EQUITY RESEARCH
Italy | Consumer Durables & Apparel

EQUITA

ITALIAN DESIGN BRANDS

Earnings Review

BUY ord. *(Unchanged)*
Target: **€ 14.60** *(Prev.: €16.50)*
Risk: High

STOCKDATA	ORD
Price (as of 17 Nov 2023)	9.3
Bloomberg Code	IDB IM
Market Cap (€ mn)	250
Free Float	28%
Shares Out (mn)	26.9
52 week Range	-
Daily Volume	13,956

Performance (%)	1M	3M	1Y
Absolute	5.7	-15.8	na
Rel to FTSE Italia All-Share	1.4	-20.0	na

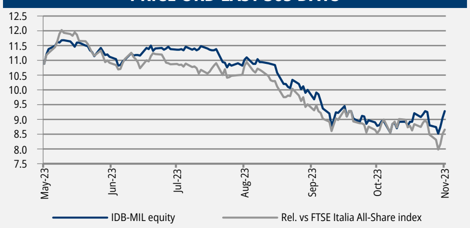
MAIN METRICS	2022	2023E	2024E
SALES Adj	266	307	310
EBITDA Adj	49.1	54.0	53.7
EBITDA Adj. Ex Ifrs16	45.6	49.5	49.2
EBIT Adj	40.1	42.0	41.6
EBIT Adj. Ex Ifrs16	40.6	41.7	41.3
NET INCOME Adj	25.5	25.9	26.0
EPS Adj - €c	126	107	96.6
DPS Ord - €c	0.0	0.0	0.0

MULTIPLES	2022	2023E	2024E
P/E ord Adj		8.6x	9.6x
EV/EBITDA Adj		7.3x	6.9x
EV/EBITDA Adj. ex-IFRS16		7.3x	6.9x
EV/EBIT Adj		9.4x	8.9x
EV/EBIT Alt		8.7x	8.2x

REMUNERATION	2022	2023E	2024E
Div. Yield ord (A)		0.0%	0.0%
FCF Yield Adj		8.0%	11.2%

INDEBTEDNESS	2022	2023E	2024E
NFP Adj	-162	-133	-110
Nfp Ex Ifrs16	-131	-99.6	-76.5
D/Ebitda Adj	3.3x	2.5x	2.0x
D/EBITDA Adj. ex-IFRS16	2.9x	2.0x	1.6x

PRICE ORD LAST 365 DAYS



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OUTPERFORMING IN A SOFTENING CONTEXT

IDB is poised to confirm a LSD organic revenue growth in 2023, outperforming an at most flattish reference market. We are now factoring in a more prudent market outlook for 2024 as well, but we expect IDB to keep outperforming while confirming its M&A vocation, as recently done with its 11th acquisition. Stock at attractive 9x EV/EBIT 2024E.

■ 3Q close to estimates, affected by temporary delays and weak seasonality

9M Pro-Forma numbers include 9M of the latest acquisitions Turri, Axolight and Cubo:

- **3Q PF sales € 70.5mn (+12% YoY), in line with our € 71mn estimate (+13% YoY);**
- 9M PF turnover € 221.4mn (+49% YoY);
- 9M PF EBITDA € 34.2mn (+33% YoY), margin 15.4%;
- 9M PF net profit € 14.9mn (+9% YoY);
- Net debt ex-IFRS16 € 118mn vs. € 103mn exp. (from € 66mn as of the end of June).

Organic 3Q sales (excluding Turri and Axolight) **were down 2% YoY on 3Q22 Pro-Forma** vs. -1% YoY exp., with weakness in Luxury Contract (-6% YoY, due to more difficult comparison and postponements of some projects) mitigated by a better resiliency in Residential (flat YoY organic, supported by a temporary restocking at Gamma).

Organic 3Q EBITDA was € **10.3mn (16.6% margin)** vs. € 10.7mn exp. (margin 17.1%), down from 17.7% in 1H due to a decline in Luxury Contracts, linked to operating deleverage;

The contribution from Turri/Axolight, at € 21mn in the 9M with € -0.6 mn EBITDA, was broadly consistent with management's FY indications, considering the seasonality of Turri more skewed on the 4Q due to its soft contract business (50% of the total).

Net debt was impacted by higher M&A impact (€ 51mn vs. € 42mn exp.) and greater absorption of working capital linked to delays in Luxury Contract.

■ More prudent market outlook, but company confident of outperforming

The following messages emerged from a roadshow with top management:

- **The company shares the vision of the HEDF (High End Design Furniture) market just presented by Bain for 2023 (basically flat),** and assumes a similar 2024, although specular in terms of timing (1H weaker, 2H stronger);
- **For 2023, the company target > € 300mn PF revenues** (including Turri and Axolight) **implies organic growth of 3%,** benefiting from the strength of Luxury Contract (hp. +22% YoY) but also from relative resiliency of Residential (hp -4% YoY organic);
- **For 2024, management is targeting slight growth**. Luxury Contract has good visibility on projects for the year, although growth will be limited in the short term by capacity constraints and by the need to strengthen the project management team. In Residential IDB is confident about a slight growth, still driven by Lighting and Kitchen;
- **EBITDA 2023 pro-forma seen at approx. 17.5%,** resulting from confirmed organic margin >18% and perimeter contribution at approx. € 4mn;
- **FY net debt seen at ca. € 130-135mn**, i.e. € 100mn ex-IFRS16 (D/EBITDA 2x), improving in 4Q thanks to seasonality of the business and recovery of delays in Contract;
- **Management confident of completing another acquisition in 2024** (in the usual € 30-50m revenue league, potentially also in complementary business areas) and also working on bigger deals (>€ 100mn), which in any case will not materialise before 2025.

■ Net profit 2023/24E +1%/-11% with Turri/Axolight and weaker organic growth

We have confirmed our organic estimates on 2023E but raised revenues (+12%) and EBITDA (+8%) including Turri and Axolight, with net profit lifted by only 1% due to higher D&A and financials. For 2024 we have raised sales less than proportionally (+7%) and cut EBITDA (-2%) as the perimeter effect is offset by more prudent organic growth (+1% vs. prev. +6%) and margins (-30 bps YoY vs. prev. +70 bps YoY). Net Profit is cut by -11%. **Target cut by 11% to €14.6 ps, implying 15x 2024E P/E and 12x EV/EBIT**

■ Solid fundamentals, M&A potential, attractive valuations

The stock is trading at 9x EV/EBIT 2024 and <10x P/E, attractive valuations compared to foreign-listed furniture companies (EV/EBIT of 10-11x, with much weaker market positioning and profitability), which do not reflect the group`s solid fundamentals, its proven ability to outperform the reference market and its potential for M&A.

MAIN FIGURES - EURmn	2020	2021	2022	2023E	2024E	2025E
SALES Adj	110	144	266	307	310	328
Growth	n.a.	30.8%	84.5%	15.4%	1.0%	5.9%
EBITDA Adj	15.3	23.4	49.1	54.0	53.7	58.9
Growth	n.a.	52.5%	110.2%	10.0%	-0.6%	9.7%
EBITDA Adj. Ex Ifrs16	12.9	20.8	45.6	49.5	49.2	54.4
Growth	n.a.	61.4%	119.0%	8.6%	-0.7%	10.6%
EBIT Adj	11.2	19.3	40.1	42.0	41.6	46.1
Growth	n.a.	71.9%	107.8%	4.8%	-1.0%	10.8%
EBIT Adj. Ex Ifrs16	11.0	19.2	40.6	41.7	41.3	46.1
Growth	n.a.	74.0%	111.7%	2.8%	-1.0%	11.5%
Net Income Adj	5.7	13.0	25.5	25.9	26.0	29.6
Growth	n.a.	128.5%	95.8%	1.9%	0.3%	13.8%

MARGIN - %	2020	2021	2022	2023E	2024E	2025E
EBITDA Adj Margin	13.9%	16.2%	18.5%	17.6%	17.3%	17.9%
EBITDA Adj. Ex Ifrs16 Margin	11.7%	14.4%	17.1%	16.1%	15.9%	16.6%
Ebit Adj margin	10.2%	13.4%	15.1%	13.7%	13.4%	14.0%
EBIT Adj. Ex Ifrs16 Margin	10.0%	13.3%	15.3%	13.6%	13.3%	14.0%
Net Income Adj margin	5.2%	9.0%	9.6%	8.4%	8.4%	9.0%

SHARE DATA	2020	2021	2022	2023E	2024E	2025E
EPS Adj - €c	28.1	64.3	126	107	96.6	110
Growth	n.a.	128.5%	95.8%	-14.6%	-10.1%	13.8%
DPS ord(A) - €c	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	2.6	3.2	2.9	5.2	5.9	6.6

VARIOUS	2020	2021	2022	2023E	2024E	2025E
Capital Employed	111	97.0	199	251	246	240
FCF		26.0	15.8	18.0	28.1	32.2
CAPEX		2.7	2.0	6.1	8.0	8.5
Working capital	-4.0	-16.0	-17.0	-8.2	-7.7	-7.8

INDEBTNESS	2020	2021	2022	2023E	2024E	2025E
Nfp Adj	-68.0	-40.0	-162	-133	-110	-82.6
D/E Adj	1.28	0.63	2.79	0.95	0.70	0.46
Debt / EBITDA Adj	4.4x	1.7x	3.3x	2.5x	2.0x	1.4x
Nfp Ex Ifrs16	-50.4	-24.0	-131	-99.6	-76.5	-49.3
D/EBITDA Adj. ex-IFRS16	3.9x	1.2x	2.9x	2.0x	1.6x	0.9x
Interest Coverage	5.7x	6.6x	12.8x	11.3x	13.4x	16.8x

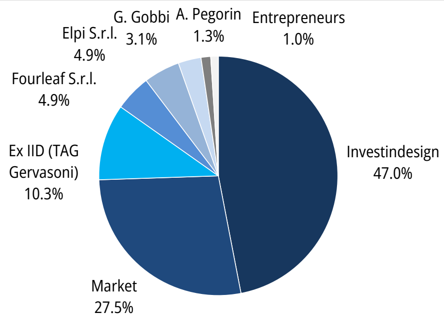
MARKET RATIOS	2020	2021	2022	2023E	2024E	2025E
P/E Ord Adj	n.a.	n.a.	n.a.	8.6x	9.6x	8.4x
PBV	n.a.	n.a.	n.a.	1.8x	1.6x	1.4x

EV FIGURES	2020	2021	2022	2023E	2024E	2025E
EV/Sales	n.a.	n.a.	n.a.	1.3x	1.2x	1.1x
EV/EBITDA Adj	n.a.	n.a.	n.a.	7.3x	6.9x	5.9x
EV/EBITDA Adj. ex-IFRS16				7.3x	6.9x	5.7x
EV/EBIT Adj	n.a.	n.a.	n.a.	9.4x	8.9x	7.5x
EV/CE	n.a.	n.a.	n.a.	1.6x	1.5x	1.4x

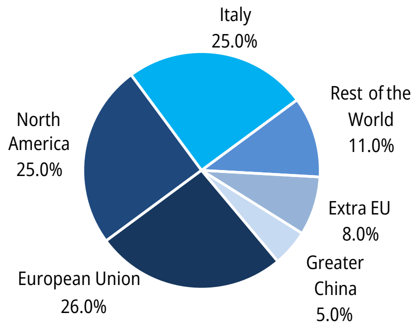
REMUNERATION	2020	2021	2022	2023E	2024E	2025E
Div. Yield ord	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%
FCF Yield Adj		n.a.	n.a.	8.0%	11.2%	12.9%
Roce Adj		9.8%	14.4%	10.4%	10.2%	11.7%

Source: Company data and Equita SIM estimates

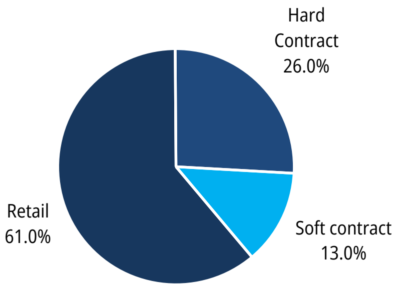
SHAREHOLDERS



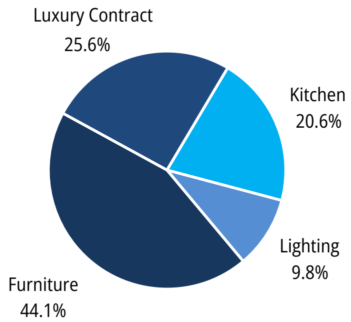
BREAKDOWN BY REGION



BREAKDOWN BY CHANNEL



BREAKDOWN BY SEGMENT



BUSINESS DESCRIPTION

Italian Design Brands (IDB) is a multibrand group active in the high-end furniture segment. Since its inception in 2015, IDB has implemented a consistent M&A strategy, and is today a group of € 266 mn revenues (2022PF), with 10 companies featuring a global presence and a complementary positioning across four different Business Areas (SBA):

- **Furniture**: including the Gervasoni, Meridiani, Saba and Gamma companies, active in the Living & Bedroom categories (i.e. sofas, chairs, beds, tables, low tables);
- **Lighting**: lamps and lighting solutions, for both indoor and outdoor use, through the Davide Groppi, Flexalighting and Axolight companies**;**
- **Kitchen & Systems,** through Cubo Design, a company active in the kitchens segment, with a specific know-how in processing of wood and prestigious materials;
- **Luxury contract,** through the Cenacchi and Modar companies, specialised in furnishing projects for luxury boutiques, UHNWI private residences, luxury hospitality.

Products are sold through three different channels:

1) **Retail**, including sales of catalogue products to private individuals by the Furniture, Lighting and Kitchen SBAs through a network of ca. 4,500 multibrand independent retailers worldwide, plus 23 monobrand stores as of Dec. 2022 (of which 6 DOS);
2) **Soft contract**, including sales of catalogue products to business clients by the Furniture, Lighting and Kitchen business areas, with low/medium customizations;
3) **Hard contract,** including the sale of fully customized projects to business clients. This channel is entirely represented by the Luxury Contract business area as ca. 90% of revenues is represented by projects of boutiques or showrooms for luxury brands.

In a highly fragmented market, **IDB strategy aims at offering a virtuous context for excellence firms,** which can retain their autonomy while benefiting from group's **support on managerialization, digitalization, internationalization, commercial synergies and all back-end corporate functions**. This strategy has proven able to accelerate revenue growth and profitability of portfolio companies. **IDB in fact boasts a strong track record (+40% 7Y CAGR in revenues in 2015-22PF, of which +9% organic**) **and a high profitability** (18.5% Adj. EBITDA margin in 2022PF).
IDB also features a strong cash generation (ca. 60% FCF/adj. EBITDA pre-IFRS16 in 2023-25E) thanks to only 2% capex/revenues and negative working capital (advance payments, namely in Luxury Contract).

The reference HEDF market (High End Design & Furniture market) is also supportive, with consistent +4/5% CAGR in the last twenty years, **underpinned by structural growth drivers** including self-expression, wealth ruralization in developed markets, ongoing urbanization in emerging markets.

Company's medium-term ambitions in organic terms envisage **top line growth at least in line with the reference market**, with **slight improvement in profitability**.
M&A will continue to accelerate this organic growth path, leveraging the strong group's FCF generation plus the € 73 mn proceeds collected with the IPO on May 18th 2023. **Management has identified ca. 40 targets**, including bolt-on deals (€ 5-50 mn revenues) and more transformational deals (€ 50-150 mn revenues).

IDB is controlled by Investindesign (IID) (47% of share capital), whose majority (50.7%) is controlled by TIP (Tamburi Investment partners), followed by Club Design (20%) - a club deal vehicle participated by TIP at 20%. The remaining 29.3% of IID is still controlled by the financial investors backing the project at its start in 2015 (Private Equity Funds and private investors).

STRENGTHS / OPPORTUNITIES	WEAKNESSES /THREATS
- High-end positioning and pricing power - Complementary brands and global presence - Resilient demand for furnishing of luxury boutiques - High profitability and strong cash generation - Structural growth of the reference market - Opportunities for M&A, with distinctive strategy - Strong track record and experienced management	- Need to strengthen digital capabilities and the organization to support group's growth - Greater competition and execution risk on bigger deals - Rising complexity and risk of overlapping when adding more brands - Normalizing demand in the residential market

3Q CLOSE TO ESTIMATES, AFFECTED BY WEAK SEASONALITY OF THE BUSINESS

IDB published its 9M23 results on November 13th.
The company recently announced two new acquisitions (see appendix for more details on the deals): **Turri (Furniture segment - closed September 29th) and Axolight (Lighting segment- closed July 18th).**
Reported pro-forma numbers (right column in the table below) **include the contribution of the two latest acquisitions** as if they were acquired January 1st, 2023, together with Cubo, acquired on January 31st. The perimeter is therefore different from the one included in the 1H23 pro-forma numbers (only Cubo already in for 6 months), and 3Q numbers are available only for revenues.

On the 9M Pro-Forma, i.e. including Turri, Axolight and Cubo since January 2023, the company reported:

- **3Q revenue in line with estimates, at € 70.5mn (+12% YoY) vs. € 71mn exp. (+13% YoY)**
- 9M revenues € 221.4mn (+49% YoY);
- 9M PF EBITDA € 34.2mn (+33% YoY), margin 15.4%:
- 9M PF net profit € 14.9mn (+9% YoY);
- Net debt ex-IFRS16 € 118mn vs. € 103mn exp. (from € 66mn as of the end of June).

IDB GROUP 9M23 RESULTS (€ K)

EUR thousands	F9M 22 (1)	%	F9M 23 (2)	%
Revenue	**148.620**	100,0%	**221.435**	100,0%
Other income	1.865	1,3%	4.502	2,0%
Total Revenue	**150.485**	101,3%	**225.937**	102,0%
Operating Costs	(101.397)	(68,2%)	(155.406)	(70,2%)
Added Value	**49.088**	33,0%	**70.531**	31,9%
Personnel Costs	(23.363)	(15,7%)	(36.362)	(16,4%)
Adj. EBITDA	**25.724**	17,3%	**34.169**	15,4%
D&A	(3.781)	(2,5%)	(8.777)	(4,0%)
Adj. EBIT	**21.943**	14,8%	**25.392**	11,5%
Net Financial Expenses	(1.232)	(0,8%)	(4.069)	(1,8%)
Adj. EBT	**20.712**	13,9%	**21.323**	9,6%
Tax Expenses	(7.085)	(4,8%)	(6.417)	(2,9%)
Adj. Net Income	**13.627**	9,2%	**14.906**	6,7%

Source: Company 9M23 presentation
(1) Data prepared including 9 months of Gamma and Flexalighting N.A., despite exact acquisition date (June and May 2022).
(2) Proforma data, prepared including 9 months of Cubo Design, Turri, Axolight, despite exact acquisition date (January 31, 2023, July 18, 2023, and September 29, 2023).

Our comments on the organic performance (i.e. excluding Turri and Axolight) focuses on the comparison with 2022 Pro-Forma figures, including all acquisitions announced until the IPO i.e. Cubo (Kitchen - January 2023), Gamma (Furniture - June 2022) and Flexalighting N.A. (Lighting - May 2022) as if they had been all acquired in January 2022, to be consistent with company's representation of FY22 numbers provided at the IPO as a base for our FY23E estimates. We note this approach is different from the table above, where comparison is with 9M22 pro-forma ex-Cubo.

3Q organic sales were very close to our expectations, -2% YoY on 3Q22 Pro-Forma vs. -1% exp., with:

- **weakness in Luxury Contract** -6% YoY, vs. flattish exp. and +32% YoY in 2Q. As anticipated, the sharp slowdown is explained by a more difficult comparison and postponements of some projects where clients have asked to delay works for some company-specific reasons;

- **resiliency in Residential**, flat YoY organic vs. -1% YoY exp., and recovering from the 2Q M/H SD decline thanks to the Furniture segment (-2% YoY, supported by a temporary restocking at Gamma) and to a temporary acceleration in the Ligthing segment (+16% YoY organic, which the company has explained with easy comparison and concentration of some projects).

IDB GROUP: QUARTERLY SALES BY SEGMENT (€ mn)

	1H22 PF	%	3Q22 PF	%	9M22 PF	%	1H23 PF	%	3Q23 PF	%	9M23 PF	%
Furniture	60	49%	25	39%	85	45%	56	41%	32	45%	88	42%
YoY growth	n.a.		n.a.		n.a.		-6%		28%		4%	
organic							*-6%*		*-2%*		*-5%*	
Lighting	14	12%	5	7%	19	10%	14	10%	6	9%	21	10%
YoY growth	n.a.		n.a.		n.a.		0%		37%		9%	
organic							*0%*		*16%*		*4%*	
Kitchen	26	21%	13	21%	39	21%	28	20%	13	19%	41	20%
YoY growth	n.a.		n.a.		n.a.		7%		0%		5%	
organic							*7%*		*0%*		*5%*	
Total residential	**100**	**81%**	**43**	**68%**	**143**	**76%**	**98**	**71%**	**52**	**73%**	**150**	**72%**
YoY growth	n.a.		n.a.		n.a.		-2%		20%		5%	
organic							*-2%*		*0%*		*-1%*	
Luxury contract	**24**	**19%**	**20**	**32%**	**44**	**24%**	**40**	**29%**	**19**	**27%**	**59**	**28%**
YoY growth	n.a.		n.a.		n.a.		67%		-7%		33%	
organic							*67%*		*-7%*		*33%*	
Others	0		0		0		0.4		0.2		1	
Total	**124**	**100%**	**63**	**100%**	**187**	**100%**	**138**	**100%**	**71**	**100%**	**209**	**100%**
YoY growth	n.a.		n.a.		n.a.		12%		12%		12%	
organic							*12%*		*-2%*		*7%*	

Source: Equita SIM estimates and Company data

Organic 3Q EBITDA was slightly below our estimates, at € 10.3mn (16.6% margin) vs. € 10.7m exp. (margin 17.1%), down from 17.7% in 1H due to a lower contribution in Luxury Contract (14.8% margin in 3Q vs. 24.8% in 1H) due to the usually weak seasonality of the business in this quarter (revenues more skewed to 4Q) coupled with the operating deleverage linked to the postponement of some projects.

The perimeter contribution from Turri/Axolight in terms of revenues was ca. € 21.5m in the 9M (total 3Q € 8.7mn vs. € 8.5mn exp.), broadly in line with our estimates and **consistent with management's FY indications** (sales seen at ca. € 28mm for Turri – in line with FY22 - and ca. € 5mn for Axolight), considering the specific seasonality of Turri (overall € 18m in the 9M, implying € 10mn in 4Q alone), whose business is more exposed to the soft contract segment (ca. 50% of revenues) which usually features a concentration of revenues in 4Q.
In terms of EBITDA, Turri and Axolight contributed for a mere € -0.6mn in the 9M, which is the result of the weak seasonality of Turri, but **management confirmed for FY an EBITDA close to the 2022 figure** (i.e. close to € 4mn for Turri and close to € 0.5mn for Axolight).

The chart below shows the profitability by segment for the first 9M. We note the particularly low EBITDA margin of the Furniture segment, impacted by the weak seasonality of Turri. Excluding Turri, the organic EBITDA margin of this division would have been 16.1%, up from 15.4% in 1H23, which reflected a concentration of marketing costs for sector's major trade fairs.

IDB GROUP 9M23 EBITDA BY SEGMENT (€ mn)

EUR Mln	Furniture	Lighting	Luxury Contract	Kitchen&Systems	Other (3)	TOTAL
Revenue	98,3	23,0	58,7	40,9	0,6	221,4
Adj. EBITDA	12,4	5,0	11,7	8,4	-3,4	34,2
% Margin	*12,5%*	*21,9%*	*19,9%*	*20,6%*		*15,4%*
% Margin *excluded Turri and Axolight*	*16,1%*	*25,7%*	*19,9%*	*20,6%*		*17,3%*

Temporary effect due to already expected seasonality in Turri

Source: Company 9M23 presentation
Proforma data, prepared including 9 months of Cubo Design, Turri, Axolight, despite exact acquisition date

The 9M tax rate was 30% vs. 1H at 28%, but the company expects to confirm 28% on a FY basis.

Net debt was above expectations, at € 118mn ex-IFRS16 vs. € 103mn exp. (€ 66mn as of the end of June) due to:

- **a higher impact from M&A linked to the acquisition of Turri and Axolight: € 51mn (vs. € 42mn exp.)** of which ca. € 5.5mn for Axolight (in line with our estimates) and € 45mn for Turri (vs. ca. € 34mn we had estimated based on the information disclosed at the announcement of the deal). The difference stems from a fine tuning of the earn-out (€ 2mn) and from a reassessment of the value for the put-option due in 2027 on the 49% of the company still owned by the entrepreneur (this was initially based on the 100% valuation of Turri at the moment of the closing, whilst now is based on the new business plan post-integration within the group, which clearly factors in the upside in terms of growth stemming from the expected synergies);
- **greater absorption of working capital:** we estimate € -10mn organic in 3Q (vs. € -13mn in 1H and our estimate of € 3mn cash generation) linked to the already mentioned delays in Luxury Contract, which were reflected in a still high inventory at the end of the period in the face of an underlying decline in payables.

Capex, at € 4.7mn for the 9M, were consistent with our FY estimate (€ 5.5mn organic, € 6mn including Turri/Axolight), with ca. € 2mn in 3Q alone, the result of € 1.8mn investment for the opening in New York of the group's new US offices and of a new monobrand showroom for both Meridiani and Davide Groppi.

The tables below show the changes in net debt and in net working capital.

We note that the perimeter impact is particularly material in terms of inventories, due to the contribution of Turri (€ 8mn inventories as of the end of September, as per the group's 3Q report just published).

Turri is in fact specialised in custom luxury furniture with a classic and elegant style, mostly addressed to HNWI in Africa, Middle East, Eastern Europe etc, but has also started a transition of its offering in the last 12-18 months, moving toward a more modern, clean and contemporary style, in order to strengthen its positioning also in the retail channel; such high level of inventories is mostly related to some stock of finished and semifinished products from the company's historic range, aimed to guarantee an adequate level of service for its consolidated customers, also in case they need further integration or maintenance.

IDB GROUP: 9M23 NET DEBT (€ mn)

	2022PF	1H23	9M23
(a) Net bank debt (ex-IFRS16)	**-30**	**-2**	**-31**
IFRS16 liabilities	-31	-31	-33
Net bank debt plus leases	**-61**	**-33**	**-64**
Debt for put options	-83	-55	-68
Debt for earn out/phantom shares	-17	-9	-19
Others	0	0	0
(b) Total NFP including put options/earn out	**-162**	**-97**	**-151**
(c) Total NFP incl. put options/earn out ex-Leases	**-131**	**-66**	**-118**

Source: Company data, Equita SIM estimates

IDB GROUP: 9M23 WORKING CAPITAL (€ mn)

	Dec-22 PF	Mar-23	Jun-23	Sept-23 Incl Turri/Axo	Sept-23 Organic
Trade receivables	28	30	33	34	29
Inventory	27	30	31	44	34
Trade payables	(46)	(42)	(42)	(38)	(34)
Advance Payments	(20)	(19)	(19)	(24)	(17)
Other assets/(liabilities)	(7)	(9)	(7)	(7)	(7)
Total Net Working Capital	**(17)**	**(10)**	**(4)**	**7**	**6**

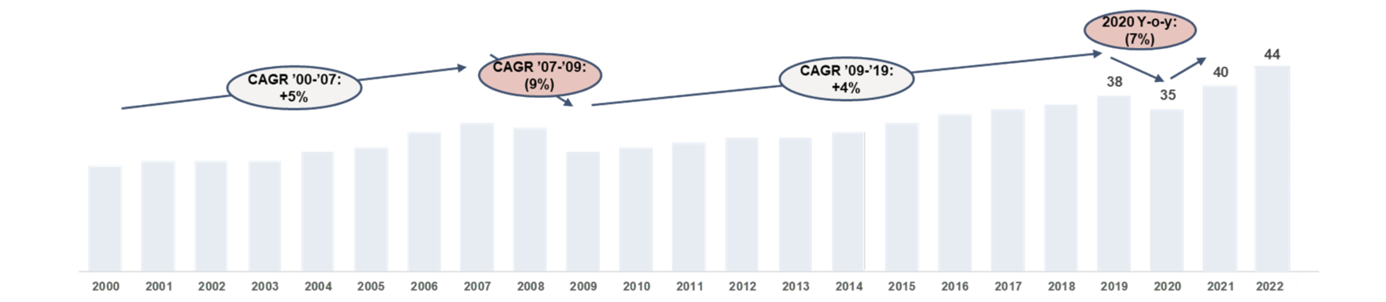
Source: Company data, Equita SIM estimates

MORE PRUDENT MARKET OUTLOOK, BUT COMPANY CONFIDENT OF OUTPERFORMING

We organized a management roadshow with Italian investors in Milan. During the meetings, the company reiterated the 2023 guidance provided during the conference call on the 3Q results and anticipated some preliminary qualitative thoughts on the outlook for the next year.

- **The company shares the vision of the HEDF (High End Design Furniture) market just presented by Bain for 2023 (basically flat), and assumes a similar market performance in 2024**, with also similar dynamics (Contract up and Residential down), although specular in terms of timing (1H weaker, 2H stronger). We recall that the HEDF market has suffered only twice in the last 20 years, i.e. in the GFC (-10% CAGR in 2008-09) and in 2020 (-8%), showing overall good resiliency and consistent growth;

CORE HEDF MARKET: HISTORICAL EVOLUTION AND FORECASTS (€ bn)



Source: : Equita Sim elaborations based on Bain&Company, Altagamma – Bain High-End design Market Monitor 2022, June 2022

- **IDB expects to continue to outperform the market.** Specifically for 2023 the company confirmed its target of exceeding € 300mn PF (including the latest Turri/Axolight acquisitions), which implies an organic growth of 3% (after 9M +7% YoY), thus above the flattish market trend envisaged by Bain.
  IDB is benefiting from:
  - **the strength of its Luxury Contract business** (we estimate +22% YoY, with 4Q improving to +1% YoY, as October already confirmed the recovery of recent delays) **and**
  - **better resiliency of its Residential business** (we assume -4% YoY organic for the FY vs. management's estimate of a HSD/LDD decline of the market, based on most recent Federlegno indications), thanks to the good performance of Lighting (supported by the strong appeal and niche positioning of group's brands, namely Davide Groppi) and Kitchen (with Cubo increasingly driven by its highest brand Binova, now at 35% in the mix vs. 15% last year). These two segments mitigated the weakness of Furniture, also affected by temporary issues at Gamma (destocking in foreign markets like China and the US in 2Q) and Saba (end of relationships with one important account in Germany in anticipation of its imminent financial difficulties);

- **For 2024, management is targeting slight growth**, thus again above the flattish or possibly slightly negative market trend.
  Contract in particular has good visibility on projects throughout next year, and demand remains solid (we estimate order intake July-October ca. +10%), as luxury and hospitality players always need to elevate their customers' experience, as highlighted also by Bain in its recent market outlook (presented at the Altagamma conference on Nov. 14th); however growth will be limited in the short term by capacity constraints (additional capex for ca. € 2mn will be dedicated to this) and we also think by the need to strengthen the project management team.
  At the same time **in Residential**, where we estimate a still LDD negative order intake in the last four months, **the company is confident about a slight growth in the year.**

Growth should be still driven by Lighting and Kitchen but with also a smaller decline in Furniture compared to 2023, no longer impacted by the issues affecting Gamma and Saba in 2023 and taking into account the ongoing strengthening of distribution (namely with the aim of improving penetration of Turri, Gamma and Saba in the residential segment in Europe/US) as well as the growing commitment on the US market (the two new company's showrooms just opened in NY for Meridiani and Groppi are generating immediate interest from retail entrepreneurs for possible openings of other monobrand showrooms in other cities).
We recall that orders provide visibility of about 2-3 months in the Residential segment whilst projects in the Contract segment might last 6-12 months, which means orders in this segment usually provide a longer visibility.

- **EBITDA 2023 pro-forma seen at approx. 17.5%,** resulting from confirmed organic margin >18% and perimeter contribution at approx. € 4mn;

- **FY net debt is seen at approximately € 130-135mn, i.e. implied € 100mn ex-IFRS16 (D/EBITDA 2x),** improving from € 118mn as of the end-September thanks to the already mentioned seasonality of the business and recovery of postponements in contract projects;

- **Management is confident of completing another acquisition in 2024** (in the usual € 30-50mn revenue league, potentially also in complementary business areas) and is also working on bigger deals (> € 100m), which in any case would not reasonably materialise before 2025. The CEO Mr. Sasso reiterated how the enhanced visibility and credibility stemming from the IPO and from the entry of TIP in the share capital has enhanced the attractiveness of the IDB proposition for several entrepreneurs, with many new contacts and talks developed in the last few months. The current weakening of the market context might potentially trigger even more opportunities as more entrepreneurs could consider joining the group to better face the new normal scenario after strong sector's growth in the last couple of years.

UPDATING ESTIMATES WITH TURRI/AXOLIGHT AND A MORE CONSERVATIVE MARKET OUTLOOK

We have updated our model by including the recent acquisitions of Turri/Axolight and taking into account the worsening of the macro environment experience in the recent months, as incorporated in the company's outlook.

For 2023 we have raised revenues by 12% and EBITDA by 8% due to perimeter, simply factoring in the additional contribution of Turri (€ 28mn) and Axolight (€ 5mn). **We have instead confirmed our assumptions for organic growth (+3% FY),** already consistent with management's guidance, with an implied -6% YoY organic in 4Q, as a result of Luxury Contract +1% YoY (improving from -7% YoY in 3Q thanks to recovery of delayed projects) and Residential -10% YoY (consistent with the order intake, which we estimate down LDD in the July-October period).
Adj. net profit is lifted by just 1%, as the higher EBITDA is offset by higher D&A and financial charges, mostly due to the two acquisitions.
We have also updated our Net Debt estimate (€ 100mn ex-IFRS16 vs. prev. € 44mn) factoring in the cost of the acquisitions (€ 51mn in total) and a higher working capital.

For 2024, we have raised sales less than proportionally (+7%) and cut EBITDA (by 2%) as the perimeter effect is offset here by more conservative assumptions on organic growth (+1% YoY vs. prev. +6% YoY, assuming Residential flat YoY vs. prev. +4% and Luxury Contract +3% vs. prev. +10%) **and consequently on margins** (now -30 bps YoY vs. prev. +70 bps YoY). As a result, net profit is cut by 11%.
Our greater prudence on profitability is due to the operating deleverage in a phase of rising costs aiming at supporting the development of group's companies.
In particular we expect a decrease in margins for the Furniture segment, the only segment where we are anticipating a negative top-line trend (-7% YoY).

On the other side we assume flat margins on the other segments, in spite of the L/M SD growth expected, as we factor in increasing opex namely for Davide Groppi (including the next opening of a new showroom in Milan and higher marketing expenses to capitalise on the strong appeal of the brand), for the Luxury Contract segment (to strengthen the project management team), and for the roll-out of the costs related to the new showrooms of Meridiani and Groppi in NY.

CHANGE IN ESTIMATES (€ mn)

			CURRENT						PREVIOUS						Change		
	FY22		FY23E	%	FY24E	%	FY25E	%	FY23E	%	FY24E	%	FY25E	%	2023	2024	2025
Sales	**266**	**100%**	**307**	**100%**	**310**	**100%**	**328**	**100%**	**274**	**100%**	**290**	**100%**	**306**	**100%**	12%	7%	7%
	85%		15%		1%		6%		3%		6%		6%				
Ebitda adj	**49**	**18.5%**	**54**	**17.6%**	**54**	**17.3%**	**59**	**17.9%**	**50**	**18.3%**	**55**	**19.0%**	**60**	**19.7%**	8%	-2%	-2%
	113%		10%		-1%		10%		2%		10%		10%				
Ebit adj	**40**	**15.1%**	**42**	**13.7%**	**42**	**13.4%**	**46**	**14.0%**	**41**	**14.8%**	**45**	**15.6%**	**50**	**16.3%**	4%	-8%	-8%
	108%		5%		-1%		11%		1%		11%		11%				
Net profit rep	**-5**	-1.9%	**14**	4.4%	**17**	5.6%	**21**	6.3%	**14**	5.2%	**21**	7.2%	**25**	8.0%	-5%	-17%	-16%
	-144%		-373%		26%		20%		-386%		45%		18%				
Net profit Adj	**25**	**9.6%**	**26**	**8.4%**	**26**	**8.4%**	**30**	**9.0%**	**26**	**9.4%**	**29**	**10.1%**	**33**	**10.8%**	1%	-11%	-11%
	96%		2%		0%		14%		1%		14%		13%				
NFP	**-162**		**-133**		**-110**		**-83**		**-75**		**-47**		**-15**				

Source: Equita SIM estimates and Company data

IDB GROUP: SALES ESTIMATES BY SEGMENT (€ mn)

			CURRENT						PREVIOUS					
	FY22		FY23E	%	FY24E	%	FY25E	%	FY23E	%	FY24E	%	FY25E	%
Furniture	117	44%	135	44%	132	43%	141	43%	108	39%	112	39%	119	39%
YoY growth	39%		16%		-2%		6%		-8%		4%		6%	
organic	*9%*		*-8%*		*-2%*		*6%*		*-8%*		*4%*		*6%*	
Lighting	26	10%	31	10%	33	10%	35	11%	26	9%	28	10%	30	10%
YoY growth	21%		19%		5%		7%		0%		7%		7%	
organic	*7%*		*0%*		*5%*		*7%*		*0%*		*7%*		*7%*	
Kitchen	55	21%	57	18%	59	19%	61	19%	57	21%	58	20%	61	20%
YoY growth	n.m.		4%		4%		4%		4%		3%		4%	
organic	*0%*		*4%*		*4%*		*4%*		*4%*		*3%*		*4%*	
Total residential	**198**	**74%**	**223**	**73%**	**224**	**72%**	**237**	**72%**	**190**	**70%**	**198**	**68%**	**209**	**68%**
YoY growth	87%		13%		0%		6%		-4%		4%		5%	
organic	*9%*		*-4%*		*0%*		*6%*		*-4%*		*4%*		*5%*	
Luxury contract	**68**	**26%**	**83**	**27%**	**85**	**28%**	**91**	**28%**	**83**	**30%**	**91**	**32%**	**97**	**32%**
YoY growth	76%		22%		3%		6%		22%		10%		6%	
organic	*76%*				*3%*		*6%*		*22%*		*10%*		*6%*	
Others	0.4		0.8		0.8		0.8		0.4		0.4		0.4	
Total	**266**	**100%**	**307**	**100%**	**310**	**100%**	**328**	**100%**	**274**	**100%**	**290**	**100%**	**306**	**100%**
YoY growth	85%		15%		1%		6%		3%		6%		6%	
organic	*28%*		*3%*		*1%*		*6%*		*3%*		*6%*		*6%*	

Source: Equita SIM estimates and Company data

DCF TARGET CUT BY 11% TO € 14.6 PS.

The downward revision in organic estimates drives our DCF target down by 11% to € 14.6 ps., whilst we derive a broadly neutral impact from the acquisitions at this stage. However, on this front, we note that our model might be prudent in this respect as it considers the full cost of the put option on the minorities as included in the NFP and based on the company's target embedded in the business plan, but probably does not fully capture this long-term potential which is clearly not disclosed by the company.

ASSUMPTIONS	
g	2.0%
WACC	9.8%

VALUATION (€ mn)	
NPV of Free Cash Flows	144
NPV of Terminal Value	361
Estimated Enterprise Value	**505**
2022 NFP ex-leases	-131
Net proceeds from the IPO	69
Acquisitions	-51
Total Equity	**393**
# of shares (mn)	27
Target Price (€, ps)	**14.6**

DCF (€ mn)	2023E	2024E	2025E	2026E	2027E	Perpetuity
Sales	**307**	**310**	**328**	**346**	**364**	**372**
Change	*15.4%*	*1.0%*	*5.9%*	*5.4%*	*5.3%*	*2.0%*
EBITDA excl. IFRS16 after provisions	**50**	**49**	**54**	**58**	**62**	**62**
Change	*8.6%*	*-0.7%*	*10.6%*	*7.3%*	*7.1%*	*-1.0%*
Margin %	16.1	15.9	16.6	16.9	17.1	16.6
D&A excl. Right of Use assets	-8	-8	-8	-9	-9	-8
EBIT excl. IFRS16	**42**	**41**	**46**	**50**	**53**	**54**
Change	*2.8%*	*-1.0%*	*11.5%*	*7.6%*	*7.4%*	*0.5%*
Margin %	13.6	13.3	14.0	14.3	14.6	14.4
Taxes	-12	-12	-13	-14	-15	-15
EBIT excl. IFRS16 post Tax	**30**	**30**	**33**	**36**	**38**	**39**
Change	*2.8%*	*-1.0%*	*11.5%*	*7.6%*	*7.4%*	*0.5%*
Capex and other investments	-6	-8	-9	-8	-8	-8
(increase) decrease in WC	-9	-1	0	0	0	-1
Free Cash Flow before minorities	**23**	**29**	**33**	**37**	**40**	**38**
FCF Minorities						
Free Cash Flow after minorities	**23**	**29**	**33**	**37**	**40**	**38**
Discount Factor	0.92	1.01	1.11	1.22	1.33	1.33
PV of FCF	**25**	**29**	**30**	**30**	**30**	**28**
Tax rate	28%	28%	28%	28%	28%	28%

Source: Equita SIM estimates and company data

DFCF SENSITIVITY (€ PS)		PERPETUITY GROWTH		
		1.5%	**2.0%**	**2.5%**
WACC	**9.3%**	14.8	15.8	16.9
	9.8%	13.7	**14.6**	15.6
	10.3%	12.8	13.6	14.5

Source: Equita SIM estimates

IDB MULTIPLES AT OUR TARGET PRICE (x)	Adj. PE	Adj. EV/EBITDA	Adj. EV/EBIT
2023E	13.6	9.7	12.5
2024E	15.1	9.4	12.1
2025E	13.3	8.1	10.3

Source: Equita SIM estimates

ATTRACTIVE VALUATIONS WITH M&A POTENTIAL

Even in a weakening macroeconomic environment, IDB is confirming its ability to outperform the market; this reaffirms the group's solid positioning and business model, which should allow IDB to navigate also a still weak market context in 2024, with a flattish performance.

Since its IPO the group has also confirmed its M&A track-record, namely with the acquisition of Turri, a highly complementary business in terms of channels and geographies, with solid profitability of 14% (although dilutive in the short term), at a price of 7x EV/EBITDA, in line with group's past deals and with its guidelines for external growth.

Last but not least, IDB is delivering on its strategy of accelerating growth at acquired companies, as proven by the recent developments on the US market with the new showrooms, or by the progress made by the Kitchen company Cubo in pushing its highest-end brand Binova and delivering a solid 5% organic growth over the 9M (this is particularly striking, in a generally LDD negative market for kitchens, the segment clearly most linked to the real estate market and therefore most affected by higher interest rates).

IDB is one of the few listed companies offering exposure to the high-end design furniture market, a market featuring structural growth, with healthy profitability and opportunities for consolidation. **The stock is trading at 9x EV/EBIT and 9.7x Adj. PE, very attractive valuations** compared to other foreign-listed furniture companies (10-11x EV/EBIT) with much weaker market positioning, a less diversified business model, weaker profitability.

FURNITURE PEERS – MARKET MULTIPLES

	Last price	Mkt Cap	EV/EBITDA			EV/EBIT			Adj. P/E			FCF Yield	
		€	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E
HNI CORP	39.0	1,671	8.5	6.9	n.a.	14.5	10.8	n.a.	17.7	13.9	n.a.	6%	8%
MILLERKNOLL INC	24.9	1,683	7.3	6.7	n.a.	12.5	10.1	n.a.	13.0	11.3	n.a.	9%	12%
STEELCASE INC-A	12.0	1,260	6.9	6.1	5.8	12.7	9.7	7.7	14.5	12.7	10.0	13%	9%
NOBIA AB	9.1	135	7.3	5.5	3.6	54.3	21.0	9.2	-49.0	16.7	6.1	n.m.	10%
MASTERBRAND	13.0	1,514	6.3	5.9	n.a.	7.5	7.1	n.a.	9.0	9.3	n.a.	n.a.	n.a.
LA-Z-BOY INC	31.1	1,232	6.8	n.a.	n.a.	8.6	8.5	7.8	10.1	10.2	9.9	9%	n.a.
FAGERHULT AB	55.8	861	9.2	7.5	6.7	14.0	11.0	n.a.	16.0	14.3	n.a.	10%	8%
Average			**7.4**	**6.4**	**5.4**	**17.7**	**11.2**	**8.2**	**4.5**	**12.6**	**8.7**	**9%**	**10%**
Median			**7.3**	**6.4**	**5.8**	**12.7**	**10.1**	**7.8**	**13.0**	**12.7**	**9.9**	**9%**	**9%**
IDB	**9.3**	**250**	**7.3**	**6.9**	**5.9**	**9.4**	**8.9**	**7.5**	**8.6**	**9.6**	**8.4**	**7%**	**11%**

Source: Equita SIM elaborations on Bloomberg and Factset consensus

FURNITURE PEERS – FINANCIAL METRICS

	Segment	2023E	Sales growth			EBIT margin			Adj. Net Income growth			FCF/EBITDA	D/EBITDA
		sales	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023-25E	2023E
HNI CORP	Office	2,242	3%	12%	n.a.	6%	7%	n.a.	0%	28%	n.a.	45%	1.1
MILLERKNOLL INC	Mainly Office	3,642	-1%	-1%	n.a.	6%	7%	n.a.	2%	16%	n.a.	45%	2.8
STEELCASE INC-A	Office	2,939	0%	2%	5%	4%	5%	6%	77%	14%	27%	64%	0.8
NOBIA AB	Kitchens	1,157	-9%	-5%	5%	1%	2%	5%	n.m.	-393%	173%	-31%	5.5
MASTERBRAND	Kitchens	2,497	-17%	-2%	n.a.	12%	12%	n.a.	20%	-3%	n.a.	n.a.	1.9
LA-Z-BOY INC	Upholstery	1,976	-8%	-2%	n.a.	8%	8%	8%	-10%	-2%	4%	53%	0.7
FAGERHULT AB	Lighting	725	3%	4%	n.a.	11%	11%	11%	7%	12%	14%	65%	2.0
Average			**-4%**	**1%**	**5%**	**7%**	**7%**	**7%**	**16%**	**-47%**	**54%**	**40%**	**2.1**
Median			**-1%**	**-1%**	**5%**	**6%**	**7%**	**7%**	**4%**	**12%**	**20%**	**49%**	**1.9**
IDB		**307**	**15%**	**1%**	**6%**	**14%**	**13%**	**14%**	**2%**	**0%**	**14%**	**51%**	**2.5***

*Source: Equita SIM elaborations on Bloomberg and Factset consensus *D/EBITDA incl. IFRS16 (vs. 2x ex-IFRS16)*

We believe IDB valuations are attractive also when compared to other small/mid cap branded goods names among Italian Champions, such as De` Longhi and Technogym (trading at 10.5x and 12.5x 2024E EV/EBIT, respectively).

We believe IDB should trade at premium to De' Longhi, at least on EV/EBIT, thanks to better profitability and a less competitive market arena, although this is mitigated on P/E by De' Longhi's significant cash position.

Compared to Technogym, a discount for IDB is correct again on P/E, given TGYM significant cash position, and to some extent also on EV/EBIT, in the light of TGYM leading position in its niche market; however, we believe current discount is excessive when considering IDB features similar profitability plus M&A potential.

INDUSTRIAL ITALIAN CHAMPIONS– MARKET MULTIPLES

	Last price	Mkt Cap	EV/EBITDA			EV/EBIT			Adj. P/E			FCF Yield	
		€	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E
Ariston	5.8	2,122	6.6	6.4	5.6	8.9	8.9	7.8	10.0	10.6	9.8	4%	10%
Brunello Cucinelli	77.3	5,256	23.8	20.9	18.4	30.4	26.4	22.8	53.3	40.8	35.5	0%	1%
Brembo	10.7	3,563	6.0	5.4	4.7	9.7	8.6	7.3	11.8	10.6	9.5	5%	8%
Campari	10.3	11,525	18.8	16.4	14.7	22.2	19.2	17.0	30.0	25.3	22.2	0%	1%
De Longhi	27.1	4,054	8.5	7.8	7.1	11.4	10.5	9.5	16.9	16.1	15.2	6%	6%
GVS	5.1	894	13.1	11.2	9.0	18.3	15.1	11.5	23.1	19.6	14.7	4%	4%
Interpump	42.2	4,599	9.4	8.9	8.0	11.7	11.3	10.2	15.1	15.3	14.3	4%	7%
Moncler	50.4	10,139	9.1	8.0	6.9	10.5	9.2	7.9	17.1	15.4	13.7	6%	6%
Technogym	8.0	1,606	9.8	8.5	7.5	14.6	12.5	10.9	21.2	18.8	16.9	4%	5%
Zignago	12.5	1,108	6.3	6.9	6.6	9.1	10.6	10.1	10.4	12.4	12.2	12%	10%
Average			**11.1**	**10.0**	**8.8**	**14.7**	**13.2**	**11.5**	**20.9**	**18.5**	**16.4**	**4%**	**6%**
Median			**9.3**	**8.2**	**7.3**	**11.6**	**10.9**	**10.2**	**17.0**	**15.8**	**14.5**	**4%**	**6%**
IDB	**9.3**	**250**	**7.3**	**6.9**	**5.9**	**9.4**	**8.9**	**7.5**	**8.6**	**9.6**	**8.4**	**7%**	**11.2%**

Source: Equita SIM estimates

INDUSTRIAL ITALIAN CHAMPIONS FINANCIAL METRICS

	Segment	2023E	Sales growth			EBIT margin			Adj. Net Income growth			FCF/EBITDA	D/EBITDA
		sales	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023-25E	2023E
Ariston	Thermal comfort	3,123	29%	-1%	2%	10%	10%	10%	28%	-6%	8%	40%	1.4
Brunello Cucinelli	Personal Luxury Goods	1,122	22%	12%	12%	15%	16%	16%	22%	31%	15%	22%	0.0
Brembo	Brake systems	3,883	7%	4%	5%	11%	11%	11%	3%	11%	12%	37%	0.6
Campari	Spirits	2,936	9%	8%	8%	20%	22%	22%	1%	18%	14%	14%	2.3
De Longhi	Small Dom. Appl.	2,996	-5%	2%	4%	11%	11%	11%	30%	5%	6%	55%	-1.1
GVS	Filtration Solutions	422	9%	6%	6%	16%	18%	21%	22%	18%	33%	38%	3.6
Interpump	Mechanical Components	2,266	9%	-1%	5%	20%	20%	20%	12%	-1%	7%	48%	0.9
Moncler	Personal Luxury Goods	2,896	11%	10%	11%	30%	30%	30%	15%	11%	12%	57%	-1.1
Technogym	Sport Equipment	800	11%	9%	8%	13%	13%	14%	15%	12%	12%	50%	-0.9
Zignago	Glass Containers	708	11%	-7%	1%	21%	19%	19%	32%	-16%	1%	56%	1.0
Average			**12%**	**4%**	**7%**	**18%**	**18%**	**18%**	**19%**	**8%**	**12%**	**42%**	**0.6**
Median			**11%**	**6%**	**6%**	**16%**	**18%**	**19%**	**22%**	**11%**	**12%**	**47%**	**0.6**
IDB		**307**	**15%**	**1%**	**6%**	14%	13%	14%	**2%**	**0%**	**14%**	**51%**	**2.5***

*Source: Equita SIM estimates *D/EBITDA incl. IFRS16 (vs. 2x ex-IFRS16)*

APPENDIX: ACQUISITIONS OF TURRI AND AXOLIGHT

On September 19th IDB announced the acquisition of 51% of Turri, a company founded in 1925 and active in high-end furniture with its eponymous brand.
The company produces furniture for the dining, living and sleeping areas and has **strong expertise in the production of custom-made furniture for the luxury residential contract** (Soft Contract channel), which accounts for approx. 50% of turnover, vs. remaining 50% in the retail segment (B2C channel).
In 2022 Turri recorded revenues of € 28mn (of which 95% abroad, mainly across US, China, Middle East, Africa) and an EBITDA of € 4mn (14% EBITDA margin), with net cash of € 5.5 mn.
Turri's sales network include 16 monobrand stores, of which 2 DOS.
Turri was controlled by Andrea Turri, son of the founder, who will remain at the helm of the company.

This acquisition allows IDB to:

- **strengthen its presence in the luxury residences segment**, thanks to Turri`s solid network of contacts and strong expertise in totally custom furnishings;
- **consolidate the group`s presence in some promising foreign markets** such as the Middle East and Africa (to date overall <5% of group sales);
- **achieve synergies in revenues** (cross-selling with the group`s other Furniture brands) **and in production** (Turri`s factory specializing on rigid furniture - tables, coffee tables, bedside tables - compared to the greater specialization of the group`s Furniture companies on upholstery - sofas, beds, armchairs etc.).

At the same time Turri will be able to leverage the group`s distribution network to grow in Europe (now only 20% of Turri revenues, of which Italy 5%, vs. ca. 50% for the group) **and in the retail** (i.e. B2C) segment.

The agreed price implies an EV/EBITDA multiple of 7x, consistent with group's track record of 6-7x EBITDA**.**
The transaction was finalized on September 29th through the acquisition of the entire share capital of Turri by a new vehicle Finturri S.r.l., a company held by IDB with a 51% stake and in which Andrea Turri temporarily reinvested with a stake for the remaining 49%. The agreed price for Turri envisaged:

- **a price for the first 51% at the closing date of € 26 mn;**
- **an earn-out payment on the first 51%**, for a maximum amount of € 14mn, to be paid within 2026 based on the average EBITDA achieved by Turri in the 2023-25 period (we understand the maximum amount would be paid in case average EBITDA achieves € 4.8mn, significantly up from € 4mn in 2020, and decreases in a linear way in case of lower EBITDA). **At the maximum amount, the implied valuation for Turri would be 7x EV/EBITDA, but this multiple would decrease down to a minimum of 6x in case of average EBITDA below the stated target**;
- put&call agreements in relation to Andrea Turri's minority stake, the exercise period of which is expected in the year 2027 following the approval of the Company's financial statements for the year 2026. The price for the put option was set based on a 7x EV/EBITDA multiple applied to Turri's target EBITDA in 2026 envisaged by the group's business plan.

The total impact on IDB NFP as of September 28th was € 45mn, plus € 3mn of IFRS debt.

Together with the acquisition of Turri, IDB also unveiled it exercised back in July its call option to acquire 31% of Axolight, a company specializing in the design and production of made-in-Italy design lamps, of which IDB had already acquired a 20% stake in 2021. IDB thus now controls 51% of the company and fully consolidates it for 100%, while accounting for put&call options with the entrepreneur on the remaining 49%.
As per company's indications, Axolight posted approx. € 5mn sales in 2022, with EBITDA margin around 10%.
The total impact on IDB NFP was € 6mn, including € 0.3mn of IFRS debt.

STATEMENT OF RISKS FOR ITALIAN DESIGN BRANDS

The primary elements that could **negatively** impact the stock include:

- Worsening macroeconomic context;
- Deterioration of the real estate market;
- Greater competition in M&A within the sector;
- Difficulties in integrating acquired companies, namely in the case of bigger or foreign targets;
- Higher than expected corporate costs to successful manage a growing number of portfolio companies;
- Rising raw material costs affecting short-term profitability;
- Exit of top management.

P&L - €mn	2020	2021	2022	2023E	2024E	2025E
SALES Rep	**110**	**144**	**266**	**307**	**310**	**328**
Growth	n.a.	30.8%	84.5%	15.4%	1.0%	5.9%
EBITDA Rep	**15.0**	**22.7**	**44.4**	**51.0**	**53.7**	**58.9**
Growth	n.a.	51.3%	95.6%	14.9%	5.2%	9.7%
Margin	13.6%	15.7%	16.7%	16.6%	17.3%	17.9%
D&A	**-8.1**	**-8.1**	**-14.0**	**-18.5**	**-18.6**	**-19.3**
EBIT Rep	**6.9**	**14.6**	**30.4**	**32.5**	**35.1**	**39.6**
Growth	n.a.	111.9%	107.5%	6.9%	8.0%	12.8%
Margin	6.3%	10.2%	11.4%	10.6%	11.3%	12.1%
Net Interest Charges	-2.6	-3.4	-3.5	-4.5	-4.0	-3.5
Financial Expenses	**-1.6**	**0.1**	**-27.4**	**-11.0**	**-10.5**	**-10.0**
Non Recurrings	1.4	4.0	-22.7	-5.0	-5.0	-5.0
PBT Rep	**5.3**	**14.8**	**3.0**	**21.5**	**24.6**	**29.6**
Growth	n.a.	180.5%	-79.7%	617.1%	14.4%	20.3%
Income Taxes	3.6	-3.4	-8.0	-7.9	-7.4	-8.9
Tax rate	13.1%	29.4%	31.2%	29.5%	29.0%	29.0%
Minority Interest	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net Income Rep	**8.8**	**11.4**	**-5.0**	**13.6**	**17.2**	**20.7**
Growth	n.a.	29.3%	n.m.	n.m.	26.4%	20.3%
Margin	8.0%	7.9%	-1.9%	4.4%	5.6%	6.3%
Net Income Adj	**5.7**	**13.0**	**25.5**	**25.9**	**26.0**	**29.6**
Growth	n.a.	128.5%	95.8%	1.9%	0.3%	13.8%
Margin	5.2%	9.0%	9.6%	8.4%	8.4%	9.0%

CF Statement	2020	2021	2022	2023E	2024E	2025E
FFO	14.7	17.1	27.7	32.9	36.6	40.6
Chg. in Working Capital		11.6	-9.9	-8.8	-0.5	0.1
NCF from Operations		**28.7**	**17.8**	**24.2**	**36.1**	**40.7**
CAPEX		-2.7	-2.0	-6.1	-8.0	-8.5
Financial Investments	0.0	-11.0	-45.0	-69.1	-4.0	-7.3
NCF from Investments		**-13.7**	**-47.0**	**-75.2**	**-12.0**	**-15.8**
Dividends paid		0.0	0.0	0.0	0.0	0.0
Capital Increases	0.0	0.0	0.0	68.7	0.0	0.0
CHG IN NFP		**15.0**	**-29.2**	**17.6**	**24.1**	**24.9**

Source: Company data and Equita SIM estimates

INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)

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BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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Date	Rec.	Target Price	Risk.	Comment
November 20, 2023	Buy	14.60	High	change in estimates/valuation
September 12, 2023	Buy	16.50	High	-
June 26, 2023	Buy	16.80	High	Initiation of coverage

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