

EQUITY - SPAIN

Sector: Textiles, Apparel & Luxury Goods

Closing price: EUR 5.08 (17 Jan 2025)

Report date: 20 Jan 2025 (09:00h)

9m Results 2024

Independent Equity Research

9m Results 2024

 Opinion⁽¹⁾: Below expectations

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

Alfredo Echevarría Otegui – alfredo.echevarria@institutodeanalistas.com

+34 915 631 972

Business description

Adolfo Domínguez (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 (>40% 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)	47.1	48.5
EV (Mn EUR and USD) ⁽²⁾	82.5	85.0
Shares Outstanding (Mn)	9.3	
-12m (Max/Med/Mín EUR)	5.90 / 4.89 / 4.38	
Daily Avg volume (-12m Mn EUR)	0.01	
Rotation ⁽³⁾	7.1	
Factset / Bloomberg	ADZ-ES / ADZ SM	
Close fiscal year	28-Feb	

Shareholders Structure (%)⁽⁵⁾

Adolfo Domínguez	31.5
Puig, S.A.	14.8
Libertas 7	10.3
Indumenta Pueri	8.6
Free Float	24.0

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	3.7	5.4	3.3	-25.1
vs Ibex 35	0.8	5.3	-14.5	-39.1
vs Ibex Small Cap Index	-3.3	3.8	-4.5	-37.7
vs Eurostoxx 50	-0.5	1.3	-11.7	-44.6
vs Sector benchmark ⁽⁴⁾	-1.8	-3.9	-8.1	-47.7

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 1.

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

(4) vs Europe Apparel & Footwear.

(5) Others: La Previsión Mallorquina de Seguros 7.6%, Solventis 3.2%

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

9m24: revenue growth remains at +9%. EV/Sales 2024, c.-70% vs sector.

REVENUE CONTINUES TO GROW AT A HIGH SINGLE-DIGIT RATE... (+8.7% vs 9m23).

ADZ closes 9m24 with revenues of EUR 91.1Mn (vs EUR 83.8Mn in 9m23). Europe (73.1% of sales) continues to grow at a double-digit rate (+13.6%), while Mexico (18.4% of the revenue mix) slows down (+2.5%), weighed down by the exchange rate. Comparable sales grow +7.7%.

... WITH VERY GOOD PERFORMANCE OF ONLINE. The commitment to omnichannel is paying off, and online continues to act as a growth lever (+25.5% of sales vs 9m23). The store network grows again and reaches 376 (vs 360 12m23: +26 openings, 12 in Europe, and -10 closures).

THE EXCHANGE RATE EFFECT INTERRUPTS THE IMPROVEMENT IN MARGINS (EBITDA MARGIN 9M24: 10.9%; -0.7 P.P VS 9M23).

Gross margin stands at 58.4% (-2.8 p.p. vs 9m23) due to the Mexican exchange rate effect (-14.5% since March 2024) and increased logistics costs. This implies that the gross margin (+3.8%) does not capture the growth in sales. And it represents a "flat" EBITDA (EUR 9.9 Mn; +1.9%), which interrupts the continuous improvement in margins seen since 2021. Excluding the currency effect, the gross margin would reach 60.5% and would have allowed for EBITDA growth of c.+20% (in line with estimates). However, revenue growth, the reduction of discount periods, and the ability to pass on the increase in costs due to inflation allow us to expect that margin improvement will continue in 2025.

WE LOWER 2024 ESTIMATES (MAINTAINING 2025 AND BEYOND NUMBERS).

Despite the strong seasonality of ADZ's business, which generates >40% of annual rec. EBITDA in 4Q, the 9m24 results (essentially due to the "brake" on margins) prevent us from reaching our current estimate of 2024e EBITDA (+23.7%; EUR 21.5 Mn) which falls to c. EUR 18.5 Mn (+5% in revenue), and a margin of c.13% (in line with 2023). For 2025 and beyond, we expect the improvement in margins to recover (up to c.15%).

THE ABILITY TO GROW REVENUE AND IMPROVE MARGINS REMAINS INTACT.

The exchange rate effect has temporarily slowed down a process of improving profitability and growth that began in 2021. And that should recover in 2025: EBITDA should exceed EUR 20 Mn and the margin should exceed 15%. All this continues to go unnoticed (-15% vs IBEX35 -12m). EV/Sales 2024 c.0.6x (c.-70% vs sector).

Table 1. 9m Results 2024

EUR Mn	9m24	9m23	9m24 vs 9m23
Total Revenues	91.1	83.8	8.7%
Gross Margin	53.2	51.3	3.8%
<i>Gross Margin/Revenues</i>	58.4%	61.2%	-2.8 p.p.
EBITDA	9.9	9.7	1.9%
<i>EBITDA/Revenues</i>	10.9%	11.6%	-0.7 p.p.
EBIT	-0.5	-0.7	34.6%
<i>EBIT/Revenues</i>	-0.5%	-13.5%	1.0 p.p.
PBT	-2.3	-2.5	9.6%
NP	-1.6	-2.7	40.0%
Ordinary NP	-2.7	-2.7	0.3%
Points of sale (Total)	376	356	5.6%
Points of sale (International)	52.7%	52.5%	0.1 p.p.
		12m23	
Net Debt	11.4	9.8	16.0%

Report issued by IEAF Servicios de Análisis, S.L.U. Lighthouse is a project of IEAF Servicios de Análisis, S.L.U.

This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	47.1	
+ Minority Interests	-	9m Results 2024
+ Provisions & Other L/T Liabilities	42.3	9m Results 2024
+ Net financial debt	11.4	9m Results 2024
- Financial Investments	18.3	9m Results 2024
+/- Others		
Enterprise Value (EV)	82.5	

LIGHTHOUSE

Calle Núñez de Balboa, 108 1ª Planta
28006 Madrid
T: +34 91 563 19 72
institutodeanalistas.com/lighthouse

Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@institutodeanalistas.com

José Miguel Cabrera van Grieken

Equity research

jose.cabrera@institutodeanalistas.com

Pablo Victoria Rivera

Equity research

pablo.victoria@institutodeanalistas.com

Jesús López Gómez, CESGA

ESG Analyst & Data analytics

jesus.lopez@institutodeanalistas.com

All Lighthouse research documents are available simultaneously on the Lighthouse website (institutodeanalistas.com/lighthouse) and via third-party aggregators such as Bloomberg, Factset, Capital IQ and Refinitiv.

IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

1º) To provide information and financial analysis regarding securities issued by any class of legal person traded or not on official secondary markets, and especially (but not exclusively) those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.

2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.

3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros, a professional, not for profit association.

DISCLAIMER

The Instituto Español de Analistas Financieros hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report related to the financial analysis, financial projections, valuation, investment summary and opinion of the analyst have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address secretaria@institutodeanalistas.com or consult the contents of this Code at <https://institutodeanalistas.com>.

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or

publication for any purpose without the written authorisation of IEF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros and/or its subsidiary IEF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

United States. IEF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

Major US Institutional Investors. This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
20-Jan-2025	n.a.	5.08	n.a.	n.a.	9m Results 2024	Alfredo Echevarría Otegui
15-Nov-2024	n.a.	4.87	n.a.	n.a.	6m Results 2024	Luis Esteban Arribas, CESGA
19-Jul-2024	n.a.	5.00	n.a.	n.a.	3m Results 2024	Luis Esteban Arribas, CESGA
27-May-2024	n.a.	5.40	n.a.	n.a.	Small & Micro Caps (Spain)	Alfredo Echevarría Otegui
29-Apr-2024	n.a.	4.78	n.a.	n.a.	12m Results 2023 - Estimates upgrade	Luis Esteban Arribas, CESGA
18-Jan-2024	n.a.	4.92	n.a.	n.a.	9m Results 2023	Luis Esteban Arribas, CESGA
10-Nov-2023	n.a.	5.00	n.a.	n.a.	6m Results 2023	Luis Esteban Arribas, CESGA
14-Jul-2023	n.a.	6.35	n.a.	n.a.	3m Results 2023	Luis Esteban Arribas, CESGA
12-Jun-2023	n.a.	5.40	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
28-Apr-2023	n.a.	6.00	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas, CESGA
23-Jan-2023	n.a.	4.15	n.a.	n.a.	9m Results 2022	Luis Esteban Arribas, CESGA
28-Nov-2022	n.a.	4.03	n.a.	n.a.	6m Results 2022 - Estimates upgrade	Luis Esteban Arribas, CESGA
15-Jul-2022	n.a.	3.92	n.a.	n.a.	3m Results 2022	Alfredo Echevarría Otegui
28-Apr-2022	n.a.	3.80	n.a.	n.a.	12m Results 2021	Alfredo Echevarría Otegui
24-Jan-2022	n.a.	3.62	n.a.	n.a.	9m Results 2021	Alfredo Echevarría Otegui
02-Dec-2021	n.a.	3.77	n.a.	n.a.	6m Results 2021	Alfredo Echevarría Otegui
01-Sep-2021	n.a.	4.49	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
28-Jul-2021	n.a.	4.34	n.a.	n.a.	3m Results 2021	Ana Isabel González García, CIIA
14-Jun-2021	n.a.	4.28	n.a.	n.a.	Estimates upgrade	Ana Isabel González García, CIIA
29-Apr-2021	n.a.	4.50	n.a.	n.a.	12m Results 2020	Ana Isabel González García, CIIA
29-Mar-2021	n.a.	4.20	n.a.	n.a.	Important news	Ana Isabel González García, CIIA
18-Jan-2021	n.a.	4.78	n.a.	n.a.	9m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
02-Dec-2020	n.a.	4.60	n.a.	n.a.	6m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
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.	Estimates downgrade	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.	Initiation of Coverage	Ana Isabel González García, CIIA

