

## PUBLICATIONS

18 March 2020

### GIGLIO GROUP

#### FY 2019 (=)

(Company press release)

#### De-stocking: Everything Must Go!

Last Sunday, Giglio group published its 2019 results and its ambitious objectives for 2022. The consolidated revenues slightly increased to €40.2m (vs €39.6m in 2018). Gross Merchandise Value (GMV) is constant at € 86.4m (€106.3m including Terashop). As a reminder, GMV includes all B2B sales (excluding VAT), B2C sales (including VAT) and now includes the equivalent value of sales for which the group outsources services, logistics and distribution. Giglio posted an adjusted EBITDA margin of 2.5% (vs. estimated 3.2%), penalized by higher personnel expenses following the acquisition of Terashop. Exceptional items, specifically higher costs related to the sale of its Media division, weighed on net profit, which stands at € -15.8m compared with € -8.2m in 2018. With the completion of the sale of all its Media activities, Giglio group becomes a pure player in e-commerce. The reorganisation, which began at the end of 2018 and is nearing completion, should start to positively impact the EBITDA margin by 2022. The simplification of its structures should make it possible to reduce operating costs and thus increase profitability and cash generation. We expect positive cash flows as early as 2020, driven by strong topline growth, lower CapEx than in the past and better management of working capital. Regarding the Group's outlook, management expects to double its revenue by 2022 to reach €80m, with a GMV of €180m. We believe that Giglio group will come closer to its objectives thanks to several drivers: (i) the strong growth of e-commerce, particularly in the fashion segment, (ii) the optimization of the business model with the acquisition of Terashop, (iii) its know-how and expertise in the Italian luxury fashion segment, (iv) and its strong development potential in China. In an uncertain context linked to the Covid-19 pandemic, the Group seems to be in a position to seize a unique opportunity! While Italian brands are suffering from store closures, Giglio is ideally positioned to cope with the massive accumulation of inventories. It is thus responding to the need for companies to de-stock their inventory by using e-commerce platforms, which are currently experiencing strong demand to compensate for the loss of in-store sales. On the operational side, travel restrictions are having a negative impact on logistics and are slowing down activity in the short term. Despite this, Giglio was able to use its privileged position in China and its digital platform to quickly find 1 million KN95 masks, 10,000 of which were donated to healthcare personnel in Genoa. It is currently difficult for us to quantify the impact (positive or negative) of the pandemic on Giglio group's activity.

The investment thesis thus remains unchanged and we believe that the group should deliver solid growth in 2020, in particular through the implementation of its 2020-2022 industrial plan for which we should have more details in the coming days. We reiterate our Buy rating with an adjusted target price of €3.60 (vs. €5.60).

Buy, TP of €3.6 (vs €5.6) - Alessandro Cuglietta : + 33 1 55 35 69 47

Market Data	
Industry	E-commerce
Share Price (€)	1,5
Market Cap (€M)	27,8
Market Segment	STAR
Bloomberg	GG IM

Ownership structure	
Meridiana Holding	52.7%
Ntt Docomo	8.7%
Free float	38.6%

€M (31/12)	2019a	2020e	2021e	2022e
Sales (€M)	40,2	51,1	63,8	78,5
Growth	3,3%	27,0%	25,0%	23,0%
EBITDA	1,0	3,5	4,8	7,1
Marge EBITDA	2,5%	6,8%	7,5%	9,0%
Net income	-15,8	1,7	2,6	4,3
EPS €	-0,98	0,09	0,14	0,24
Growth	n.m.	n.m.	51,5%	69,1%
Dividend	0,00	0,00	0,00	0,00
Yield (%)	0,0%	0,0%	0,0%	0,0%
FCF	-1,5	3,5	5,4	7,9
ROCE	3,5%	10,5%	15,0%	16,5%
EV/Sales	1,1	0,8	0,7	0,5
EV/EBITDA	42,7	12,3	8,9	6,0
PE	n.m.	17,7	11,7	6,9
Net Debt	12,8	9,8	6,8	5,0
Gearing net	797%	170%	120%	89%

Midcap Partners estimates

#### Upcoming event : FY 2019, 23/04

Consensus - Number of analysts : 2		2020e	2021e	2022e
Sales		56,7	69,7	-
EBIT		2,9	4,3	-
Net income		1,6	2,6	-

Source: FACTSET

TOP Peers	Market Cap (M)	EBITDA	2 EV/EBITDA	2021	PE 2020	PE 2021
ASOS plc	1 350	6,3	4,7		19,5	12,5
boohoo group Plc	2 598	16,1	12,4		33,1	26,5
Zalando SE	7 982	17,6	14,3		61,9	47,9

Source: FACTSET

## Disclaimer

This document may refer to valuation methods defined as follows:

- 1 - DCF method: discounting future cash flows generated by the business's operations. Cash flows are determined using the analyst's financial forecasts and models. The discount rate used is the weighted average cost of capital, defined as the weighted average cost of the company's borrowings and the theoretical cost of its equity as estimated by the analyst.
- 2 - Comparables method: application of stock-market valuation multiples, or multiples observed for recent transactions. These multiples may be used as benchmarks and applied to the company's financial aggregates to determine its valuation. The analyst builds the sample according to the company's characteristics (size, growth, profitability, etc). The analyst may also apply a premium/discount based on his perception of the company's characteristics.
- 3 - Asset-based method: estimation of the value of the equity on the basis of the revalued and corrected assets comprising the fair value of the liability.
- 4 - Discounted dividend method: discounted future value of estimated dividend flows. The discounting rate taken is general the cost of capital.
- 5 - The sum of the parts: this method consists in estimating a company's various activities by using the most appropriate evaluation method for each of them, then by adding them together.

Rating structure:

Buy: expected over-performance 10% greater than the market within 6 – 12 months

Hold: expected performance of between -10% and +10% compared to the market within 6 – 12 months

Sell: expected under-performance 10% greater than the market within 6 – 12 months

Company	Closing price (€)	Rating	Warning
ATARI FP	0.189	Buy	G
ELIOR	4.764	Hold	Nil
ELIS	6.865	Hold	Nil
GIGLIO GROUP	1.52	Buy	E,F,G
GROUPE PLASTIVALOIRE	3.15	Hold	D,G
HEXAOM	23.45	Buy	Nil
ID LOGISTICS	120	Buy	Nil
LE BELIER	29.1	Hold	Nil
UBISOFT	64.9	Buy	Nil

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Stock rating distribution

At March 2020 the stock rating distribution issued by the LOUIS CAPITAL MARKETS - MCP Midcap research team is as follows:

Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	71%	75%
Hold	25%	21%
Sell	2%	0%
Under review	2%	4%

\* Investment banking services provided by Midcap Partners in the previous 12 months

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