

9m Results 2019

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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Adolfo Domínguez S.A. 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 (35% o/revenues), it is managed by the founding family (31% of the capital), which prevails in the Board.

Approaching break-even

Market Data

Market Cap (Mn EUR and USD)	64.0	71.2
EV (Mn EUR and USD) ⁽²⁾	58.2	64.7
Shares Outstanding (Mn)	9.3	
-12m (Max/Med/Mín EUR)	8.64 / 7.35 / 6.60	
Daily Avg volume (-12m Mn EUR)	0.03	
Rotation ⁽³⁾	11.0	
Thomson Reuters / Bloomberg	ADZ.MC / ADZ.SM	
Close fiscal year	28-Feb	

Shareholders Structure (%) ⁽⁸⁾

Adolfo Domínguez	31,5
Puig, S.A.	14,8
Libertas 7	10,3
Indumenta Pueri	9,0
Free Float	23,0

Financials (Mn EUR)

	2018	2019e	2020e	2021e
Adj. nº shares (Mn)	9.2	9.2	9.2	9.2
Total Revenues	114.9	115.7	118.3	121.5
Rec. EBITDA ⁽⁴⁾	2.5	10.1	11.5	12.6
% growth	212.4	306.2	14.3	9.1
% Rec. EBITDA/Rev.	2.2	8.7	9.7	10.3
% Inc. EBITDA sector ⁽⁵⁾	6.3	23.6	14.4	16.9
Net Profit	-0.5	-0.1	1.0	1.5
EPS (EUR)	n.a.	n.a.	0.11	0.17
% growth	n.a.	n.a.	n.a.	50.8
Ord. EPS (EUR)	0.07	0.02	0.11	0.17
% growth	n.a.	-70.1	442.7	50.8
Rec. Free Cash Flow ⁽⁶⁾	0.2	-1.6	0.3	0.6
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	-12.0	-10.4	-10.7	-11.3
ND/Rec. EBITDA (x)	-4.8	-1.0	-0.9	-0.9
ROE (%)	n.a.	n.a.	1.9	2.8
ROCE (%) ⁽⁶⁾	n.a.	1.7	2.4	3.1

Ratios & Multiples (x) ⁽⁷⁾

	2018	2019e	2020e	2021e
P/E	n.a.	n.a.	62.9	41.7
Ord. P/E	n.a.	n.a.	62.9	41.7
P/BV	1.2	1.2	1.2	1.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	0.51	0.50	0.49	0.48
EV/Rec. EBITDA	23.4	5.8	5.1	4.6
EV/EBIT	n.a.	44.4	23.1	17.7
FCF Yield (%) ⁽⁶⁾	0.3	n.a.	0.5	1.0

SALES CONTINUE TO PICK UP; +1.0% Y/Y AND +5% LFL (vs. 0.9% and 7.3% respectively in 1H19), with a forex impact of c. +1.8p.p. (vs. +3.4p.p. in 1H19). 3Q19 LFL sales ex-forex, which no longer received a boost from points of sale closures in 2018, grew 1.8% y/y. The good performance of the Mexican and Japanese markets is a stand-out: 7.1% and 8.9% LFL respectively at 9M19, underpinned by favourable forex (c. +4p.p. and c. +7p.p. respectively). Europe (c. 70% of revenues; mainly in Spain), saw LFL growth of 4.4% (c. -2p.p. vs 1H; and vs. growth of c. 2% in the local sector). The online business continues to drive growth, accounting for close to 10% of consolidated revenues.

WITH AN (EXPECTED) WORSENING OF THE GROSS MARGIN (59.3% OF REVENUES, -2.1P.P. Y/Y): c. 50% of the worsening was due to higher costs arising from the stronger dollar. We estimate -2.7p.p. y/y for the 2019 gross margin, due to the bigger impact of the sales campaign in 4Q.

...OFFSET AT THE EBIT LEVEL, EUR -1Mn at 9M19, a significant improvement (vs. EUR -2.8Mn -1y), also reflected in LFL terms (EUR -1.9Mn stripping out the impact of IFRS-16), thanks to cost savings from the restructuring implemented in 2018.

THE NET CASH POSITION IS MAINTAINED (EUR 2.5Mn) DESPITE HIGHER CAPEX. The company invested EUR 1.8Mn in cumulative terms at 9M (2.2x vs. 2018), earmarking c. EUR 1Mn for the online business. The net cash/EBITDA ratio was 0.5x at 9M, with cash generation likely to accelerate in 4Q.

OUR 2020 ESTIMATES ARE UNCHANGED, after a top line performance in line with expectations (ADZ maintains a c.3p.p. spread in terms of LFL growth vs the local sector). Despite an expected worsening of the gross margin in 4Q (impacted by the sales campaign), the seasonal nature of revenues (4Q makes a larger contribution) will allow for the levering of the Group's operating structure, taking operating profit for 2019e to break-even (EUR 1.3Mn of EBIT in 2019e). This would reverse a nine-year series of operating losses. There is a large discount in EV/Sales vs the sector due to the big difference in margins.

Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-1.4	-1.4	2.1	-2.5	96.6	43.2
vs Ibxex 35	-4.0	-6.3	-5.6	-2.8	94.1	45.3
vs Ibxex Small Cap Index	-7.2	-8.9	-6.8	-5.9	44.7	-12.6
vs Eurostoxx 50	-4.5	-9.1	-17.2	-3.7	71.5	14.9
vs Sector benchmark ⁽⁵⁾	-4.8	-13.5	-20.4	-1.5	59.1	11.1

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Please refer to Appendix 3.

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

(4) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 8.1Mn higher due to IFRS 16.

(5) Sector: Eurostoxx 600 Retail.

(6) Please see Anex 2 for the theoretical tax rate (ROCE) and recurrent FCF calculation.

(7) Multiples and ratios calculated over prices at the date of this report.

(8) Others: La Previsión Mallorca de Seguros 7.6% e Ibercapital Magnum 3.2%

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

Resultados 9M2019

Any reference to the results of the period to 9M refers to the period between 1 March and 30 November.

	9m19 Real	9m18	9m19 Real vs 9m18	2019e 2019e	2019e vs 2018	3Q19	3Q19 vs 3Q18
Total Revenues	78.2	77.7	0.7%	115.7	0.6%	24.6	0.4%
Europe	55.5	54.6	1.6%	81.3	-0.1%	17.0	2.5%
Mexico	12.4	12.1	2.5%	18.5	6.9%	4.4	-1.8%
Japan	5.5	5.3	3.8%	8.2	7.5%	1.9	11.8%
ROW	3.3	3.9	-15.4%	4.6	-17.4%	0.9	-18.2%
Other income	1.5	1.8	-15.5%	3.0	1.5%	0.4	-36%
Gross Margin	46.4	47.7	-2.8%	64.9	-4.0%	16.1	-1.2%
Gross Margin (% s/Revenues)	59.3%	61.4%	-2.1 p.p.	56.1%	-2.7 p.p.	65.4%	-1.1 p.p.
Recurrent EBITDA	5.5	0.0	n.a.	10.1	306.2%	2.1	441.4%
Rec. EBITDA/Revenues	7.0%	0.0%	7.0 p.p.	8.7%	6.6 p.p.	8.6%	7.0 p.p.
EBITDA	5.5	-1.1	n.a.	10.1	n.a.	2.1	441.4%
EBITDA/Revenues	7.0%	-1.4%	8.4 p.p.	8.7%	7.6 p.p.	8.6%	7.0 p.p.
EBIT	-1.0	-2.8	65.7%	1.3	318.9%	-0.1	44%
EBIT/Revenues	n.a.	n.a.	n.a.	1.1%	n.a.	n.a.	n.a.
PBT	-1.6	-2.4	34.6%	0.4	-61.4%	-0.2	-45.2%
NP	-2.1	-3.2	32.7%	-0.1	85.0%	-0.4	49%
Ordinary NP	-2.1	-2.0	-5.5%	0.2	-70.1%	-0.4	71%
Total LFL Var.	5.0%	8.7%	-3.7p.p.	1.7%	0.0p.p.		
LFL ex forex	3.2%	10.7%	-7.5p.p.	1.3%	2.3p.p.		
Points of sale	391	396	-5	387	-4		
Rec. FCF	-3.2	-1.5	-108%	-1.6	n.a.		
Rec. FCF Yield	-5.0%	-2.4%	-2.6 p.p.	n.a.	n.a.		
Net Debt	-2.5	-1.2	-108%	-10.4	14%		
ND / EBITDA	-0.5 x	n.a.	n.a.	-1.0 x	8.3 x		

Valuation inputs

Inputs for the DCF Valuation Approach

	2019e	2020e	2021e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(0.8)	1.0	1.3	26.1		
Market Cap	64.0	At the date of this report				
Net financial debt	-2.5	Debt net of Cash (2019)				
					Best Case	Worst Case
Cost of Debt	3.0%	Net debt cost			1.0%	4.5%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	2.4%	Kd = Cost of Net Debt * (1-T)			0.8%	3.6%
Risk free rate (rf)	0.5%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	7.0%	R (own estimate)			6.5%	7.5%
Beta (B)	1.1	B (Thomson Reuters)			0.9	1.3
Cost of Equity	8.2%	Ke = Rf + (R * B)			6.3%	10.2%
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	0.0%	D			=	=
WACC	8.2%	WACC = Kd * D + Ke * E			6.3%	10.2%
G "Fair"	2.0%				2.5%	1.5%

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 19e	EPS 19e-21e	EV/EBITDA 19e	EBITDA 19e-21e	EV/Sales 19e	Revenues 19e-21e	EBITDA/Sales 19e	FCF Yield 19e	FCF 19e-21e
SMCP SA	SMCP.PA	679.5	11.8	20.8%	3.7	11.9%	0.6	9.9%	15.2%	n.a.	n.a.
Ted Baker PLC	TED.L	200.5	11.0	-5.4%	9.4	6.9%	0.8	0.9%	8.5%	8.9%	9.8%
Hugo Boss AG	BOSSn.DE	3,069.5	13.6	9.5%	7.7	6.3%	1.5	3.5%	19.5%	7.4%	12.2%
Burberry Group PLC	BRBY.L	10,596.6	25.4	11.9%	16.2	10.5%	3.3	5.7%	20.6%	3.7%	11.8%
Affordable Luxury players			15.5	9.2%	9.2	8.9%	1.5	5.0%	16.0%	6.7%	11.3%
Capri Holdings Ltd	CPRI.K	4,887.2	7.3	8.2%	7.1	7.4%	1.3	3.7%	18.7%	10.6%	14.7%
G-III Apparel Group Ltd	GIIL.OQ	1,330.3	9.9	1.8%	7.3	2.8%	0.7	3.6%	9.0%	6.4%	38.7%
PVH Corp	PVH.N	6,592.5	10.6	7.7%	8.0	3.7%	1.0	3.2%	12.7%	6.3%	1.5%
Tapestry	TPR.N	6,806.6	13.0	14.0%	7.7	7.3%	1.4	3.3%	18.4%	6.8%	92.2%
Specialised Retail Holdings			10.2	7.9%	7.5	5.3%	1.1	3.5%	14.7%	7.5%	36.8%
ADZ	ADZ.MC	64.0	n.a.	n.a.	5.77	11.7%	0.50	2.5%	8.7%	n.a.	n.a.

Free Cash Flow sensitivity analysis (2020e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 20e	EBITDA 20e	EV/EBITDA 20e
Max	10.7%	12.7	4.6x
Central	9.7%	11.5	5.1x
Min	8.7%	10.3	5.6x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 20e				Scenario	Rec. FCF/Yield 20e		
EBITDA 20e	0.7%	1.7%	2.7%		Max	4.2%	2.4%	0.5%
12.7	2.7	1.5	0.3	➔	Central	2.4%	0.5%	n.a.
11.5	1.5	0.3	(0.9)		Min	0.5%	n.a.	n.a.
10.3	0.3	(0.9)	(2.0)					

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
Intangible assets	2.5	2.3	1.6	0.9	0.8	33.6	33.2	32.8		
Fixed assets	30.4	17.9	16.6	12.3	10.6	11.4	12.3	13.2		
Other Non Current Assets	19.5	18.0	8.2	8.5	8.1	8.1	8.1	8.1		
Financial Investments	3.0	5.0	5.1	5.0	5.2	5.2	5.2	5.2		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	45.7	46.3	44.4	36.2	36.2	36.4	37.0	37.8		
Total assets	101.1	89.5	75.9	62.9	60.8	94.8	95.7	97.1		
Equity	74.6	82.7	59.4	52.3	52.2	52.1	53.1	54.6		
Minority Interests	0.5	0.7	1.1	0.7	0.8	0.9	1.1	1.2		
Provisions & Other L/T Liabilities	0.6	0.5	0.6	0.6	1.0	1.0	1.0	1.0		
Other Non Current Liabilities	-	-	-	-	-	33.2	33.2	33.2		
Net financial debt	8.0	(17.3)	(6.1)	(9.9)	(12.0)	(10.4)	(10.7)	(11.3)		
Current Liabilities	17.4	22.9	20.9	19.2	18.9	17.9	18.0	18.3		
Equity & Total Liabilities	101.1	89.5	75.9	62.9	60.8	94.8	95.7	97.1		
P&L (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
Total Revenues	124.1	108.4	113.2	117.0	114.9	115.7	118.3	121.5	-1.9%	1.9%
<i>Total Revenues growth</i>	-8.0%	-12.6%	4.4%	3.3%	-1.7%	0.6%	2.2%	2.7%		
COGS	(48.9)	(50.6)	(47.7)	(49.0)	(47.3)	(50.8)	(51.3)	(52.5)		
Gross Margin	75.1	57.8	65.5	68.0	67.6	64.9	66.9	68.9	-2.6%	0.7%
<i>Gross Margin/Revenues</i>	60.6%	53.3%	57.8%	58.1%	58.8%	56.1%	56.6%	56.8%		
Personnel Expenses	(43.8)	(43.7)	(42.5)	(39.8)	(38.1)	(35.8)	(35.9)	(36.3)		
Other Operating Expenses	(30.4)	(29.1)	(31.5)	(30.4)	(27.1)	(19.0)	(19.5)	(20.1)		
Recurrent EBITDA	1.0	(15.1)	(8.6)	(2.2)	2.5	10.1	11.5	12.6	25.8%	71.7%
<i>Recurrent EBITDA growth</i>	453.6%	n.a.	43.2%	74.2%	212.4%	306.2%	14.3%	9.1%		
<i>Rec. EBITDA/Revenues</i>	0.8%	n.a.	n.a.	n.a.	2.2%	8.7%	9.7%	10.3%		
Restructuring Expenses	(2.5)	(2.8)	-	-	(1.2)	-	-	-		
EBITDA	(1.5)	(17.9)	(8.6)	(2.2)	1.3	10.1	11.5	12.6	n.a.	n.a.
Depreciation & Provisions	(6.6)	(10.0)	(4.0)	(2.9)	(1.9)	(1.6)	(1.6)	(1.6)		
Capitalized Expense	0.2	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	-	-	-	(7.2)	(7.4)	(7.7)		
EBIT	(7.8)	(27.9)	(12.5)	(5.1)	(0.6)	1.3	2.5	3.3	-47.4%	n.a.
<i>EBIT growth</i>	32.0%	-255.7%	55.1%	59.5%	88.2%	318.9%	91.9%	30.4%		
<i>EBIT/Revenues</i>	n.a.	n.a.	n.a.	n.a.	n.a.	1.1%	2.1%	2.7%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	1.5	(2.2)	(0.2)	(1.6)	0.5	(0.9)	(0.9)	(0.9)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	(6.4)	(30.0)	(12.8)	(6.7)	(0.1)	0.4	1.6	2.4	-62.0%	n.a.
<i>Ordinary Profit Growth</i>	55.5%	-372.4%	57.5%	47.4%	98.0%	437.1%	265.2%	45.2%		
Extraordinary Results	0.0	41.7	(0.5)	0.4	1.3	-	-	-		
Profit Before Tax	(6.3)	11.7	(13.2)	(6.3)	1.2	0.4	1.6	2.4	n.a.	26.9%
Tax Expense	(4.7)	(4.0)	(9.7)	(0.4)	(1.5)	(0.4)	(0.5)	(0.7)		
<i>Effective Tax Rate</i>	n.a.	34.2%	n.a.	n.a.	n.a.	88.8%	30.0%	30.0%		
Minority Interests	(0.0)	0.3	0.2	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	(11.0)	8.0	(22.7)	(6.9)	(0.5)	(0.1)	1.0	1.5	-53.9%	n.a.
<i>Net Profit growth</i>	-7.5%	172.2%	-384.8%	69.8%	92.7%	85.0%	n.a.	50.8%		
Ordinary Net Profit	(3.9)	(26.9)	(12.6)	(6.8)	0.6	0.2	1.0	1.5	n.a.	34.8%
<i>Ordinary Net Profit growth</i>	67.5%	-587.7%	53.3%	45.6%	109.1%	-70.1%	442.7%	50.8%		
Cash Flow (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
Recurrent EBITDA						10.1	11.5	12.6	25.8%	71.7%
Rentals (IFRS 16 impact)						(7.2)	(7.4)	(7.7)		
Working Capital Increase						(1.2)	(0.4)	(0.6)		
Recurrent Operating Cash Flow						1.6	3.8	4.3	-18.7%	27.1%
CAPEX						(2.0)	(2.0)	(2.1)		
Net Financial Result affecting the Cash Flow						(0.9)	(0.9)	(0.9)		
Tax Expense						(0.4)	(0.5)	(0.7)		
Recurrent Free Cash Flow						(1.6)	0.3	0.6	n.a.	42.5%
Restructuring Expense & Others						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(1.6)	0.3	0.6	n.a.	-27.7%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						1.6	(0.3)	(0.6)		

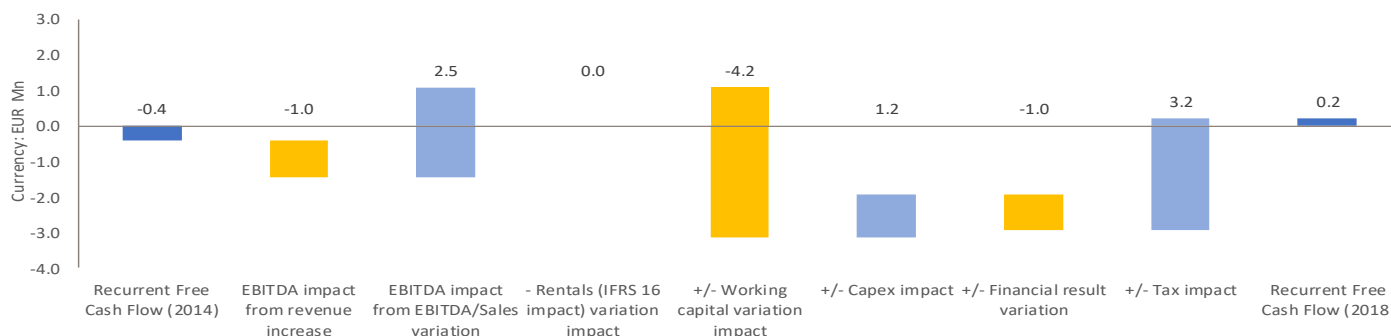
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 8.1Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow⁽¹⁾

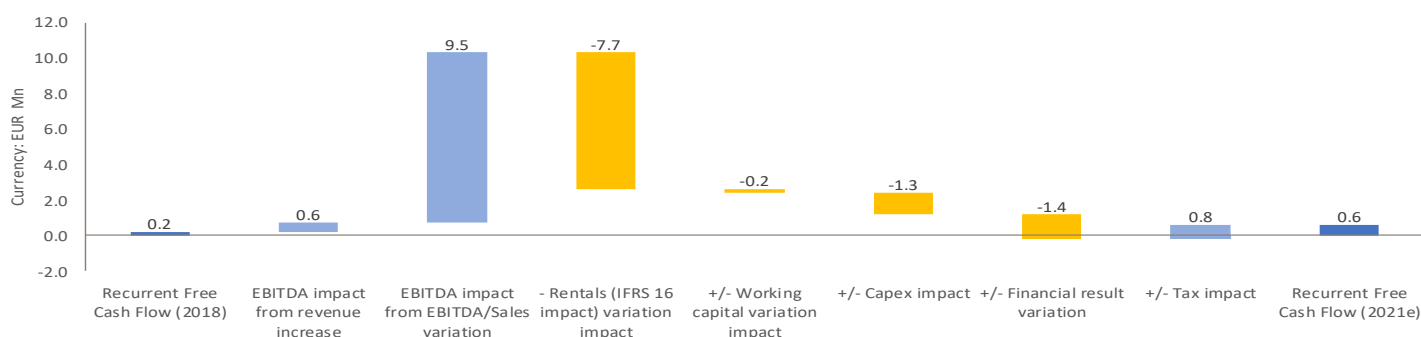
A) Cash Flow Analysis (EUR Mn)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
								15-18	18-21e
Recurrent EBITDA	(15.1)	(8.6)	(2.2)	2.5	10.1	11.5	12.6	<i>n.a.</i>	71.7%
<i>Recurrent EBITDA growth</i>	<i>n.a.</i>	<i>43.2%</i>	<i>74.2%</i>	<i>212.4%</i>	<i>306.2%</i>	<i>14.3%</i>	<i>9.1%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.2%</i>	<i>8.7%</i>	<i>9.7%</i>	<i>10.3%</i>		
- Rentals (IFRS 16 impact)	-	-	-	-	(7.2)	(7.4)	(7.7)		
+/- Working Capital increase	4.9	(0.0)	6.5	(0.4)	(1.2)	(0.4)	(0.6)		
= Recurrent Operating Cash Flow	(10.1)	(8.6)	4.3	2.1	1.6	3.8	4.3	<i>n.a.</i>	27.1%
<i>Rec. Operating Cash Flow growth</i>	<i>n.a.</i>	<i>-15.4%</i>	<i>n.a.</i>	<i>-50.4%</i>	<i>-23.0%</i>	<i>130.5%</i>	<i>15.6%</i>		
<i>Rec. Operating Cash Flow / Sales</i>	<i>n.a.</i>	<i>n.a.</i>	<i>3.6%</i>	<i>1.8%</i>	<i>1.4%</i>	<i>3.2%</i>	<i>3.6%</i>		
- CAPEX	(2.4)	(2.0)	(0.9)	(0.8)	(2.0)	(2.0)	(2.1)		
- Net Financial Result affecting Cash Flow	(2.2)	(0.2)	(1.6)	0.5	(0.9)	(0.9)	(0.9)		
- Taxes	(4.0)	(1.9)	(0.4)	(1.5)	(0.4)	(0.5)	(0.7)		
= Recurrent Free Cash Flow	(18.7)	(12.7)	1.3	0.2	(1.6)	0.3	0.6	<i>n.a.</i>	42.5%
<i>Rec. Free Cash Flow growth</i>	<i>n.a.</i>	<i>-31.9%</i>	<i>n.a.</i>	<i>-83.7%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>85.3%</i>		
<i>Rec. Free Cash Flow / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>1.1%</i>	<i>0.2%</i>	<i>n.a.</i>	<i>0.3%</i>	<i>0.5%</i>		
- Restructuring expenses & others	(2.8)	-	-	(1.2)	-	-	-		
- Acquisitions / + Divestments	45.8	0.1	3.2	2.6	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	24.3	(12.6)	4.5	1.6	(1.6)	0.3	0.6	-59.5%	-27.7%
<i>Free Cash Flow growth</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>-64.3%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>85.3%</i>		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.0%</i>	<i>0.3%</i>	<i>n.a.</i>	<i>0.5%</i>	<i>1.0%</i>		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	<i>38.0%</i>	<i>n.a.</i>	<i>7.1%</i>	<i>2.5%</i>	<i>n.a.</i>	<i>0.5%</i>	<i>1.0%</i>		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	(0.4)	(18.7)	(12.7)	1.3	0.2	(1.6)	0.3		
EBITDA impact from revenue increase	(0.1)	(0.7)	(0.3)	0.0	0.0	0.2	0.3		
EBITDA impact from EBITDA/Sales variation	(15.9)	7.2	6.6	4.6	7.6	1.2	0.7		
= Recurrent EBITDA variation	(16.1)	6.5	6.3	4.7	7.6	1.4	1.1		
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	(7.2)	(0.2)	(0.3)		
+/- Working capital variation impact	1.1	(5.0)	6.5	(6.8)	(0.9)	0.9	(0.2)		
= Recurrent Operating Cash Flow variation	(15.0)	1.6	12.8	(2.1)	(0.5)	2.1	0.6		
+/- CAPEX impact	(0.4)	0.4	1.1	0.0	(1.2)	(0.0)	(0.1)		
+/- Financial result variation	(3.6)	1.9	(1.4)	2.1	(1.3)	(0.0)	(0.0)		
+/- Tax impact	0.7	2.1	1.5	(1.1)	1.1	(0.1)	(0.2)		
= Recurrent Free Cash Flow variation	(18.3)	6.0	14.0	(1.1)	(1.8)	2.0	0.3		
Recurrent Free Cash Flow	(18.7)	(12.7)	1.3	0.2	(1.6)	0.3	0.6		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	(27.9)	(12.5)	(5.1)	(0.6)	1.3	2.5	3.3	-72.2%	n.a.
* <i>Theoretical Tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>		
= Taxes (pre- Net Financial Result)	-	-	-	-	(0.4)	(0.8)	(1.0)		
Recurrent EBITDA	(15.1)	(8.6)	(2.2)	2.5	10.1	11.5	12.6	<i>n.a.</i>	71.7%
- Rentals (IFRS 16 impact)	-	-	-	-	(7.2)	(7.4)	(7.7)		
+/- Working Capital increase	4.9	(0.0)	6.5	(0.4)	(1.2)	(0.4)	(0.6)		
= Recurrent Operating Cash Flow	(10.1)	(8.6)	4.3	2.1	1.6	3.8	4.3	<i>n.a.</i>	27.1%
- CAPEX	(2.4)	(2.0)	(0.9)	(0.8)	(2.0)	(2.0)	(2.1)		
- Taxes (pre- Financial Result)	-	-	-	-	(0.4)	(0.8)	(1.0)		
= Recurrent Free Cash Flow (To the Firm)	(12.5)	(10.6)	3.4	1.3	(0.8)	1.0	1.3	<i>n.a.</i>	-0.5%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	<i>n.a.</i>	<i>-15.6%</i>	<i>n.a.</i>	<i>-62.3%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>31.7%</i>		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.9%</i>	<i>1.1%</i>	<i>n.a.</i>	<i>0.8%</i>	<i>1.0%</i>		
- Acquisitions / + Divestments	45.8	0.1	3.2	2.6	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	33.3	(10.5)	6.6	3.9	(0.8)	1.0	1.3	-51.2%	-31.4%
<i>Free Cash Flow (To the Firm) growth</i>	<i>997.5%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>-41.3%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>31.7%</i>		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>5.8%</i>	<i>2.2%</i>	<i>n.a.</i>	<i>1.6%</i>	<i>2.2%</i>		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	<i>57.2%</i>	<i>n.a.</i>	<i>11.4%</i>	<i>6.7%</i>	<i>n.a.</i>	<i>1.6%</i>	<i>2.2%</i>		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 8.1Mn higher due to IFRS 16.

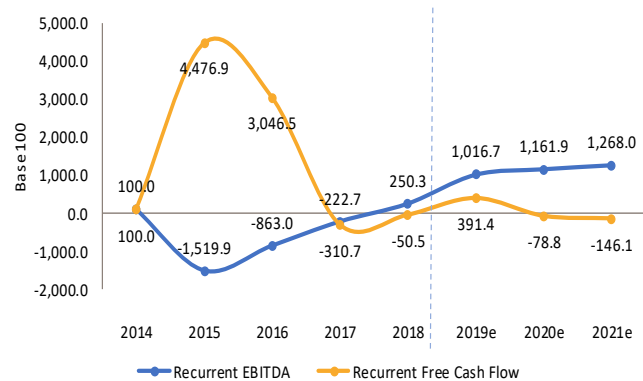
Recurrent Free Cash Flow accumulated variation analysis (2014 - 2018)



Recurrent Free Cash Flow accumulated variation analysis (2018 - 2021e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mln	Source
Market Cap	64.0	
+ Minority Interests	0.8	2019
+ Provisions & Other L/T Liabilities	1.1	2019
+ Net financial debt	(2.5)	2019
- Financial Investments	5.2	2019
+/- Others		
Enterprise Value (EV)	58.2	

Appendix 4. Historical performance ⁽¹⁾⁽²⁾

Historical performance (EUR Mn)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
															08-18	18-21e
Total Revenues	191.6	179.2	166.9	156.1	152.1	134.9	124.1	108.4	113.2	117.0	114.9	115.7	118.3	121.5	-5.0%	1.9%
<i>Total Revenues growth</i>	<i>n.a.</i>	<i>-6.5%</i>	<i>-6.8%</i>	<i>-6.5%</i>	<i>-2.6%</i>	<i>-11.3%</i>	<i>-8.0%</i>	<i>-12.6%</i>	<i>4.4%</i>	<i>3.3%</i>	<i>-1.7%</i>	<i>0.6%</i>	<i>2.2%</i>	<i>2.7%</i>		
EBITDA	20.5	19.2	10.3	1.6	(5.3)	(2.5)	(1.5)	(17.9)	(8.6)	(2.2)	1.3	10.1	11.5	12.6	-24.2%	<i>n.a.</i>
<i>EBITDA growth</i>	<i>n.a.</i>	<i>-6.2%</i>	<i>-46.5%</i>	<i>-84.7%</i>	<i>-437.4%</i>	<i>53.1%</i>	<i>40.0%</i>	<i>n.a.</i>	<i>52.1%</i>	<i>74.2%</i>	<i>158.0%</i>	<i>686.7%</i>	<i>14.3%</i>	<i>9.1%</i>		
<i>EBITDA/Sales</i>	10.7%	10.7%	6.1%	1.0%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>1.1%</i>	<i>8.7%</i>	<i>9.7%</i>	<i>10.3%</i>		
Net Profit	4.1	1.0	(4.5)	(9.3)	(23.9)	(10.3)	(11.0)	8.0	(22.7)	(6.9)	(0.5)	(0.1)	1.0	1.5	<i>n.a.</i>	<i>n.a.</i>
<i>Net Profit growth</i>	<i>n.a.</i>	<i>-76.4%</i>	<i>-563.1%</i>	<i>-106.1%</i>	<i>-158.4%</i>	<i>57.1%</i>	<i>-7.5%</i>	<i>172.2%</i>	<i>-384.8%</i>	<i>69.8%</i>	<i>92.7%</i>	<i>85.0%</i>	<i>n.a.</i>	<i>50.8%</i>		
<i>Adjusted number shares (Mn)</i>	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.0	9.2	9.2	9.2	9.2		
<i>EPS (EUR)</i>	0.45	0.11	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	0.87	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	0.11	0.17		
<i>EPS growth</i>	<i>n.a.</i>	<i>-76.4%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>50.8%</i>		
<i>Ord. EPS (EUR)</i>	0.83	0.41	0.29	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	0.07	0.02	0.11	0.17		
<i>Ord. EPS growth</i>	<i>n.a.</i>	<i>-50.4%</i>	<i>-29.2%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>-70.1%</i>	<i>n.a.</i>	<i>50.8%</i>		
CAPEX	(6.2)	(6.2)	(6.2)	(6.2)	(5.3)	(0.3)	(2.0)	(2.4)	(2.0)	(0.9)	(0.8)	(2.0)	(2.0)	(2.1)		
<i>CAPEX/Sales %</i>	3.3%	3.5%	3.7%	4.0%	3.5%	0.2%	1.6%	2.2%	1.8%	0.8%	0.7%	1.7%	1.7%	1.7%		
Free Cash Flow	(4.2)	10.1	(4.2)	(13.2)	21.7	10.3	(2.7)	24.3	(12.6)	4.5	1.6	(1.6)	0.3	0.6	<i>n.a.</i>	-27.7%
<i>ND/EBITDA (x) ⁽³⁾</i>	0.5x	0.3x	0.5x	14.0x	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	-9.4x	-1.0x	-0.9x	-0.9x		
<i>P/E (x)</i>	24.0x	78.8x	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	3.8x	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	62.9x	41.7x		
<i>EV/Sales (x)</i>	0.3x	0.5x	0.5x	0.3x	0.4x	0.5x	0.5x	0.4x	0.2x	0.3x	0.5x	0.5x	0.5x	0.5x		
<i>EV/EBITDA (x) ⁽³⁾</i>	2.6x	4.8x	8.7x	27.8x	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	42.5x	5.8x	5.1x	4.6x		
<i>Absolute performance</i>	58.7%	-22.4%	-38.5%	-24.1%	44.8%	-12.4%	-30.4%	-4.9%	62.2%	29.7%	2.6%	2.6%	2.6%	4.6%		
<i>Relative performance vs Ibxex 35</i>	22.2%	-6.1%	-29.2%	-20.4%	19.2%	-15.5%	-25.1%	-3.0%	51.0%	52.5%	-8.2%	-8.2%	-8.2%	-8.2%		

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices.

The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Thomson Reuters.

Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 8.1Mn higher due to IFRS 16.

Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2019e

Market data	Affordable Luxury players					Average	Specialised Retail Holdings				Average	ADZ	
	EUR Mn	SMCP SA	Ted Baker PLC	Hugo Boss AG	Burberry Group PLC		PVH Corp	Tapestry	Capri Holdings Ltd	Kering			
Ticker (Reuters)	SMCP.PA	TED.L	BOSSn.DE	BRBY.L		PVH.N	TPR.N	CPRI.K	PRTP.PA			ADZ.MC	
Country	France	UK	Germany	UK		USA	USA	UK	France			Spain	
Market cap	679.5	200.5	3,069.5	10,596.6		6,592.5	6,806.6	4,887.2	74,668.7			64.0	
Enterprise value (EV)	644.3	576.0	4,270.5	11,090.5		8,954.8	7,539.3	6,889.9	80,892.0			58.2	
Total Revenues	1,130.2	721.0	2,860.2	3,323.4		8,822.1	5,301.8	5,182.7	15,776.4			115.7	
<i>Total Revenues growth</i>	11.1%	0.9%	2.3%	5.2%		4.9%	4.6%	5.3%	11.0%	15.4%		9.1%	0.6%
<i>2y CAGR (2019e - 2021e)</i>	9.9%	0.9%	3.5%	5.7%		5.0%	3.2%	3.3%	3.7%	8.1%		4.6%	2.5%
EBITDA	172.2	61.6	557.4	686.1		1,122.0	976.5	967.8	5,528.8			10.1	
<i>EBITDA growth</i>	11.3%	-41.7%	12.9%	4.3%		-3.3%	-0.3%	20.0%	-1.8%	24.3%		10.6%	686.7%
<i>2y CAGR (2019e - 2021e)</i>	11.9%	6.9%	6.3%	10.5%		8.9%	3.7%	7.3%	7.4%	8.4%		6.7%	11.7%
<i>EBITDA/Revenues</i>	15.2%	8.5%	19.5%	20.6%		16.0%	12.7%	18.4%	18.7%	35.0%		21.2%	8.7%
EBIT	117.5	18.5	333.8	543.5		838.0	740.6	777.1	4,721.3			1.3	
<i>EBIT growth</i>	-1.9%	-75.8%	-9.9%	3.8%		-20.9%	0.6%	25.3%	-0.9%	19.7%		11.2%	318.9%
<i>2y CAGR (2019e - 2021e)</i>	13.7%	7.8%	7.0%	10.7%		9.8%	2.9%	8.7%	7.1%	9.4%		7.0%	58.2%
<i>EBIT/Revenues</i>	10.4%	2.6%	11.7%	16.4%		10.2%	9.5%	14.0%	15.0%	29.9%		17.1%	1.1%
Net Profit	61.4	13.0	222.0	420.1		618.5	537.9	668.9	3,025.3			(0.1)	
<i>Net Profit growth</i>	22.4%	-72.4%	-6.0%	6.6%		-12.3%	-1.6%	11.3%	38.4%	14.3%		15.6%	85.0%
<i>2y CAGR (2019e - 2021e)</i>	21.3%	-9.7%	9.7%	11.4%		8.2%	5.3%	12.3%	6.8%	13.6%		9.5%	<i>n.a.</i>
<i>CAPEX/Sales %</i>	-7.2%	-5.0%	-6.2%	-6.7%		-6.3%	-3.7%	-4.5%	-5.0%	-6.3%		-4.9%	-1.7%
Free Cash Flow	(4.7)	18.1	226.9	392.4		415.0	189.0	514.5	1,959.6			(1.6)	
<i>Net financial debt</i>	339.8	194.1	47.2	(994.9)		2,241.4	324.5	1,607.4	2,084.1			(10.4)	
<i>ND/EBITDA (x)</i>	2.0	3.2	0.1	(1.5)		0.9	2.0	0.3	1.7	0.4		1.1	(1.0)
<i>Pay-out</i>	0.0%	58.9%	80.8%	51.3%		47.7%	1.7%	64.2%	0.0%	47.9%		28.4%	0.0%
P/E (x)	11.8	11.0	13.6	25.4		15.5	10.6	13.0	7.3	24.2		13.8	<i>n.a.</i>
<i>P/BV (x)</i>	0.6	0.8	3.0	6.1		2.6	1.2	2.5	1.8	7.0		3.1	1.2
<i>EV/Revenues (x)</i>	0.6	0.8	1.5	3.3		1.5	1.0	1.4	1.3	5.1		2.2	0.5
<i>EV/EBITDA (x)</i>	3.7	9.4	7.7	16.2		9.2	8.0	7.7	7.1	14.6		9.4	5.8
<i>EV/EBIT (x)</i>	5.5	31.1	12.8	20.4		17.4	10.7	10.2	8.9	17.1		11.7	44.4
<i>ROE</i>	5.2	2.3	21.9	24.0		13.3	11.2	18.1	27.3	29.9		21.6	<i>n.a.</i>
<i>FCF Yield (%)</i>	<i>n.a.</i>	8.9	7.4	3.7		6.7	6.3	6.8	10.6	2.6		6.6	<i>n.a.</i>
<i>DPS</i>	0.00	0.17	2.60	0.52		0.82	0.13	1.19	0.00	11.50		3.21	0.00
<i>Dvd Yield</i>	0.0%	3.8%	6.0%	2.0%		2.9%	0.1%	4.8%	0.0%	1.9%		1.7%	0.0%

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
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.	Initial Coverage	Ana Isabel González García, CIIA