

TAKE OFF

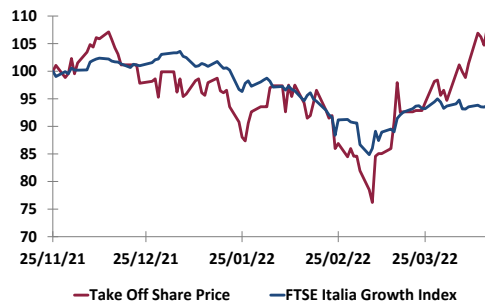
THE OUTLET COMPANY

OUTPERFORM

Current Share Price (€): 4.84

Target Price (€): 8.03

Take Off - Performance since IPO



Source: S&P Capital IQ - Note: 25/11/2021 (IPO offer price)=100

Company data

ISIN number	IT0005467425
Bloomberg code	TKO IM
Reuters code	TKO.MI
Industry	Apparel retail
Stock market	Euronext Growth Milan
Share Price (€)	4.84
Date of Price	22/04/2022
Shares Outstanding (m)	15.6
Market Cap (€m)	75.6
Market Float (%)	20.0%
Daily Volume	14,800
Avg Daily Volume YTD	10,041
Target Price (€)	8.03
Upside (%)	66%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	IPO
Take Off - Absolute (%)	20%	19%	21%
FTSE Italia Growth (%)	-2%	-8%	-8%
Range H/L (€) since IPO	4.84	3.32	
YTD Change (€) / %	0.50	11%	

Source: S&P Capital IQ

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Brilliant operating performance drives outstanding financials

Revenues, profitability, cash flow at the edge of industry standards

FY21 consolidated sales were €26.4m, +25% YoY. Take Off revenue share has been €19.9m, 37% over the 2020 €14.5m, while Over had €6.5m revenues, close to the 2020 €6.7m. These results were respectively sustained by a 13% and 10% increase of store opening time in 2021 vs 2020. As such, Over has had a slightly worsening performance, differently from Take Off well sustained steps up. EBITDA at €9.5m showed a remarkable 47% increase on 2020 €6.5m, 36% on sales, up from prior year 31%. EBIT at €7.7m, more than 50% better than 2020. Consequently, Net Income of €5.6m is too nearly 50% over €3.8m of 2020. Net cash of €12.1m at FY21 year-end comes from €12m net IPO proceeds, €6.8m dividend distribution and €6.3m cash flow from operations.

Operating indicators reflect an effective business model

Management workout in progress for the entire organization is having a prompt payback: store closures and openings work in the direction of higher sales per store and margins. Take Off had 30 stores in 2020 and 32 at 2021 year-end, Over had 114 stores in 2020, nearly stable in 2021, net of dismissal of those underperforming. We recall that the pandemic and store closures had an effect not only on revenues, but also through a reduction in personnel, network and other operating costs in 2021. Take Off sales per store, although adjusted per the higher opening time, have grown from roughly €500+k of 2020, to €600+k in 2021, so retargeting the over €700+k experienced in 2019. Average price per item, according to management, in FY21 rose to €29 over €24 in FY20 and €25 in FY19 for Take Off and from €9 in FY19 to €10 and €10.5 in FY20 and FY21 for Over.

Outlook

Exiting pandemic restrictions should support consumer spending return to 2019 levels. Geographical coverage will see 10 more Take Off store openings, while 15 Overkids stores will replace 14 closedowns made in Q1 2022. The new Take Off stores, mostly located in Northern and Central Italy, are roughly a 30% growth over the 2021 coverage, an increase consistent with our 2022 sales growth assumption, also expecting an increase in e-commerce. Q1 2022 KPIs anticipate a 13% sales growth during sales period with 6 additional stores and 43% increase in volumes. The management sentiment on the near future perspective considers unexpected troubles of the global economy, with confidence of being able to face difficulties as done in the past. It is worth to point out that there is no direct dependance on materials or goods subject to sudden scarcity or exceptional price increases. Based on our understanding of the industry, we overall concur with such views, not seeing for the time being ground or reason to change our assessment.

Target Price €8.03 per share (from €7.11), OUTPERFORM rating confirmed

Our updated valuation yields an upgrade in target price, from €7.11 to €8.03 per share, corresponding to 3.3x 2022 EV/Revenues, while Take Off currently trades at 1.9x. Given the 66% upside potential on current share price, we confirm the OUTPERFORM rating.

KEY FINANCIALS AND ESTIMATES

€m	2019	2020	2021	2022E	2023E	2024E
Revenues	33.1	22.3	28.0	34.2	47.8	56.0
YoY %	-	-32.6%	25.3%	22.0%	39.8%	17.2%
EBITDA	6.2	6.5	9.5	11.9	17.1	20.8
Margin on Sales	19.3%	30.7%	36.1%	36.0%	36.7%	37.8%
EBIT	4.6	5.0	7.7	9.4	13.4	16.2
Margin on Sales	14.4%	23.7%	29.1%	28.5%	28.7%	29.4%
Net Income	3.5	3.8	5.6	6.4	9.3	11.3
Net (Debt) Cash	4.7	0.1	12.1	13.2	22.1	31.3
Equity	12.8	11.8	23.7	27.3	39.4	50.6

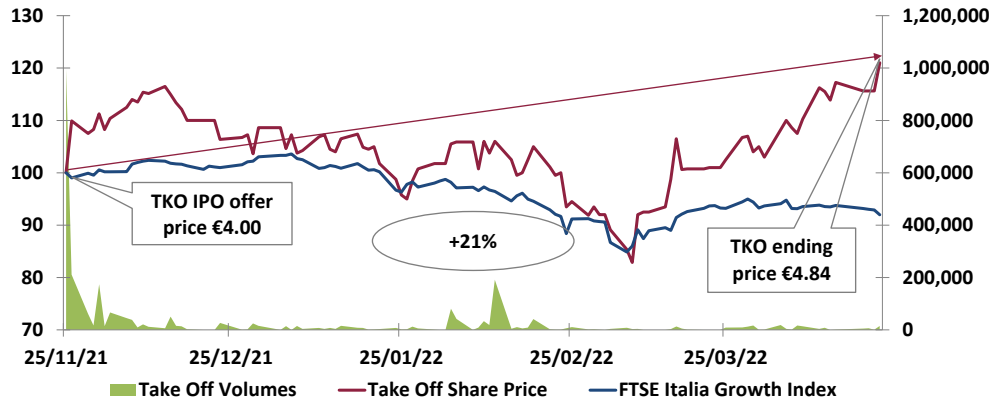
Source: Company data 2019-21A, EnVent Research 2022-24E

Market update

Trading price range €3.32-4.84 per share

+21% for Take Off since IPO, in the same period the Italia Growth Index lost -8%

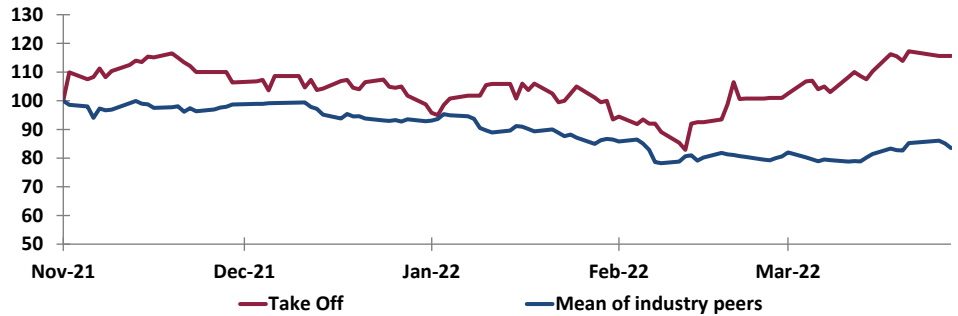
Take Off - Share price performance and trading volumes since IPO



Source: EnVent Research on S&P Capital IQ - Note: 25/11/2021 (IPO offer price)=100

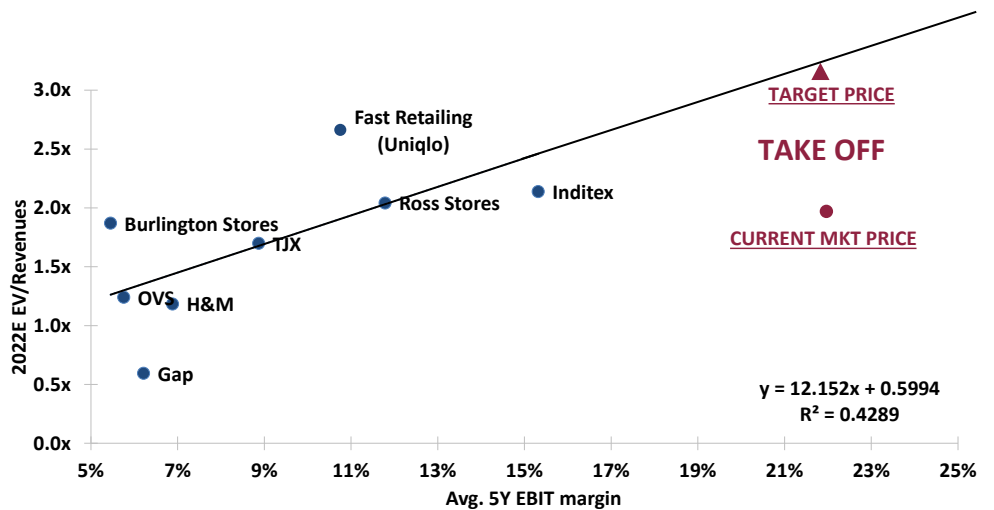
Take Off outperforming industry peers +21% vs -17%

Industry peers - Market performance since Take Off IPO



Source: EnVent Research on S&P Capital IQ - Note: 25/11/2021 (IPO offer price)=100

Industry peers - Regression analysis and Take Off target positioning



Source: EnVent Research on S&P Capital IQ, April 2022

Investment case

The Italian fashion outlet

Take Off, listed on Euronext Growth Milan since November 2021, is an Italian fashion value-for-money retailer which operates through a chain of 31 stores selling women and men apparel and 109 stores selling childrenswear. Central-Southern Italy is presently its core geolocation scope and organic growth over the medium-term will be supported also by increasing territorial coverage.

Geographically focused

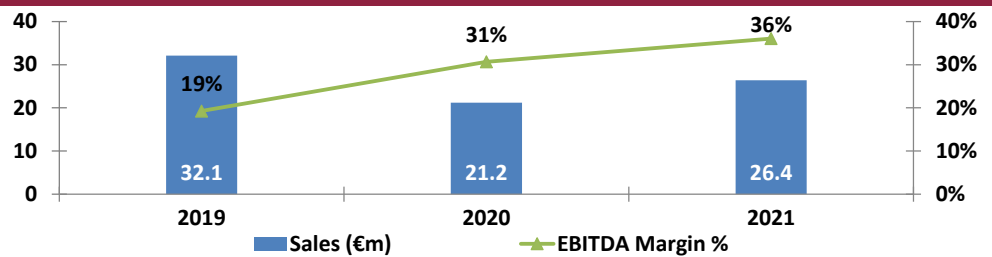
Differentiated business model

The Group operates with a joint business model, being an off-price retailer of products from designer brands and a typical vertically integrated apparel retailer with an internal team in charge of development of own brands and merchandise mix through external suppliers, with in-house logistics management.

Strategy

Take Off intends to pursue opportunities in current market areas and unexplored geographies, especially Northern Italy regions, also through acquisition of small retail fashion networks. Overall mid-term targets could be doubling Take Off and Overkids stores.

Historical Sales and EBITDA



Source: Company data

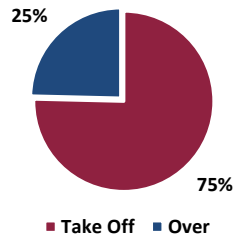
Industry and Company drivers

- Fashion goods is a market driven by both need and impulse
- Resilient demand for value and quality goods: a countercyclical and defensive market segment
- Making the most of apparel inventory, a burden typical of manufacturers and other retailers
- Diversified and balanced brand portfolio
- Selling proposition to serve a wide category of customers
- Growth without huge capex
- Opportunistic merchandise acquisition
- Customers' preferences analytics
- Efficient franchising network

Challenges

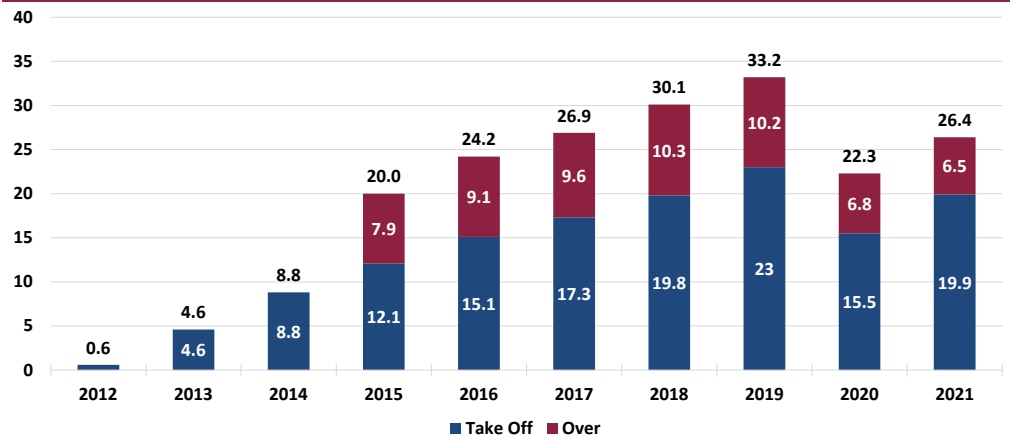
- Brand awareness and reputation buildup
- Market competitiveness and price pressure within the industry
- Geographic presence
- Rise of e-tailers offering branded products at discount
- Inventory requirement

Sales breakdown, 2021



Source: Company data

Historical aggregated revenues



Source: Company data

Industry outlook

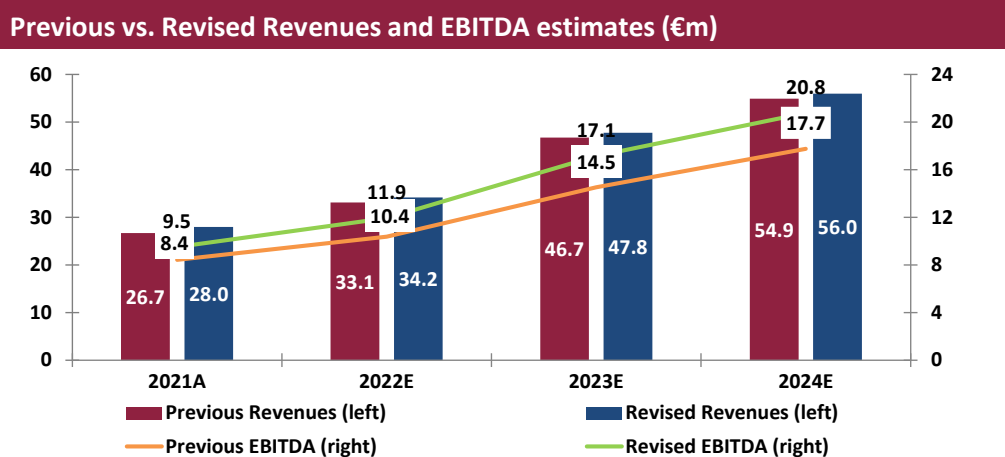
According to McKinsey, the off-price segment is destined to grow in the next years: if before the pandemic it grew faster than full-price fashion and during the pandemic apex suffered a less pronounced slowdown, the new estimates predict 2025-30 growth 5x faster than full-price segment.

Total revenue for the EU fashion industry was €368bn in 2021, of which off-price segment accounted for 11% (€40bn) and it's expected to rise to 12% in 2025. Online channel hit about 40% of the off-price market, a far higher share than fashion overall. In the coming years, almost all the growth will come from the online channel because of its greater convenience, simplicity in filtering and browsing, and breadth of assortment. Off-price is very suitable for online sales, so it has been well positioned to capture the increasing percentage of shoppers moving online and the online channel has achieved impressive growth: it racked up estimated sales of €17bn in 2021 and is forecast to grow with a 2021-25 CAGR of 13%, compared to 1% for offline channel. According to McKinsey, the Italian online off-price market grew by 21% during the pandemic and is estimated to grow by a 2021-25 CAGR of 14% (Source: McKinsey, *Mastering off-price fashion in an omnichannel world*, March 2022).

Estimates revision

On the back of FY21 results, we have fine-tuned operating costs, bringing to an expectation of higher operating margins, and TWC indicators.

Change in estimates



Source: EnVent Research

€m	Revised				Previous				Change % (Rev vs Prev)			
	2021A	2022E	2023E	2024E	2021E	2022E	2023E	2024E	2021A	2022E	2023E	2024E
Revenues	28.0	34.2	47.8	56.0	26.7	33.1	46.7	54.9	5%	3%	2%	2%
EBITDA	9.5	11.9	17.1	20.8	8.4	10.4	14.5	17.7	13%	15%	18%	17%
<i>Margin</i>	34%	35%	36%	37%	32%	31%	31%	32%				
EBIT	7.7	9.4	13.4	16.2	6.6	7.8	10.8	13.2	16%	21%	24%	23%
<i>Margin</i>	27%	28%	28%	29%	25%	24%	23%	24%				
Net Income (Loss)	5.6	6.4	9.3	11.3	4.7	5.5	7.7	9.4	21%	16%	21%	20%
Net (Debt) Cash	(12.1)	(13.2)	(22.1)	(31.3)	(13.8)	(16.7)	(22.8)	(27.5)	-12%	-21%	-3%	14%

Source: EnVent Research

Financial projections

Consolidated Profit and Loss

€m	2019	2020	2021	2022E	2023E	2024E
Sales	32.1	21.2	26.4	33.1	46.7	54.9
Other income	1.0	1.2	1.6	1.0	1.0	1.0
Total Revenues	33.1	22.3	28.0	34.2	47.8	56.0
YoY %	-	-32.6%	25.3%	22.0%	39.8%	17.2%
Cost of sales	(19.0)	(10.0)	(12.1)	(14.4)	(19.8)	(22.6)
Trade margin	14.1	12.4	15.9	19.8	27.9	33.4
<i>Margin</i>	42.6%	55.4%	56.9%	57.8%	58.5%	59.7%
Personnel	(4.7)	(3.9)	(4.3)	(5.0)	(7.0)	(8.2)
Retail cost	(2.1)	(1.3)	(1.1)	(1.4)	(1.9)	(2.2)
Store margin before lease	7.3	7.2	10.5	13.4	19.0	23.0
<i>Margin</i>	22.1%	32.0%	37.4%	39.3%	39.8%	41.0%
Services	(0.5)	(0.4)	(0.8)	(0.8)	(0.9)	(1.1)
Other operating costs	(0.7)	(0.2)	(0.2)	(0.7)	(0.9)	(1.1)
SG&A	(1.1)	(0.7)	(0.9)	(1.5)	(1.9)	(2.2)
EBITDA	6.2	6.5	9.5	11.9	17.1	20.8
<i>Margin on Sales</i>	19.3%	30.7%	36.1%	36.0%	36.7%	37.8%
Retail leases	(1.3)	(1.2)	(1.5)	(2.0)	(2.8)	(3.3)
EBITDA Adj.	4.8	5.3	8.0	9.9	14.3	17.5
<i>Margin on Sales</i>	15.1%	25.0%	30.3%	30.0%	30.7%	31.8%
D&A	(0.2)	(0.3)	(0.3)	(0.5)	(0.9)	(1.3)
EBIT	4.6	5.0	7.7	9.4	13.4	16.2
<i>Margin on Sales</i>	14.4%	23.7%	29.1%	28.5%	28.7%	29.4%
Interest	0.5	(0.0)	(0.5)	(0.5)	(0.5)	(0.5)
EBT	5.1	5.0	7.2	8.9	12.9	15.6
<i>Margin</i>	15.3%	22.3%	25.7%	26.1%	27.0%	28.0%
Income taxes	(1.5)	(1.2)	(1.6)	(2.5)	(3.6)	(4.4)
Net Income (Loss)	3.5	3.8	5.6	6.4	9.3	11.3
<i>Margin</i>	10.7%	17.1%	20.1%	18.8%	19.4%	20.1%

Source: Company data 2019-21A, EnVent Research 2022-24E - Note: aggregated financials for 2019

Consolidated Balance Sheet

€m	2019	2020	2021	2022E	2023E	2024E
Inventory	7.3	11.0	8.7	10.9	15.4	18.1
Trade receivables	0.7	0.2	0.2	0.3	0.5	0.6
Trade payables	(6.1)	(5.0)	(3.7)	(4.6)	(6.3)	(7.2)
Trade Working Capital	1.9	6.2	5.3	6.6	9.5	11.4
Other assets (liabilities)	(2.7)	(3.5)	(0.8)	(1.0)	(1.4)	(1.6)
Net Working Capital	(0.8)	2.7	4.5	5.6	8.1	9.8
Intangible assets	0.0	0.0	0.0	0.1	0.2	0.2
Retail leases - Right of use	6.7	7.8	6.6	6.6	6.6	6.6
Property, plant and equipment	2.7	2.0	1.4	2.8	3.8	4.5
Non-current assets	9.5	9.8	8.0	9.5	10.6	11.3
Provisions	(0.5)	(0.7)	(1.0)	(1.1)	(1.6)	(1.8)
Net Invested Capital	8.1	11.7	11.5	14.0	17.2	19.3
Net Debt (Cash)	(4.7)	(0.1)	(12.1)	(13.2)	(22.1)	(31.3)
Equity	12.8	11.8	23.7	27.3	39.4	50.6
Sources	8.1	11.7	11.5	14.0	17.2	19.3

Source: Company data 2019-21A, EnVent Research 2022-24E - Note: aggregated financials for 2019

Cash Flow

€m	2020	2021	2022E	2023E	2024E
EBIT	5.0	7.7	9.4	13.4	16.2
Current taxes	(1.2)	(1.6)	(2.5)	(3.6)	(4.4)
D&A	0.3	0.3	0.5	0.9	1.3
Provisions	0.2	0.2	0.1	0.4	0.3
Cash flow from P&L operations	4.3	6.7	7.6	11.2	13.3
Trade Working Capital	(4.3)	0.9	(1.3)	(2.9)	(1.9)
Other assets and liabilities	0.8	(2.7)	0.2	0.4	0.2
Capex / disposal	0.4	0.3	(2.0)	(2.0)	(2.0)
Retail leases - Right of use	(1.1)	1.2	0.0	0.0	0.0
Operating cash flow after WC and capex	0.2	6.3	4.4	6.6	9.7
Interest	(0.0)	(0.5)	(0.5)	(0.5)	(0.5)
Paid-in capital - IPO proceeds 2021	0.6	12.0	0.0	2.8	0.0
Dividends	(1.0)	(6.8)	(2.8)	0.0	0.0
Change in Equity	(4.4)	1.0	0.0	0.0	0.0
Net cash flow	(4.6)	12.0	1.1	8.9	9.2
Net (Debt) Cash - Beginning	4.7	0.1	12.1	13.2	22.1
Net (Debt) Cash - End	0.1	12.1	13.2	22.1	31.3
Change in Net (Debt) Cash	(4.6)	12.0	1.1	8.9	9.2

Source: Company data 2020-21A, EnVent Research 2022-24E - Note: aggregated financials for 2019

Ratio analysis

KPIs	2019	2020	2021	2022E	2023E	2024E
ROE	28%	32%	24%	24%	24%	22%
ROS (EBIT/Revenues)	14%	23%	27%	28%	28%	29%
DSO	7	3	3	3	3	3
DPO	83	125	78	80	80	80
DOI	83	189	121	120	120	120
TWC/Revenues	6%	28%	19%	19%	20%	20%
NWC/Revenues	-3%	12%	16%	16%	17%	17%
Net Debt / EBITDA	cash	cash	cash	cash	cash	cash
Net Debt / Equity	cash	cash	cash	cash	cash	cash
Net Debt / (Net Debt+Equity)	cash	cash	cash	cash	cash	cash
Cash flow from P&L operations / EBITDA	na	67%	70%	64%	65%	64%
FCF / EBITDA	na	3%	66%	37%	39%	47%
Degree of operating leverage on EBITDA	na	na	189%	100%	106%	120%
Basic Earnings per Share (€)	na	na	0.36	0.41	0.59	0.72

Source: Company data 2019-21A, EnVent Research 2022-24E - Note: aggregated financials for 2019

Valuation

The valuation of Take Off has been performed through the Discounted Cash Flows methodology. We consider that the DCF appropriately factors the Company's expected growth over the next years and provides an indication of implied multiples which are generally suitable to simulate market multiples of fairly comparable companies.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.0% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, April 2022)
- Market return: 12.6% (3Y average. Source: Bloomberg, April 2022)
- Market risk premium: 11.5%
- Beta: 1.0 (judgmental figure in absence of market volatility records)
- Cost of equity: 12.6%
- Cost of debt: 3%
- Tax rate: 24% (IRES)
- 40% debt/(debt + equity) as target capital structure
- WACC 8.4% calculated according to above data
- Perpetual growth rate after explicit projections: 2.0%
- Terminal Value assumes a normalized sustainable EBITDA margin of 25%

DCF Valuation							
€m	2019	2020	2021	2022E	2023E	2024E	Perpetuity
Revenues	33.1	22.3	28.0	34.2	47.8	56.0	57.1
EBITDA Adj.	4.8	5.3	8.0	9.9	14.3	17.5	14.3
<i>Margin on Sales</i>	15.1%	25.0%	30.3%	30.0%	30.7%	31.8%	25.0%
EBIT	4.6	5.0	7.7	9.4	13.4	16.2	12.6
<i>Margin on Sales</i>	14.4%	23.7%	29.1%	28.5%	28.7%	29.4%	22.0%
Taxes	(1.3)	(1.4)	(2.1)	(2.6)	(3.7)	(4.5)	(3.5)
NOPAT	3.3	3.6	5.5	6.8	9.7	11.7	9.1
D&A				0.5	0.9	1.3	1.7
Provisions				0.1	0.4	0.3	0.0
Cash flow from operations				7.5	11.0	13.2	10.8
Trade Working Capital				(1.3)	(2.9)	(1.9)	(1.1)
Other assets and liabilities				0.2	0.4	0.2	0.0
Capex				(2.0)	(2.0)	(2.0)	(1.7)
Unlevered free cash flow				4.3	6.5	9.6	7.9
WACC	8.4%						
Long-term growth (G)	2.0%						
Discounted Cash Flows				4.0	5.5	7.5	
Sum of Discounted Cash Flows	17.0						
Terminal Value							122.8
Discounted TV	96.3						
Enterprise Value	113.3						
Net Cash as of 31/12/21	12.1						
Equity Value	125.5						

DCF - Implied multiples	2020	2021	2022E	2023E	2024E
EV/Revenues	5.1x	4.0x	3.3x	2.4x	2.0x
EV/EBITDA	21.4x	14.2x	11.4x	7.9x	6.5x
EV/EBIT	22.5x	14.7x	12.0x	8.4x	7.0x
P/E	32.9x	22.2x	19.6x	13.5x	11.1x

Current market price - Implied multiples	2020	2021	2022E	2023E	2024E
EV/Revenues	2.8x	2.3x	1.9x	1.3x	1.1x
EV/EBITDA	12.0x	7.9x	6.4x	4.4x	3.6x
EV/EBIT	12.6x	8.3x	6.7x	4.7x	3.9x
P/E	19.8x	13.4x	11.8x	8.1x	6.7x

Source: EnVent Research

Target Price

The DCF model applied to our estimates yields a Target Price of €8.03 per share, from €7.11 of our prior note, with a potential upside of 66% on the current share price. We confirm the OUTPERFORM rating on the stock.

Please refer to important disclosures at the end of this report.

Take Off Price per Share	€
Target Price	8.03
Current Share Price (22/04/2022)	4.84
Premium (Discount)	66%

Source: EnVent Research

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Date and time of Production: 22/04/2022 h. 6.00pm

Date and time of Distribution: 25/04/2022 h. 7.50pm

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Date	Recommendation	Target Price (€)	Share Price (€)
01/02/2022	OUTPERFORM	7.11	4.07
25/04/2022	OUTPERFORM	8.03	4.84

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