

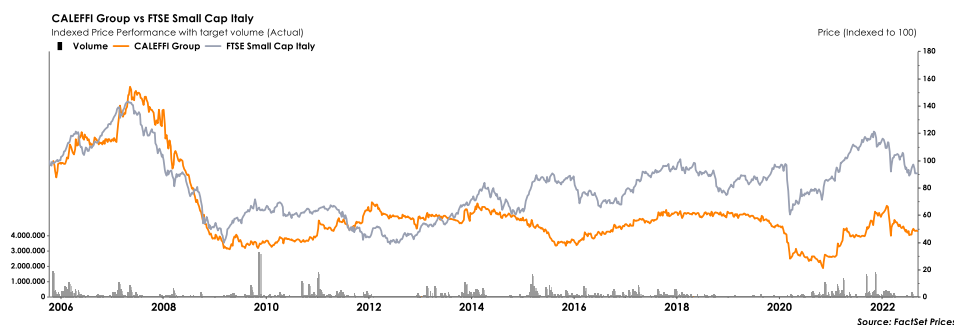


Solid 1H22 results though reflecting challenging market conditions
Sector: Personal & Household Goods

1H22 revenues at Euro 25.3 m, EBITDA margin at 9.4%. CALEFFI an Italian leader in the Home Fashion industry, reported a solid set of results although in slight contraction vs. prior year. This was according to Management due to the macroeconomic situation which has put the whole market under pressure with cost inflation negatively impacting consumer spending. More in detail, 1H22 revenues stood at Euro 25.3 m, -11% YoY (Euro 28.4 m in 1H21). Caleffi Spa recorded revenues of Euro 19.6 m (Euro 20.8 m in 1H21), whereas Mirabello Carrara, the 70% owned luxury subsidiary, recorded revenues of Euro 6.8 m (Euro 8.2 m in the first half of 2021). The domestic market counted for c. 90% of total revenues (Euro 22.8 m vs. 25.4 In 1H22). 1H22 EBITDA came in at Euro 2.4 m (Euro 3.9 in 1H21) posting an EBITDA margin of 9.4%, below that of the first six months of 2021 (13.7%), but still well above pre-Covid levels as the Group has managed to structurally raise profitability (average EBITDA margin of 4% in the FY17-19 period) thanks to Management's efforts to reduce costs along the entire supply chain. The slowdown in 1H22, was mainly to be attributed to the inevitable mismatch between costs inflation and the implementation of the new price list. In 1H22, Caleffi had to absorb and manage higher costs linked to packaging, logistics, gas and above-all, raw materials. Thanks to its own PV plant, increases in electricity costs do not significantly affect the Income Statement. Net income was of Euro 0.7 m (Euro 1.5 m in H21) and Net Debt stood at Euro 15.2 m, vs. 12.7 m at YFY21 following an increase in NWC partially due to seasonality.

Positive outlook and new FY22 guidance. Our view on the Group remains positive as we continue to expect industry growth in the mid-term driven by the newfound interest for the home and online retail sales. In addition, the Group has recently announced the renewal of the licence agreement with Roberto Cavalli and a new 3-year licence agreement for the worldwide development, production, and distribution of the "Bellora 1883" brand thus confirming the Group's position as market leader. Considering all the above, FY22 results and the current order portfolio, Management provided guidance for FY22 pointing at "revenues in line with prior year and an EBITDA margin between 8-10%".

Estimate revision and valuation update. Based on the above we reviewed our estimates for FY22 to align with guidance. Revenues were hence only finetuned now assuming Euro 60 m (Euro 61 m pr.) whereas we cut our expectations for EBITDA margin to 9% (12.5% pr.) for the reasons already mentioned. We recall the seasonality of the business in favour of the second half of the year. Our expectations for top-line growth in FY23 remained largely unchanged (now 1% vs 2% pr.) and added FY24 to our explicit forecast. We are trimming our TP from Euro 3.35 p.s. to Euro 3.14 p.s. to reflect the cut in estimates and updated market data including a derating of peers' multiples by c. 15% vs. our previous report (Feb 22). Our new target price offers an upside on current stock price of approx. 170%.



Target Price 3.14
(3.35 pr.)

Price (€) **1.18**

Market Cap (€ m) **18**

EV (€ m) **34**

Share Data As of 14th September, 2022

Market	Euronext Growth Milan
Reuters/Bloomberg	CLF.MI/CLF IM
ISIN	IT0003025019
N. of Shares	15,628,081
Free Float	40.4%
Main Shareholder	Minerva Srl (55.1%)
CEO	Guido Ferretti

Financials

	2021A	2022E	2023E	2024E
Sales	60.8	60.0	60.6	62.1
YoY %	8%	-1%	1%	2%
EBITDA	8.0	5.4	6.7	8.1
EBITDA %	13.2%	9.0%	11.0%	13.0%
EBIT	5.4	2.7	3.8	5.2
EBIT %	8.8%	4.5%	6.3%	8.3%
NI Group	3.4	1.6	2.5	3.4
Net Debt	12.7	14.8	10.3	5.1
Group Equity	19.7	21.3	23.7	27.1

Performance

	1M	3M	12M
Absolute	-2%	+2%	-1%
Relative (FTSE Italia Growth)	+4%	+5%	+5%
52-week High/Low (Eu)	1.69	/	0.95

Sustainability

Updated ESG Profile available

Luisa Primi
l.primi@irtop.com

Profit & Loss Statement	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Sales	56,3	50,6	49,8	56,1	60,8	60,0	60,6	62,1
EBITDA	2,0	0,6	3,6	7,9	8,0	5,4	6,7	8,1
EBIT	0,4	(1,0)	0,6	5,0	5,4	2,7	3,8	5,2
Financial Income (charges)	(0,3)	(0,1)	(0,3)	(0,2)	(0,4)	(0,3)	(0,2)	(0,2)
Pre-tax profit (loss)	0,1	(1,0)	0,2	4,8	5,0	2,4	3,6	4,9
Taxes	(0,1)	0,2	(0,1)	(1,0)	(1,3)	(0,6)	(0,9)	(1,2)
Minorities	(0,1)	(0,1)	(0,1)	(0,3)	(0,3)	(0,1)	(0,2)	(0,3)
Net profit (loss) Group	(0,1)	(0,9)	(0,0)	3,5	3,4	1,6	2,5	3,4

Balance Sheet	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Fixed assets	9,9	9,4	15,8	14,6	14,5	14,3	14,1	13,7
NWC	22,1	17,9	19,2	22,0	21,1	25,2	23,8	22,7
M/L Funds	(2,4)	(2,3)	(2,5)	(2,2)	(2,0)	(2,1)	(2,2)	(2,3)
Net Capital Employed	29,7	24,9	32,4	34,4	33,6	37,4	35,6	34,2
Net Debt	14,8	11,4	18,9	17,1	12,7	14,8	10,3	5,1
Group Equity	14,4	13,0	12,9	16,4	19,7	21,3	23,7	27,1
Minorities	0,4	0,5	0,6	1,0	1,2	1,4	1,6	1,9
Net Equity	14,8	13,5	13,5	17,3	20,9	22,6	25,3	29,0

Cash Flow	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Net Profit	(0,0)	(0,8)	0,1	3,8	3,7	1,8	2,7	3,7
Non Cash Items	1,3	1,2	2,9	2,3	2,2	2,7	2,8	2,9
Change in NWC	(1,4)	4,2	(1,3)	(2,8)	0,9	(4,1)	1,4	1,1
Cash Flow from Operations	(0,1)	4,7	1,8	3,3	6,8	0,3	6,9	7,7
Capex	(1,8)	(0,7)	(9,1)	(1,5)	(2,3)	(2,4)	(2,5)	(2,5)
Operating Free Cash Flow	(1,9)	3,9	(7,4)	1,9	4,5	(2,1)	4,4	5,2
Dividend	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other change in Equity	0,1	(0,5)	(0,1)	(0,0)	(0,1)	0,0	0,0	0,0
Change in Net Debt	(1,8)	3,4	(7,5)	1,9	4,3	(2,1)	4,4	5,2

Per Share Data	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Current Price	1,18							
Total shares out (mn)	14,9							
EPS	(0,01)	(0,06)	(0,00)	0,23	0,23	0,11	0,17	0,23
DPS	-	-	-	-	-	-	-	-
FCF	(0,12)	0,23	(0,50)	0,12	0,29	(0,14)	0,30	0,35
Pay out ratio	-	-	-	-	-	-	-	-

Ratios	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA margin	3,5%	1,2%	7,1%	14,1%	13,2%	9,0%	11,0%	13,0%
EBIT margin	0,6%	-1,9%	1,1%	9,0%	8,8%	4,5%	6,3%	8,3%
Net Debt/Equity (Gearing)	99,9%	84,2%	140,0%	98,5%	60,8%	65,2%	40,8%	17,7%
Net Debt/EBITDA	7,6x	18,4x	5,3x	2,2x	1,6x	2,7x	1,5x	0,6x
Interest cover EBIT	1,3x	-14,8x	1,8x	21,6x	-0,1x	-0,1x	-0,1x	0,0x
ROE	-0,7%	-7,0%	0,0%	21,4%	17,5%	7,6%	10,4%	12,6%
ROCE	1,6%	-4,8%	2,2%	17,5%	19,7%	8,9%	13,2%	18,7%
Free Cash Flow Yield	n.m.	20%	n.m.	11%	2%	-1%	2%	3%

Growth Rates	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Sales	-5%	-10%	-2%	13%	8%	-1%	1%	2%
EBITDA	-33%	-68%	472%	122%	2%	-33%	23%	21%
EBIT	-73%	-371%	158%	785%	7%	-50%	43%	35%
Net Profit	-119%	-854%	100%	n.a.	-2%	-53%	53%	38%

Key Financials 1H22

Euro m	1H22A	1H21A	1H20A	2021A	2020A	
Sales	25.3	28.4	19.7	60.8	56.1	
	YoY	-10.8%	44.2%	12.6%	8.0%	-1.6%
Ebitda	2.4	3.9	1.6	8.0	7.9	
	% on sales	9.4%	13.7%	8.1%	13.2%	7.1%
Ebit	1.1	2.6	0.2	5.4	5.0	
	% on sales	4.5%	9.0%	1.1%	8.7%	1.1%
Pre-tax Result	1.0	2.4	0.1	5.0	4.8	
Group's Net results	0.7	1.5	0.2	3.4	3.5	
Net Working Capital	25.3	22.4	21.1	21.1	22.0	
Fixed net assets	13.4	15.2	15.4	14.5	14.6	
Funds	(2.0)	(2.2)	(2.5)	(2.0)	(2.2)	
Net Capital Employed	36.7	35.4	34.1	33.6	34.4	
Net Debt (Cash)	15.2	16.4	20.6	12.7	17.0	
Group's Equity	20.2	17.9	13.0	19.7	16.4	
Minority Interest	1.2	0.2	(0.1)	1.2	0.3	
Sources	36.7	35.4	33.4	33.6	33.7	

Source: Group Data

Estimate revision – Euro m

Eu m	21A	22E Old	22E New	23E Old	23E New	24E New	
Revenues	60.8	61.0	60.0	62.5	60.6	62.1	
	YoY %	8%	1%	-1%	2%	1%	2%
EBITDA	8.0	7.6	5.4	8.4	6.7	8.1	
	EBITDA margin	13.2%	12.5%	9.0%	13.4%	11.0%	13.0%
EBIT	5.4	4.9	2.7	5.5	3.8	5.2	
	EBIT margin	8.8%	8.0%	4.5%	8.8%	6.3%	8.3%
EBT	5.0	4.6	2.4	5.3	3.6	4.9	
Group's Net Profit	3.4	3.1	1.6	3.7	2.5	3.4	
	Net margin	5.7%	5.1%	2.7%	5.9%	4.1%	5.5%
	EPS (Eu)	0.23	0.21	0.11	0.24	0.17	0.23

Eu m	21A	22E Old	22E New	23E Old	23E New	24E New
Net working capital (NWC)	21.1	22.6	25.2	23.2	23.8	22.7
Net fixed assets	14.5	13.6	14.3	13.4	14.1	13.7
Funds	(2.0)	(2.6)	(2.1)	(2.7)	(2.2)	(2.3)
Net Capital Employed	33.6	33.6	37.4	33.8	35.6	34.2
Net Debt/(Cash)	12.7	9.3	14.8	5.6	10.3	5.1
Group Equity	19.7	22.8	21.3	26.5	23.7	27.1
Minorities	1.2	1.5	1.4	1.8	1.6	1.9
Sources	33.6	33.6	37.4	33.8	35.6	34.2

Source: Group Data for 2021 and IR Top Research estimates for 2022-2024

Valuation Summary

Method	Weight	Price (Euro)
Market Multiples (FY22-23 E/EBITDA and P/E @ 25% small cap discount)	20%	2.41
DCF	80%	3.32
Target Price	100%	3.14

DCF model

DCF Valuation		
Euro '000		
WACC	8.4%	
Sum of PV 2022-25 FCFs	5.4	10%
Discounted terminal value	60.6	90%
Enterprise Value	66.0	100%
Net Debt 1H22	15.3	
Minorities 1H22	1.2	
Equity Value	49.5	
N. of outstanding shares net of own shares (m)	14.9	
Fair Value p.s.	3.32	

Multiples Comparison

In our view Caleffi's peers are other brands active in apparel & home fashion with strong Made in Italy brands. Publicly traded companies belonging to this group are: Aeffe, Brunello Cucinelli, Geox, Moncler, Piquadro, Safilo and Tod's. Aeffe and Safilo are involved in the luxury licence production which is an important part of Caleffi's business model.

Companies	Country	Market Cap	Price	Sales 2022E	Sales YoY 22/21	EBITDA % 2022E	EBIT % 2022E	NI % 2022E
Aeffe	Italia	145,4	1,4	386	8%	14%	6%	3%
Brunello Cucinelli	Italia	3.590,4	52,8	934	11%	29%	14%	9%
Geox	Italia	203,7	0,8	735	6%	12%	3%	1%
Moncler	Italia	12.187,1	44,5	2.834	12%	40%	30%	21%
Piquadro	Italia	91,8	1,8	n.a.	n.a.	n.a.	n.a.	n.a.
Safilo	Italia	558,4	1,4	1.075	3%	8%	5%	4%
Tod's	Italia	1.342,9	40,6	1.041	7%	23%	7%	4%
Average				1.167,5	8%	21%	11%	7%
CALEFFI	ITA			60	-1%	9%	4%	3%

Source: FactSet data as of September 14th, 2022 IR Top estimates for Caleffi

Companies	EV/EBITDA			P/E		
	21E	22E	23E	21E	22E	23E
Aeffe	12,7	7,7	6,5	12,3	18,1	10,8
Brunello Cucinelli	24,5	17,6	16,0	75,0	49,3	44,1
Geox	17,9	6,2	4,7	n.a.	n.a.	21,5
Moncler	20,0	n.a.	n.a.	29,1	21,9	20,0
Piquadro	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Safilo	7,5	6,9	6,4	24,4	16,7	14,2
Tod's	13,2	9,7	8,5	n.a.	73,9	34,2
Average	16,0	9,6	8,4	35,2	36,0	24,1
CALEFFI	4,1	6,1	5,0	5,2	11,1	7,2
Premium/Discount to Peers	-74%	-36%	-41%	-85%	-69%	-70%

Source: FactSet data as of September 14th, 2022 IR Top estimates for Caleffi

CALEFFI ESG PROFILE – in partnership with ESG Observatory by IR TOP

Governance	<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 +50.</p>
<ul style="list-style-type: none"> • Business ethics and compliance with regulations • Data security and privacy protection 	<p>The Board of Directors internally set up a Remuneration and Appointments Committee and the Company adopted an "Integrated Management System" to ensure the highest level of product quality and continuous improvement of health and safety aspects at work, as well as full compliance with applicable regulatory requirements, customer and stakeholder expectations.</p>
	<p>Since 2008, Caleffi has adopted Model 231 and has appointed the Supervisory Body.</p>
Suppliers /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:</p>
	<ul style="list-style-type: none"> • Signing of the Caleffi and Mirabello code of conduct by suppliers • Almost all Caleffi and Mirabello suppliers have obtained Oeko-Tex® Confidence certification in Textiles-Standard 100 and GOTS (Global Organic Textile Standard) for the products distributed. In particular, approx. 90% of the Group's purchases are Oeko-Tex® certified. • Assessment path of suppliers' sustainability profile. Mapping and evaluation of the main suppliers through the EcoVadis evaluation platform
	<p>71% of total purchases value are made from suppliers who adhere to the general principles of international standard SA8000 subject to Audit.</p>
	<p>Next steps: Starting from 2022, the rating will also be introduced in the supplier selection process, linked to the company's sustainability criteria, attributed through the assessment of ESG performance.</p>
Clients/Products	<p>Product quality and recycled materials: Caleffi carried out a commercial campaign at large retailers with GRS certified products (Global Recycle Standard).</p>
<ul style="list-style-type: none"> • Innovation and research • Product quality and safety • Brand image and reputation • Customer satisfaction and responsible marketing 	<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 Textile Standard) 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	<p>In FY21 Caleffi generated revenues of Euro 60.8 m (+8% yoy). Of the total economic value generated, Euro 55.2 m was distributed to its stakeholders, of which Euro 45.0 m to suppliers, Euro 8.3 m to its human capital (as personnel expenses), Euro 0.6 m to the community in the form of taxes and Euro 1.3 m to Financial Institutions (as financial charges).</p>

At the end of 2021, the Caleffi Group counted 148 employees, of which 106 women and 42 men. 97% 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 146 out of 148 resources have a permanent contract.

People

- Human resources management, training, skills development
- Health and safety of workers

Educational activities are a key component of Caleffi's human capital valorisation and all employees had the opportunity to be involved in an average of 9,9 hours of learning courses last year.

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 2021.

The Company has adopted an "Integrated Management System", with the aim of improving aspects related to health and safety at work.

Environment

- Sustainable materials and packaging
- Energy, emission and climate change
- Responsible use of resources (waste and water)

Environmental responsibility stands at the core of Caleffi's operations, as the Company is committed to minimise its environmental impact, contributing to preserve the natural 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.

In 2021 the Company used 0,8 megalitre of water for its operations, producing no hazardous waste. It also used 1 photovoltaic system of 1 mgw.

It also used 1 photovoltaic system of 1 mgw, making the use of renewable energy account to 13.74% of the total energy used.

In addition, the energy produced from renewable sources of the company is higher than the energy purchased on the grid. From 1 January 2022, the Caleffi Group will exclusively use electricity from renewable sources.

Sustainable Development Goals – SDGs

- Reduced energy consumption and emissions (SDGs 7,13)
- Creating more sustainable products for the environment (SDGs 12,14)
- Traceability of the supply chain and raw materials (SDG 8)
- Enhancing people, equal opportunities and diversity (SDGs 5,8,10)
- Creating value for the local community (SDG 8)

44% of the energy used by the Group comes from local renewable sources. Progressive replacement of traditional LED lighting systems. All plastic used by the Group is recyclable. Adoption of the Health Safety Management System ISO 4500. Initiatives in support of the territory: FAI Donor and support to the Green Cross

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 2021 Caleffi is the no. 1 player in the Italian market. The Group, that includes Caleffi SpA and Mirabello Carrara (70% controlled), closed FY 2021 with revenues of Euro 61 m and an EBITDA of Euro 8 m. At the end of June 2022, the Group had 145 FTEs.

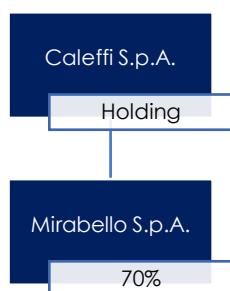
Management

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

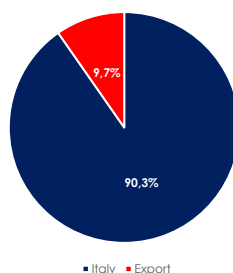
Key Shareholders

Minerva 55.1%
Market 44.9%

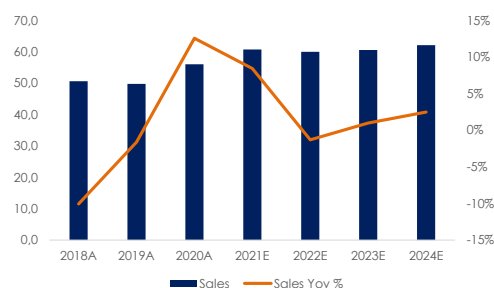
Group Structure



Revenue Breakdown FY21



Revenue growth 18A-24E



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, Bellora 1883);
- 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, in addition to e-commerce (own and through clients).
- **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 Euronext Milan

IPO

Trading Market: Euronext Milan
Date: October 13th, 2005
Price: Euro 2.80
Capital raised: Euro 1.3 m
Capitalisation: Euro 35 m

SHARES (as of September 14th, 2022)

Code: CLF
Bloomberg: CLF IM
Reuters: CLF.MI
ISIN: IT0003025019
Shares: 15,628,081
Price: Euro 1.18
Capitalisation: Euro 18 m
Market: 44.9%

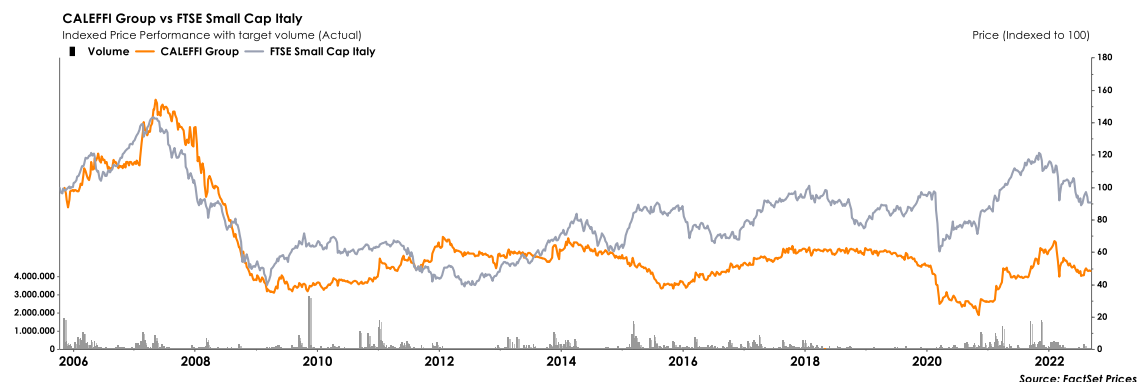
OWNERSHIP

The share capital subscribed and paid up is Euro 8,126,602, made up by n. 15,628,081 ordinary shares. Free float is of 40.4%.

Shareholder	N° of shares	%
Minerva Srl ¹	8.610.884	55,099%
Other Shareholders (<5%)	6.310.928	40,382%
Own Shares	706.269	4,519%
Total	15,628,081	100.00%

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 15 th , 2022	3.14	1.18	12 months
February 21 st , 2022	3.35	1.48	12 months
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. 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:

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