market leader in the Italian Home Fashion industry and specialized in high quality home linen products. With over 55 years of history and 185 employees, the Group is present in over 2000 stores in Italy and in over 600 stores worldwide. With an 8.5% market share in FY 2020 Caleffi is the no. 1 player in the Italian market. The Group, that includes Caleffi SpA and Mirabello Carrara (70% controlled), closed FY 2020 with revenues of Euro 56 m (+12% vs Euro 49.8 m in FY19).

Management

Giuliana Caleffi - Chairman
 Guido Ferretti -CEO and Supply Chain
 Rita Federici – Deputy Chairman
 Raffaelo Favagrossa – Products & Market

Key Shareholders

Minerva	55.1%
Market	44.9

Group Structure

Revenue Breakdown FY20

Revenue growth 18A-23E

Strategy

Caleffi Group updated its business plan in May 2019. 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.

Portfolio Brands

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

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

Investment Case

- **Leader in a highly fragmented market:** with a 8.5% market share, Caleffi (without Mirabello) ranked 1st in the Italian home linen market in 2020
- **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).
- **Strong ESG profile:** sustainable products and business model

CALEFFI on MTA – Borsa Italiana
IPO

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

SHARES (as of September 17th, 2021)

Code: CLF
 Bloomberg: CLF IM
 Reuters: CLF.MI
 ISIN: IT0003025019
 Shares: 15,628,081
 Price: Euro 1.23
 Capitalisation: Euro 19 m
 Market: 44.9%

OWNERSHIP

The share capital subscribed and paid up is Euro 8,126,602, made up by n. 15,628,081 ordinary shares. Free float is 41.9%.

Shareholder	N° of shares	%
Minerva Srl ¹	8,610,884	55.1%
Other Shareholders (<5%)	6,539,931	41.9%
Own Shares	477,266	3.1%
Total	15,628,081	100.00%

Source: Company data as of September 17th, 2021

¹ Minerva Srl is a holding company of which the main shareholder (c.95%) is the chairman of the board of Director, *Giuliana Caleffi*

STOCK PERFORMANCE


DISCLAIMER

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Date	Target Price	Market Price	Validity Time
September 20 th , 2021	3.34	1.23	12 months
February 22 nd , 2021	2.68	0.94	12 months
November 18 th , 2020	2.31	0.68	12 months
September 22 nd , 2020	2.02	0.67	12 months
April 21 st , 2020	1.52	0.80	12 months
September 18 th , 2019	1.69	1.36	12 months
April 10 th , 2019	1.46	1.46	12 months
September 14 th , 2018	1.56	1.40	12 months
March 21 st , 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)

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