

## EQUITY - SPAIN

Sector: Textiles, Apparel & Luxury Goods

Report date: 28 Apr 2022  
Distribution time: 17:00

12m Results 2021  
Closing price: EUR 3.80 (27 Apr 2022)

### 12m Results 2021

**Opinion** <sup>(1)</sup>: In line

**Impact** <sup>(1)</sup>: We will maintain our estimates

Alfredo Echevarría Otegui – alfredo.echevarria@lighthouse-ieaf.com

+34 915 904 226

### Business description

Adolfo Domínguez (ADZ) is a small designer fashion textile group, based in Ourense (Spain), specialising (c. 40 years) in the design and sale (both retail and wholesale) of fashion items. With international presence (c.35% o/revenues), it is managed by the founding family (31% of the capital), which prevails in the Board.

### Market Data

Market Cap (Mn EUR and USD)	35.2	37.1
EV (Mn EUR and USD) <sup>(2)</sup>	60.5	63.6
Shares Outstanding (Mn)	9.3	
-12m (Max/Med/Min EUR)	4.65 / 4.04 / 3.35	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation <sup>(3)</sup>	7.1	
Factset / Bloomberg	ADZ-ES / ADZ SM	
Close fiscal year	28-Feb	

### Shareholders Structure (%) <sup>(5)</sup>

Adolfo Domínguez	31.5
Puig, S.A.	14.8
Libertas 7	10.3
Indumenta Pueri	9.1
Free Float	22.3

### Relative performance (Base 100)



### Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	4.4	6.7	-16.3	-25.5
vs Ibex 35	2.6	9.6	-13.5	-6.1
vs Ibex Small Cap Index	5.6	4.0	-12.5	-47.8
vs Eurostoxx 50	8.1	19.6	-10.1	-28.9
vs Sector benchmark <sup>(4)</sup>	13.5	32.2	4.4	-58.0

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Europe Apparel & Footwear.

(5) Others: La Previsión Mallorquina de Seguros 6.9%, Ibercapital Magnum, SICAV S.A 4.5%, Treasury shares 0.6%

(\*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

## 2021 results, in line. The central idea is a return to 2019 levels already in 2022

**REVENUE IN LINE (+40%).** Logical and expected rebound in sales after the closure of the sales network in 2020. Revenue of EUR 94.7Mn fully in line (-21% vs 2019). Uniform growth in all countries (Europe and Mexico, c.+40%), except Japan (5% in the mix; -8%). On-line sales repeat revenue (EUR 13Mn), that has normalised after the exception situation in 2020. The important aspect of on-line revenues is the CAGR -2y: c.+9%. There is still room for improvement that is only dependent on the level of investment: on-line out of total revenue, c.14% (with theoretical upside to c.20%).

**THE GROSS MARGIN RETURNS TO 2019 LEVELS.** Within expectations, confirming what was seen in 3Q21. Gross margin of 57.3% (56.9% in 2019). Margin improvement is critical in the mid/long term. In 2022 both the dollar and inflation are unfavourable. But the brand strategy (premium) implies more capacity to avoid pressure on the sale price. The defence of the margin seen in 2H21 should continue in 2022.

**WITH REAL CAPACITY TO CONTINUE INVESTING.** The most interesting aspect of these results. Stripping out restructuring expenses, ADZ would have generated c. EUR 3.0Mn of Rec. FCF Rec. in 2021, with ND of EUR 1.7Mn (0.3x ND/EBITDA). That implies a great deal of investment capacity in the mid/long term. Consistent with a strategy that will imply higher CAPEX than prior to the pandemic (< EUR 3Mn): internationalisation + digitisation + brand investment (premium).

**RESULTS IN LINE.** Rec. EBITDA EUR 6.0Mn, slightly less than expected (EUR 6.8Mn) and a margin of 6.3% that reaffirms the idea of a return in 2022 to levels of profitability of 2019 (c.10%). Net losses were already discounted and were mainly due to restructuring costs (c. EUR 6Mn).

**IN CONCLUSION: THESE RESULTS BACK THE IDEA OF A RETURN TO 2019 LEVELS ALREADY IN 2022.** We maintain our 2022 estimates (sales c. EUR 110Mn; EBITDA margin, c.9%). All based on two main assumptions: i) a repeat of the gross margin (57%); and ii) an increase in the weighting in the mix of on-line sales. The performance of margins and revenues in 2H21 makes this scenario credible. Large discount vs the sector in EV/sales (c. 0.5x 2022e), explained by the margin gap. In a context of a return to sales > EUR 100Mn the possible recovery of margins becomes the equity story.

EUR Mn	12m21 Real	12m20	12m21 Real vs 12m20	2021e	12m21 Real vs 2021e
<b>Total Revenues</b>	<b>94.7</b>	<b>67.5</b>	<b>40.3%</b>	<b>94.5</b>	<b>0.1%</b>
Sales	92.1	66.0	39.5%	93.0	-1.0%
Europe	68.4	47.9	42.8%	74.3	-7.9%
Mexico	15.1	10.5	43.8%	12.9	16.9%
Japan	4.7	5.1	-7.8%	4.8	-2.4%
RoW	3.9	2.5	56.0%	1.0	279.2%
Other income	2.6	1.5	77.7%	1.5	73.5%
<b>Gross Margin</b>	<b>54.2</b>	<b>32.2</b>	<b>68.4%</b>	<b>52.9</b>	<b>2.6%</b>
Gross Margin/Revenues	57.3%	47.7%	9.5 p.p.	55.9%	1.3 p.p.
<b>Recurrent EBITDA</b>	<b>6.0</b>	<b>(8.8)</b>	<b>167.8%</b>	<b>6.8</b>	<b>-11.6%</b>
Rec. EBITDA/Revenues	6.3%	-13.1%	19.4 p.p.	7.1%	-0.8 p.p.
<b>EBITDA</b>	<b>0.4</b>	<b>(6.8)</b>	<b>105.5%</b>	<b>1.8</b>	<b>-79.2%</b>
EBITDA/Revenues	0.4%	-10.1%	10.5 p.p.	1.9%	-1.5 p.p.
<b>EBIT</b>	<b>(8.6)</b>	<b>(17.6)</b>	<b>50.9%</b>	<b>(6.2)</b>	<b>38.7%</b>
<b>NP</b>	<b>(9.3)</b>	<b>(19.3)</b>	<b>52.1%</b>	<b>(7.5)</b>	<b>23.2%</b>
<b>Ordinary NP</b>	<b>(3.7)</b>	<b>(21.8)</b>	<b>83.2%</b>	<b>(2.2)</b>	<b>68.3%</b>
Points of sale	348	342	6	352	(4)
Net Debt	1.7	(0.6)		4.1	

## Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	35.2	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	29.8	12m Results 2021
+ Net financial debt	1.7	12m Results 2021
- Financial Investments	6.3	12m Results 2021
+/- Others		
<b>Enterprise Value (EV)</b>	<b>60.5</b>	

## IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

### LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

1º) To provide information and financial analysis regarding securities issued by any class of legal person traded or not on official secondary markets, and especially (but not exclusively) those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.

2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.

3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros (IEAF), a professional, not for profit association.

### DISCLAIMER

The Instituto Español de Analistas Financieros (IEAF) hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

### Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report related to the financial analysis, financial projections, valuation, investment summary and opinion of the analyst have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address [secretaria@ieaf.es](mailto:secretaria@ieaf.es) or consult the contents of this Code at [www.ieaf.es](http://www.ieaf.es).

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

### A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or

publication for any purpose without the written authorisation of IEAF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros (IEAF) and/or its subsidiary IEAF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEAF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

**United States.** IEAF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

**Major US Institutional Investors.** This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

#### Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
28-Apr-2022	n.a.	3.80	n.a.	n.a.	12m Results 2021	Alfredo Echevarría Otegui
24-Jan-2022	n.a.	3.62	n.a.	n.a.	9m Results 2021	Alfredo Echevarría Otegui
02-Dec-2021	n.a.	3.77	n.a.	n.a.	6m Results 2021	Alfredo Echevarría Otegui
01-Sep-2021	n.a.	4.49	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
28-Jul-2021	n.a.	4.34	n.a.	n.a.	3m Results 2021	Ana Isabel González García, CIIA
14-Jun-2021	n.a.	4.28	n.a.	n.a.	Estimates upgrade	Ana Isabel González García, CIIA
29-Apr-2021	n.a.	4.50	n.a.	n.a.	12m Results 2020	Ana Isabel González García, CIIA
29-Mar-2021	n.a.	4.20	n.a.	n.a.	Important news	Ana Isabel González García, CIIA
18-Jan-2021	n.a.	4.78	n.a.	n.a.	9m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
02-Dec-2020	n.a.	4.60	n.a.	n.a.	6m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
17-Sep-2020	n.a.	3.90	n.a.	n.a.	3m Results 2020	Ana Isabel González García, CIIA
25-Jun-2020	n.a.	5.10	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
13-Jan-2020	n.a.	6.90	n.a.	n.a.	9m Results 2019	Ana Isabel González García, CIIA
03-Dec-2019	n.a.	7.36	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

