

## Tod's Group

Price EUR70.35

FY sales above expectations but relatively poor quality

Fair Value EUR84 (+19%)

NEUTRAL

Bloomberg	TOD.IM
Reuters	TOD.MI
12-month High / Low (EUR)	97.4 / 67.0
Market Cap (EUR)	2,153
Ev (BG Estimates) (EUR)	1,997
Avg. 6m daily volume (000)	168.0
3y EPS CAGR	6.4%

Tod's Group 2015 FY sales reached EUR1.04bn (consensus: EUR1.02bn), up 1.8% organically implying Q4 growth of 4.5% following +0.5% over 9M. On a same-store basis, 2015 sales fell 6%, almost in line with the performance on 8th November. 2015 EBITDA margin (due out on 14th March) is set to narrow 60bp due to a negative distribution mix. We remain Neutral on the stock with an unchanged FV of EUR84.

## ANALYSIS

- After trading yesterday Tod's Group published FY 2015 sales of EUR1.04bn (consensus: EUR1.02bn), up 7.4% and 1.8% organically (consensus:+0.5%). This implied 4.5% organic sales growth for Q4 alone following -2.2% in Q3 and +0.5% on 9M. Nevertheless, Tod's Group same store sales declined 6% over the FY, in line with the -6.1% seen over the first 45 weeks (to 8th November), with a tough month in November (attacks in Paris) but a better month in December. By region, we would highlight the still clearly negative trend in **Greater China** (22% of sales) with a 12% FY decrease, implying -6% in Q4 alone versus -14% over 9M. This was due to a tough environment in Hong Kong and Macau, but the first signs of improvement in MC. On the other hand, note the very positive trend in **Europe** excluding Italy (24% of sales) with +9.4% over the FY and 12% in Q4 while in **Italy** (30% of sales) the situation was also very positive, with a 3.7% sales increase over the FY and +11% in Q4 alone. However caution remains necessary since this was partly explained by strong wholesale sales particularly with the Fay brand which is expanding its distribution network.

## Quarterly organic sales growth by region

in %	H1 15	Q3 15	9M 15	Q4 15	FY 15
Italy	3.0	0.3	1.9	11	3.7
Europe	10.5	5.8	8.8	12	9.4
Americas	6.1	-3.7	3.0	11	5.3
Greater China	-12.6	-17.2	-14.0	-6	-12.0
RoW	8.1	5.3	7.2	3.6	6.3
<b>Group</b>	<b>1.8</b>	<b>-2.2</b>	<b>0.5</b>	<b>4.5</b>	<b>1.8</b>

Source : Company Data; Bryan Garnier &amp; Co. ests.

- Over the FY, **retail** (65% of sales) underperformed wholesale, falling 0.2% compared with +5.5% respectively. The group opened 25 DOS (net of closures) in 2015 to 257 and expects to open 10 to 20 new stores again this year. As explained above, virtually stable retail sales were entirely due to store expansion as same store sales declined 6% in 2015 (-7.1% in 2014). The FY and Q4 increases in wholesale sales (+19% in Q4) were mainly due to distribution expansion for Fay in Europe and Tod's and Roger Vivier in US and also earlier deliveries. At end 2015, Tod's counted 98 franchised stores versus 93 at end 2014. By business, it is worth noting that **leather goods** revenues (15% of sales) were still down (-5.1% over FY and -2.8% in Q4 alone) while footwear (78% of sales) outperformed last year as was the case in 2014 (+3.3% over FY and +7.4% in Q4) and, surprisingly apparel did very well in Q4 (+17% vs -2.8% over 9M). While the **Tod's** brand (58% of sales) remained almost stable (-1% on FY), **Hogan** (21% of sales) grew 2.8% o/w +7% in Q4. The **Roger Vivier** brand, recently bought by Tod's Group for EUR415m, was the only one to register a clear sales gain in 2015 (+12.2% of which +20% in Q4 alone). **Fay** sales grew 21% in Q4 thanks to geographical expansion.
- During yesterday's conference call, management confirmed it was comfortable with the consensus 2015 EBITDA forecast for EUR200m, implying a 60bp margin decline (19.4%) due to a negative distribution mix.

## VALUATION

- Tod's share price has dropped 7% over the last three months. Tod's is trading on a 14% premium versus peers average. We remain **Neutral** (EUR84 FV) on the stock given still low visibility and a lack of positive momentum.

## NEXT CATALYSTS

- FY results will be reported on March 14.

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