

CALEFFI

Preliminary FY20 results beats expectations

Q4 top line above estimates and guidance. Caleffi Group, market leader in the Italian Home Fashion industry, just released a very strong set of preliminary FY20 results with revenues +12% vs. previous year, reaching Euro 56 m, outperforming our estimates of Euro 54.3 m (+9%) and guidance of a yoy growth of 8-10%. More in detail, the results imply an increase in Q4 sales by +37% to Euro 19.3 m (vs our estimates of +25%, Euro 17.6 m), guidance was of Euro 17-18 m. Growth was mainly driven by the online and loyalty channels which recorded a very positive results thanks to the newfound importance of the domestic sphere during the pandemic period.

Profitability also beats our estimates and company expectations.

Management reported an adjusted EBITDA margin of 11% implying adjusted EBITDA of Euro 6.2 m, +226% vs Euro 1.9 m in FY19 and vs +100% as of guidance. This should, according to our elaboration, translate into a FY20 non-adjusted EBITDA of c. Euro 7.8 m vs our estimates of Euro 5.2 m, and Euro 3.6 m as of prior year (adjustments were made only for IFRS16). EBITDA margin hence stood at 14%, up from 7% in FY19 thanks to structural cost savings implemented by Management along the entire supply chain, the efficient implementation of a COVID-19 related containment plan and increased sales volumes. Management further reported adjusted (not considering IFRS16) Net Debt of Euro 9.7 m, recording an important increase vs. FY19 (Euro 11.4 m). Again, applying IFRS 16, this should result in an unadjusted Net Debt of c. Euro 17.2 m, slightly improving vs FY19 (Euro 18.9 m) and vs. our estimates (Euro 18.4 m).

Positive expectations for FY21 Given the above results, the Group has already outperformed the economic targets announced for FY22 (revenues in a Euro 52-54 m range and an adjusted EITDA margin of >8%). This coupled with the revived interest in the Home Fashion industry lay ground for our continued positive outlook for the Group. Management highlighted that a new Industrial Plan will be presented once the Covid-19 related emergency has ceased, and Governmental restrictions on circulation of people and operation of points of sales will no longer be in force.

Change in estimates. We are adjusting our estimates to reflect the FY20 reported preliminary data. While waiting for the new guidance, we confirm our revenue estimates for FY21-22 while slightly improving profitability.

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 2.68 p.s (2.31 previously). Our target price provides for a potential upside vs. current stock price (Euro 0.94 p.s.) of +185%. The stock currently trades at 4.4x and 4.4x EV/EBITDA FY21-22 vs. peers' average of 13.0x and 9.5x (-66% and -54%). At our target price the stock would be trading at an EV/EBITDA 2021 of 8.8x.

Sector: Personal & Household Goods

Target Price (Euro)	2.68 (2.31 pr)
Market Price (Euro)	0.94
Market Cap (Euro m)	15
EV (Euro m)	32
<i>(as of February 19th, 2021)</i>	

Share Data

Market	MTA
Bloomberg/Reuters	CLF.MI / CLF IM
ISIN	IT0003025019
N. of Shares	15.628.081
Free Float	41.57%
Main Shareholder	Giuliana Caleffi 53.1%
CEO	Guido Ferretti

Estimates

Euro m	FY19A	FY20E	FY21E	FY22E
Revenues	49.8	56.0	55.3	56.9
Revenues YoY	-1.6%	+12.5%	-1.4%	+3.0%
EBITDA	3.6	7.8	6.6	6.3
EBITDA margin	7.1%	13.8%	11.8%	10.9%
EBIT	0.6	5.0	3.7	3.2
EBIT margin	1.1%	8.9%	6.6%	5.6%
Net Profit	(0.0)	2.8	2.0	1.8
Net Debt	18,9	17.2	14.6	12.6

Performance

	1M	3M	1Y
Absolute	33%	24%	-13%
Relative (TSE Italia Small Cap)	24%	7%	-14%
52-week High/Low (Eu)	1.11 / 0.50		

IR TOP RESEARCH

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KEY FIGURES

Profit & Loss Statement	2017A	2018A	2019A	2020E	2021E	2022E
Sales	56.3	50.6	49.8	56.0	55.3	56.9
EBITDA	2.0	0.6	3.6	7.8	6.6	6.3
EBIT	0.4	(1.0)	0.6	5.0	3.7	3.2
Financial Income (charges)	(0.3)	(0.1)	(0.3)	(0.4)	(0.3)	(0.3)
Pre-tax profit (loss)	0.1	(1.0)	0.2	4.7	3.4	2.9
Taxes	(0.1)	0.2	(0.1)	(1.6)	(1.2)	(1.0)
Minorities	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Net profit (loss) Group	(0.1)	(0.9)	(0.0)	2.8	2.0	1.8

Balance Sheet	2017A	2018A	2019A	2020E	2021E	2022E
Fixed assets	9.9	9.4	15.8	14.4	13.5	13.0
NWC	22.1	17.9	19.2	21.8	22.4	23.0
M/L Funds	(2.4)	(2.3)	(2.5)	(2.5)	(2.6)	(2.8)
Net Capital Employed	29.7	24.9	32.4	33.7	33.3	33.3
Net Debt	14.8	11.4	18.9	17.2	14.6	12.6
Group Equity	14.4	13.0	12.9	15.7	17.7	19.4
Minorities	0.4	0.5	0.6	0.9	1.1	1.2
Net Equity	14.8	13.5	13.5	16.5	18.7	20.6

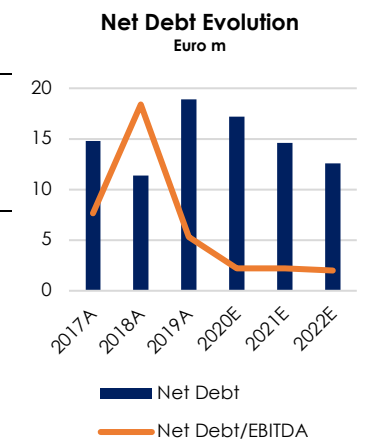
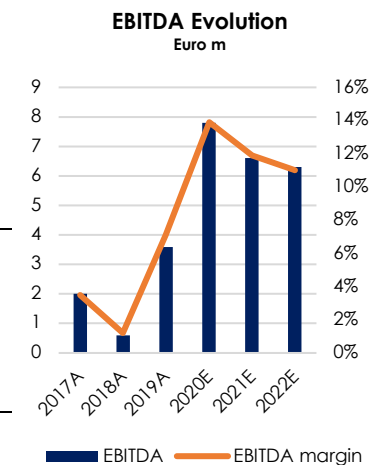
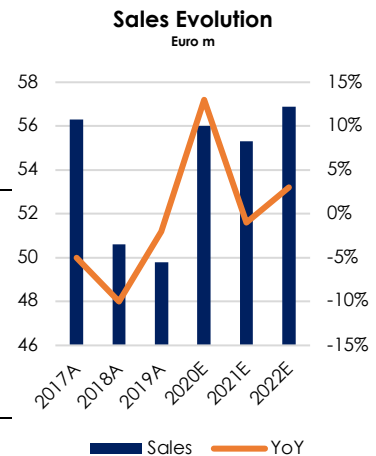
Cash Flow	2017A	2018A	2019A	2020E	2021E	2022E
EBIT	0.4	(1.0)	0.6	5.0	3.7	3.2
D&A	1.3	1.3	2.8	2.7	2.8	3.0
Tax	(0.1)	0.2	(0.1)	(1.6)	(1.2)	(1.0)
Other	0.0	0.0	0.0	0.0	0.0	0.0
Change in M/L Funds	(0.0)	(0.0)	0.2	(0.0)	0.1	0.2
Gross Cash Flow	1.5	0.5	3.3	6.0	5.4	5.3
Change in NWC	(1.4)	4.2	(1.3)	(2.6)	(0.6)	(0.6)
Operating Cash Flow	0.2	4.7	2.1	3.4	4.8	4.7
Capex	(1.8)	(0.7)	(0.1)	0.1	(0.5)	(0.8)
Change in other non-current a/l	0.0	0.0	(9.0)	(1.5)	(1.5)	(1.7)
Financial Income (charges)	(0.3)	(0.1)	(0.3)	(0.4)	(0.3)	(0.3)
Free Cash Flow	(1.9)	3.9	(7.4)	1.7	2.6	1.9
Change in Equity	0.1	(0.5)	(0.1)	0.0	(0.0)	(0.0)
Change in Net debt	(1.8)	3.4	(7.5)	1.7	2.6	1.9

Per Share Data	2017A	2018A	2019A	2020E	2021E	2022E
Current Price	0.94					
Total shares out (mn) average	15.2					
EPS	(0.01)	(0.06)	(0.00)	0.18	0.13	0.12
DPS	-	-	-	-	-	-
FCF	(0.12)	0.26	(0.49)	0.11	2.62	1.95
Pay-out ratio*						

Ratios	2017A	2018A	2019A	2020E	2021E	2022E
EBITDA margin	3.5%	1.2%	7.1%	13.9%	11.9%	11.0%
EBIT margin	0.6%	-1.9%	1.1%	9.0%	6.6%	5.6%
Net Debt/Equity (Gearing)	99.9%	84.2%	140.0%	104.0%	77.9%	61.3%
Net Debt/EBITDA	7.6x	18.4x	5.3x	2.2x	2.2x	2.0x
Interest cover EBIT	1.3x	-14.8x	1.8x	13.9x	-0.1x	-0.1x
ROE	-0.7%	-7.0%	0.0%	17.8%	11.3%	9.0%
ROCE	1.6%	-4.8%	2.2%	19.7%		
Free Cash Flow Yield	n.m.	28%	n.m.	12%	16%	12%

Growth Rates	2017A	2018A	2019A	2020E	2021E	2022E
Sales	-5%	-10%	-2%	13%	-1%	3%
EBITDA	-33%	-68%	472%	120%	-16%	-5%
EBIT	-73%	-371%	158%	783%	-27%	-13%
Net Profit	-119%	-854%	100%	n.m.	-28%	-13%

*on Caleffi Spa net profit



ESTIMATES REVISION
Consolidated Income Statement – Euro m

	2019A	2020 Old	2020 New	2021 Old	2021 New	2022 Old	2022 New
Sales	49.8	54.3	56.0	55.3	55.3	56.9	56.9
yoy	-1.6%	+9.0%	+12.5%	+1.8%	-1.4%	+3.0%	+3.0%
EBITDA	3.6	5.2	7.8	5.4	6.6	5.8	6.3
margin	7.1%	9.5%	13.8%	9.8%	11.8%	10.1%	10.9%
EBIT	0.6	2.3	5.0	2.4	3.7	2.6	3.2
margin	1.1%	4.2%	8.9%	4.3%	6.6%	4.5%	5.6%
Pre-tax Result	0.5	1.9	4.7	2.1	3.4	2.3	2.9
Group's Net results	(0.0)	1.2	2.8	1.2	2.0	1.4	1.8

Source: Group Data for 2019 and IR Top Research estimates for 2020-2022

Consolidated Balance Sheet – Euro m

	2019A	2020 Old	2020 New	2021 Old	2021 New	2022 Old	2022 New
Net Working Capital (NWC)	19.2	22.1	21.8	22.9	22.4	23.6	23.0
Fixed net assets	15.8	13.5	14.4	11.3	13.5	9.0	13.0
Funds	(2.5)	(2.5)	(2.5)	(2.5)	(2.6)	(2.8)	(2.8)
Net Capital Employed	32.4	33.1	33.7	31.7	33.3	29.8	33.3
Net Debt (Cash)	18.9	18.4	17.2	15.6	14.6	12.2	12.6
Group's Equity	12.9	14.0	15.7	15.3	17.7	16.7	19.4
Minorities Interest	0.6	0.7	0.9	0.8	1.1	0.9	1.2
Sources	32.4	33.1	33.7	31.7	33.3	29.8	33.3

Source: Group Data for 2019 and IR Top Research estimates for 2020-2022

Valuation Summary

Method	Weight	Price (Euro)
Multiple Comparison	20%	3.61
DCF	80%	2.45
Target Price	100%	2.68

DCF model

DCF Valuation		
Euro '000		
Sum of PV 2021-23 FCFs	10.0	18%
Discounted terminal value	44.8	82%
Enterprise Value	54.8	
Net Debt	17.2	
Minorities	0.5	
Equity Value	37.1	
N. of outstanding shares (m)	15.2	
Fair Value p.s.	2.45	

DCF Sensitivity analysis

Euro m		WACC				
		5.9%	6.4%	6.9%	7.4%	7.9%
g	0.5%	2.84	2.49	2.20	1.96	1.74
	1.0%	3.20	2.79	2.45	2.16	1.92
	1.5%	3.64	3.15	2.74	2.41	2.12

Multiples Comparison

Companies	Country	Market Cap	Price	Sales 2020E	Sales YoY 20/19	EBITDA % 2020E	EBIT % 2020E	NI % 2020E
AEFFE	ITA	125.2	1.2	268	-24%	4.2%	-6.3%	-6.3%
Brunello Cucinelli	ITA	2,366.4	34.8	543	-11%	14.0%	-2.7%	-5.5%
Salvatore Ferragamo	ITA	2,626.4	15.6	915	-34%	13.0%	-7.6%	-9.5%
Geox	ITA	204.8	0.8	536	-33%	-2.5%	-20.5%	-21.6%
Luxottica	FRA	59,901.6	136.5	14,526	-16%	16.9%	8.4%	5.5%
Moncler	ITA	13,773.2	53.3	1,440	-12%	31.2%	25.6%	20.9%
Safilo	ITA	264.7	1.0	782	-17%	-0.6%	-8.0%	-11.8%
TOD'S	ITA	916.0	27.7	638	-30%	4.8%	-18.5%	-16.3%
Average		10,022.3		2,456	-22%	10.1%	-3.7%	-5.6%
Caleffi	ITA	14.7	0.9	56	+13%	13.8%	8.9%	4.9%

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

Companies	EV/EBITDA	
	21E	22E
AEFFE	4.9	-0.3
Brunello Cucinelli	19.0	16.3
Salvatore Ferragamo	11.0	8.3
Geox	3.2	2.6
Luxottica	15.4	13.7
Moncler	18.5	15.3
Safilo	19.2	9.5
TOD'S	12.9	10.2
Average	13.0	9.5
Caleffi	4.4	4.4
Premium/Discount to Peers	-66%	-54%

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

COMPANY DESCRIPTION

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 178 employees, the Group is present in over 2,000 stores in Italy and in over 400 stores worldwide.

In FY 2019 Caleffi Group held a market share of 7.7% confirming its positioning as second player. The Group, that includes Caleffi SpA and Mirabello Carrara (70% controlled), closed FY 2020 with revenues of Euro 56 m.

PORTFOLIO BRAND

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

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

STRATEGY

Caleffi Group updated its business plan in May 2019 and has just provided targets up to 2022. 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.

OPPORTUNITIES

- **Leader in a highly fragmented market:** with a 7.7% market share, Caleffi (without Mirabello) ranked 2nd in the Italian home linen market
- **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).

MAIN RISKS

- **Fluctuation of raw material price:** the main commodity used by the Group, in the production of home linen is cotton.
- **Competitiveness risk:** in terms of supply, the sector is overall not very concentrated, especially in the Home Textile area, where, alongside some big players, a lot of companies operate, including many small companies.
- **Exchange rate fluctuation risk:** especially tied to the purchase of cotton, which takes place in dollars. For this reason, there could be a reflection of the dollar trend on cotton price. In order to mitigate this risk, the Group operates by reviewing the raw material purchase contracts every six months and sometimes uses derivative contracts and forward purchases of currency.
- **Imports** continue to pose a threat to national companies, especially by large Asian producers, which are now leaders in the low-price market and are progressively shifting towards the intermediate segments.
- **Non-renewal of licences:** a notable part of the sales comes from license agreements. The non-renewal could lead to a decline in turnover if not offset by new contracts.

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 February 19th, 2021)

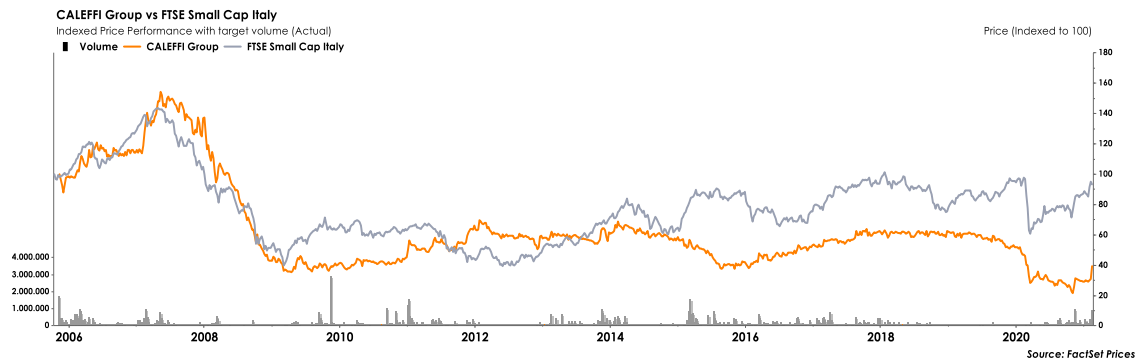
Code: CLF
 Bloomberg: CLF IM
 Reuters: CLF.MI
 ISIN: IT0003025019
 Shares: 15,628,081
 Price: Euro 0.94
 Capitalisation: Euro 15 m
 Free Float: 51.57%

The share capital subscribed and paid up is Euro 8,126,602, made up by n. 15,628,081 ordinary shares. Free float is 41.57%.

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

Source: Company data as of February 19th, 2021

¹ Minerva Srl is a holding company owned by the chairman of the board of Director, Giuliana Caleffi (ca. 96%) and her son Raffaello Favagrossa (ca. 4%).



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Date	Target Price	Market Price	Validity Time
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.

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