

3m Results 2020

Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We will have to trim our estimates

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Business description

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

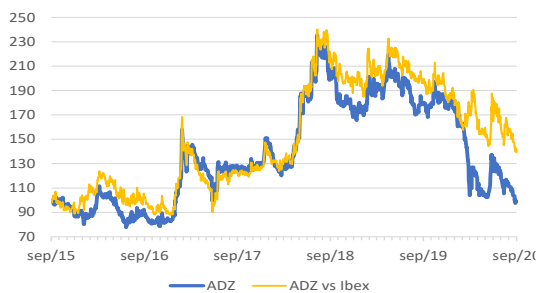
Market Data

Market Cap (Mn EUR and USD)	36.2	42.7
EV (Mn EUR and USD) ⁽²⁾	29.7	35.1
Shares Outstanding (Mn)	9.3	
-12m (Max/Med/Mín EUR)	7.76 / 5.64 / 3.83	
Daily Avg volume (-12m Mn)	0.02	
Rotation ⁽³⁾	16.9	
Thomson Reuters / Bloomberg	ADZ.MC / ADZ SM	
Close fiscal year	28-Feb	

Shareholders Structure (%) ⁽⁵⁾

Adolfo Domínguez	31.5
Puig, S.A.	14.8
Libertas 7	10.3
Indumentaria Pueri	9.0
Free Float	23.0

Relative performance -5y (Base 100)



Stock performance

(%)	-1m	-3m	-12m	-5Y
Absolute	-13.1	-19.8	-44.9	-0.8
vs Ibex 35	-12.6	-15.4	-29.9	39.2
vs Ibex Small Cap Index	-15.9	-25.0	-46.8	-32.6
vs Eurostoxx 50	-14.0	-22.1	-42.0	-3.4
vs Sector benchmark ⁽⁴⁾	-24.4	-29.5	-49.7	-8.9

(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 2.

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

(4) vs TR Europe Apparel & Accessories Retailers.

(5) Others: La Previsión Mallorquina de Seguros 7.6%, Ibercapital Magnum, SICAV S.A 3.2%, Treasury shares 0.6%

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

1Q fully impacted by the Covid-19 crisis

1Q HIT BY THE COVID-19 CRISIS: SALES -67.3% Y/Y AND -68.3% LFL, with an estimated forex impact of c. -1 p.p. Declines were especially heavy in Europe (-80.7% y/y), which accounts for c. 40.4% of consolidated revenues (c. -30p.p. y/y), mainly generated in Spain. The lockdown imposed by the pandemic in 1Q resulted in the closure of 92% of the points of sale. These have gradually been reopening since May and at present 88% of the stores are open (although still with restrictions).

At the national level cumulative LFL sales in the first 5 months of the year fell by c. 35% (vs. c. -45% in the sector, which saw an average decline of c. -75% from March to May). The contribution from the online business was crucial during this period (+52.3% y/y), this being the main driver (m/t) of the recovery of the business.

LARGE DECLINE IN THE GROSS MARGIN (58.1% OF REVENUES, -9.3p.p. Y/Y): affected by the increase in costs arising from the appreciation of the USD (c. +2p.p. y/y) and, mainly, the marketing effort made to recover sales.

...SINKING EBIT (EUR -7.5Mn), which moves farther from break-even again (EUR -1.0Mn 2019), despite cost-cutting (-34% y/y) mainly as a result of the employment-related measures applied in the main geographies (-52% y/y in personnel costs).

ACCELERATING CASH CONSUMPTION (C. EUR 3.5Mn) DESPITE THE MODERATION OF CAPEX. ADZ closed 1Q with a net cash position of EUR 3.3Mn (vs. EUR 6.8Mn -1y). ADZ has taken advantage of the "window of liquidity" provided by the Covid-19 crisis to obtain financing (EUR 15Mn), resulting in a net cash mix of EUR 20.6Mn cash and EUR 17.3Mn gross debt.

WE WILL DOWNGRADE OUR ESTIMATES FOR 2020. While the upward trend in the USD partly reverted in 2Q, the tone remains one of prudence for the year due to weak consumption (sales -25% y/y in August) and the resurgence of infections, putting pressure on margins.

	3m20 Real	3m19	3m20 Real vs 3m19	2020e 2020e	2020e vs 2019
Total Revenues	6.9	21.0	-67.0%	89.8	-23.4%
Sales	6.7	20.5	-67.3%	88.0	-23.4%
Other income	0.2	0.5	-54.3%	1.8	-23.2%
Gross Margin	4.0	14.2	-71.6%	50.5	-24.3%
Gross Margin (% s/Revenues)	58.1%	67.5%	-9.3 p.p.	56.2%	-0.7 p.p.
Recurrent EBITDA	-4.6	1.1	n.a.	7.3	-35.9%
Rec. EBITDA/Revenues	-65.9%	5.1%	-71.0 p.p.	8.1%	-1.6 p.p.
EBITDA	-4.6	1.1	n.a.	7.3	-35.9%
EBITDA/Revenues	-65.9%	5.1%	-71.0 p.p.	8.1%	-1.6 p.p.
EBIT	-7.5	-1.0	n.a.	-2.6	-375.7%
EBIT/Revenues	n.a.	n.a.	n.a.	n.a.	n.a.
PBT	-8.3	-1.3	n.a.	-3.5	n.a.
NP	-8.1	-1.4	-499.9%	-4.1	50.4%
Ordinary NP	-8.1	-1.4	-499.9%	-3.6	n.a.
Total LFL Var.	-68.3%	2.5%	-70.8p.p.	-23.4%	-29.3p.p.
Points of sale	381	387	-6	392	2
Net Debt	-3.3	-6.8	51%	-10.8	-8%

Note: Any reference to the results of the period to 3M refers to the period between 1 March and 31 May.

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	36.2	
+ Minority Interests	0.9	3m Results 2020
+ Provisions & Other L/T Liabilities	1.5	3m Results 2020
+ Net financial debt	(3.3)	3m Results 2020
- Financial Investments	5.5	3m Results 2020
+/- Others		
Enterprise Value (EV)	29.7	

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

