


Cettire Limited

November 20, 2023



Table of Contents

Cettire Ltd	2
SWOT Analysis	2
Historical Performance	3
Operating Performance (period ended 30 June 2023)	3
Balance Sheet Highlights	4
Revenue, Net Income and EPS growth History	5
Ratio Analysis	5
Price Performance	6
Recent Development	6
Outlook	7
Key Risks and Uncertainties	7
Valuation	7
Technical Analysis	8
Investment Summary	9
Technical Indicators Defined:	10

Cettire Ltd	Equity Analysis
Kapitales Research Rating ★★★★★ Recommendation Speculative Buy Current Market Price AUD 3.15 Risk High	52 Week Range (AUD) 

Average volume	2,497.526 k	52 Week Range (AUD)	1.125 - 3.720
Shares outstanding	381.24 million	Dividend amount (AUD)	-
Free float	234.73 million	Dividend Yield	-
P/E (TTM)	71.39x	Ex-date	-
Market cap (AUD)	1.13 billion	Record date	-
EPS (TTM)(AUD)	0.041	Pay date	-
ROE	63.62%	Franking	-

Source: (ASX and Koyfin), Analysis by Kapitales Research

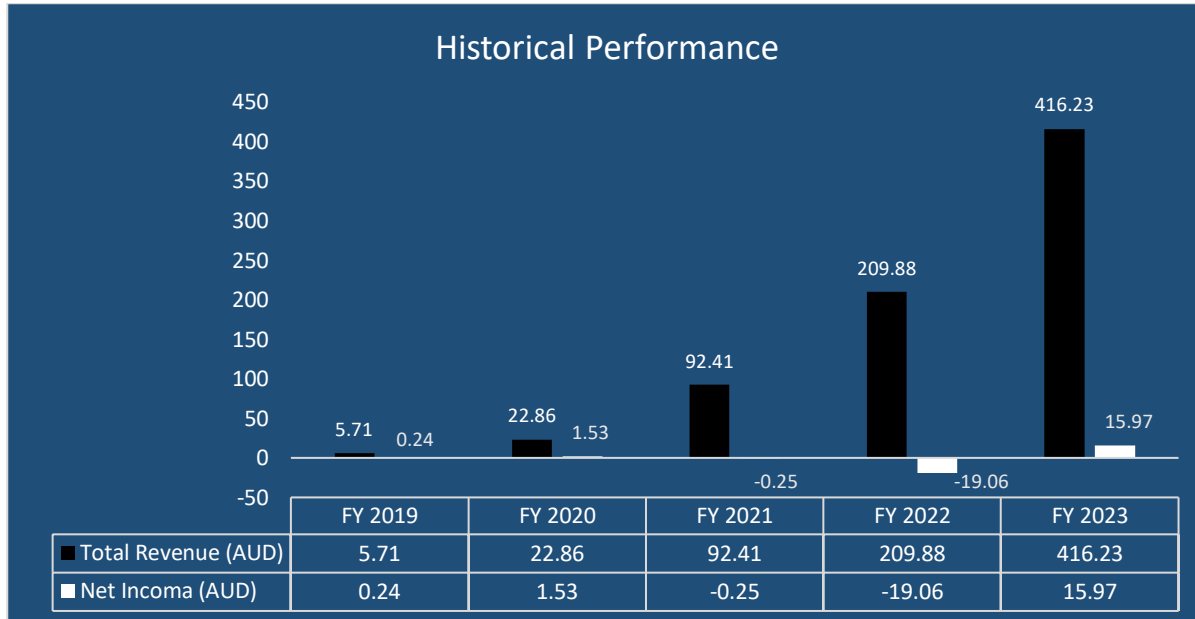
Cettire Limited (ASX: CTT) is an Australia-based global luxury online retailer which offers a selection of in-demand personal luxury goods via its Website, cettire.com. The Company has access to a catalogue of more than 2,500 luxury brands and 400,000 products of clothing, shoes, bags, and accessories. It sells a range of products from over 500 designers, which include a range of women's and men's wear from brands such as Prada, Gucci, Saint Laurent, Balenciaga, Valentino, Balmain, Burberry, Chloe, Fendi, Givenchy, Versace and others.

SWOT Analysis

<p style="text-align: center;">Strength</p> <ol style="list-style-type: none"> CTT reported its top-line of AUD 416.23 million in FY23, as compared to AUD 5.71 million in FY19 indicating a CAGR of 192.20%. Net margin stood at 3.8% in FY23, which is the highest in the in the last three years, indicating a better cost management. 	<p style="text-align: center;">Weakness</p> <ol style="list-style-type: none"> The period was marked by higher merchant fees and a surge in employee benefit expenses. The period witnessed higher costs due to elevated wage rate scenario and persisting inflation. EBITDA margin improved in FY23, however, stood on the lower end since FY19.
<p style="text-align: center;">Opportunity</p> <p>The Company's started its first quarter on a positive note and reported growth within its active customers along with higher revenue per customer. Average order also surged 2% over pcp, which indicates growing consumer preferences for its products. We expect the above momentum to sustain in FY24, which would likely to support its cash flows and income. The management is confident to penetrate into large global personal luxury market and also expect growing demand from both established and emerging markets. Both were driven by its localisation initiatives and marketing execution. All these factors are likely to contribute to higher sales volumes in FY24.</p>	<p style="text-align: center;">Threat</p> <p>The company's operation might be hindered due to an increase input costs due to rise in inflation costs. Moreover, growing marketing initiatives might hinder the margins as well. Arrival of new players might dampen the company's market share and might take a toll on the active consumer base.</p>

SWOT Analysis

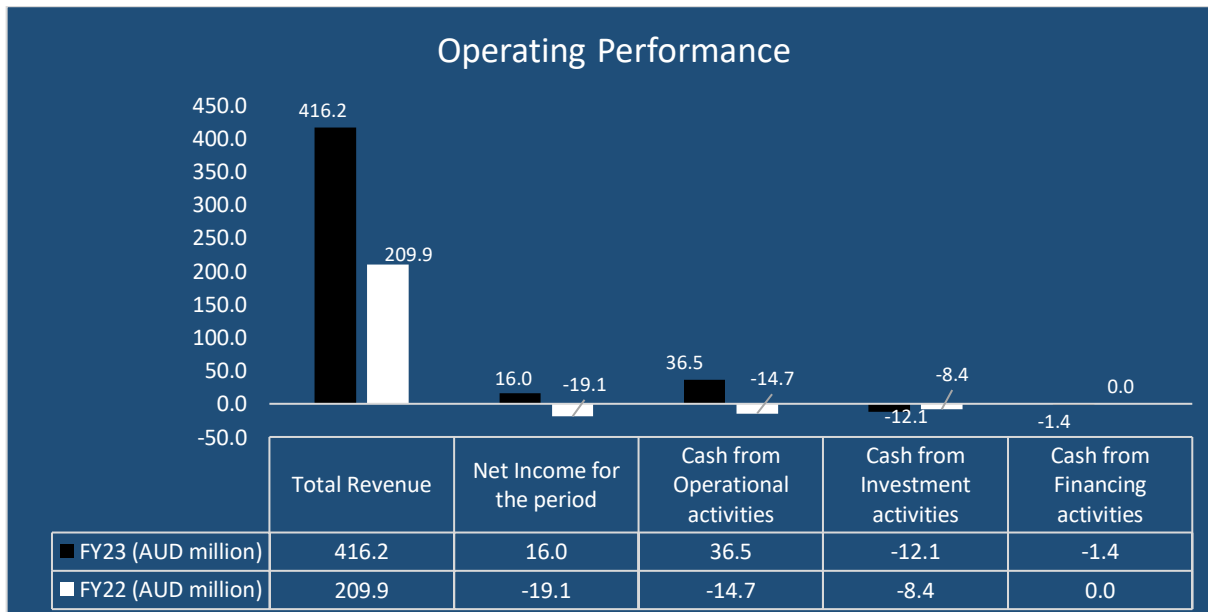
Historical Performance



Source: Koyfin, Analysis by Kapitales Research

CTT reported its top-line of AUD 416.23 million in FY23, as compared to AUD 5.71 million in FY19 indicating a CAGR of 192.20%. On the other hand, the company’s bottom-line came at AUD 15.97 million in FY23, as compared to a net income of AUD 0.24 million in FY19, reflecting a CAGR of 185.61%.

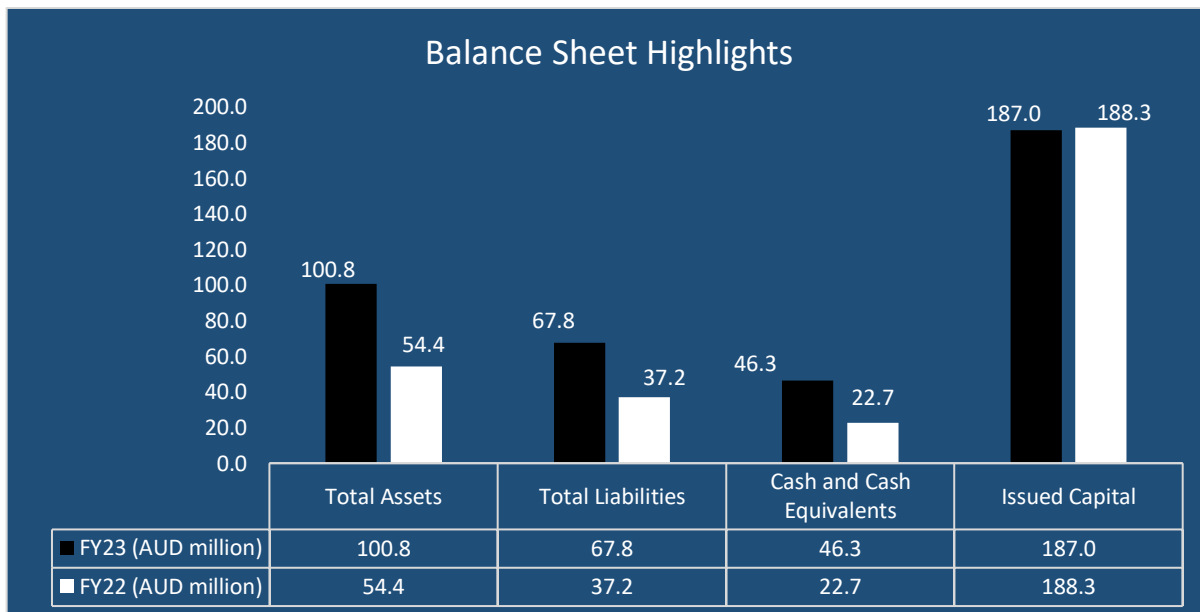
Operating Performance (period ended 30 June 2023)



Source: Company Reports, Chart Prepared by Kapitales Research

- In FY23, the Company reported its revenue of AUD 416.22 million, higher than AUD 209.88 million in FY22. The increase was primarily driven by growth from all its operating segments along with the positive impact from acquisition.
- The period was marked by higher merchant fees and a surge in employee benefit expenses. The period witnessed higher costs due to elevated wage rate scenario and persisting inflation. However, the Company’s advertising and marketing expenses stood lower than the previous period, which partially supported the profitability.
- Profit before income tax expense stood at AUD 21.99 million v/s a loss of AUD 19.06 million in FY22. This was primarily due to higher expense and lower revenue in previous period.
- Net income during the period stood at AUD 15.96 million as compared to a net loss of AUD 19.06 million in FY22. This was primarily due to a higher PBT as mentioned earlier.

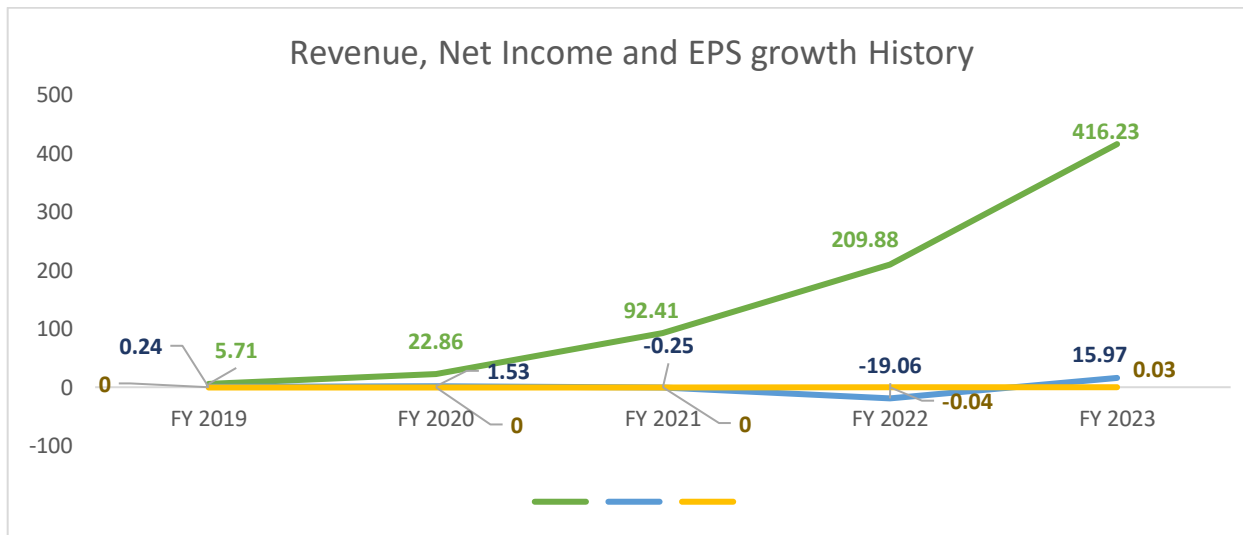
Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kapitaless Research

Compared to FY22, the company’s total assets increased in FY23 due to higher current assets. The Company’s cash balance stood higher than previous period, which indicates strong liquidity. However, the Company’s has zero-debt, which is a key positive and indicates strong capital management.

Revenue, Net Income and EPS growth History



Source: Koyfin, Analysis by Kapitales Research

Fiscal Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Growth Trend
Total Revenues (AUD million)	5.71	22.86	92.41	209.88	416.23	
Net Income (AUD million)	0.24	1.53	-0.25	-19.06	15.97	
EPS	0	0	0	-0.04	0.03	

Source: Koyfin, Analysis by Kapitales Research

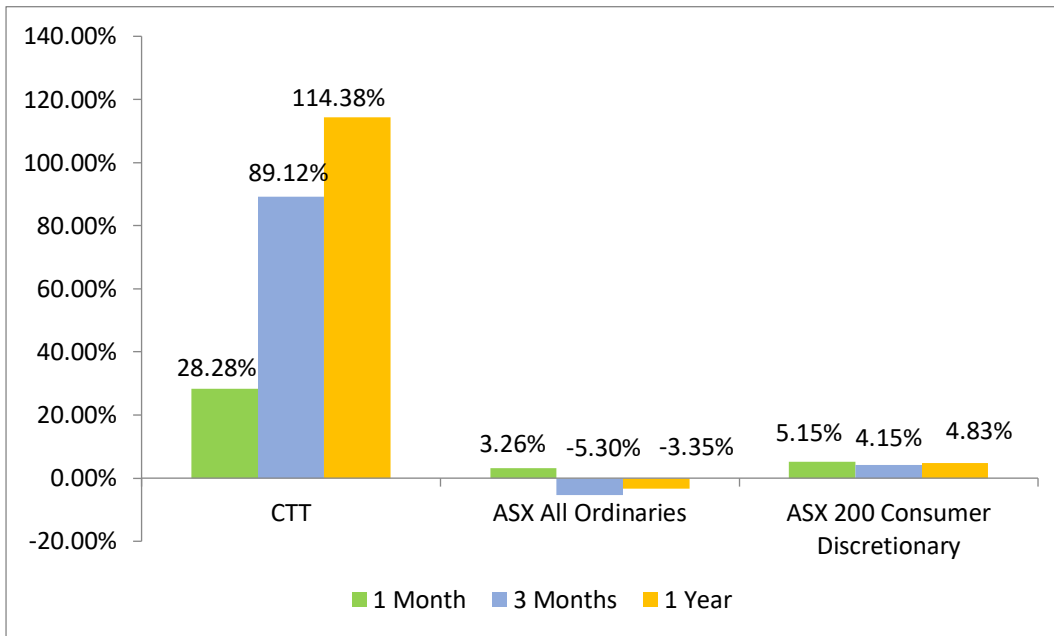
Ratio Analysis

Fiscal Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Return on Assets	4.8%	16.7%	-0.2%	-31.1%	15.8%
Return On Equity %	-	202.2%	-1.4%	-72.0%	63.6%
Return on Total Capital	13.5%	63.6%	-0.4%	-65.5%	48.8%
EBITDA Margin %	8.2%	9.0%	-0.1%	-13.2%	4.8%
Gross Profit Margin %	25.6%	28.1%	23.8%	17.8%	23.0%
Net Income Margin %	4.2%	6.7%	-0.3%	-9.1%	3.8%
Inventory Turnover (Average Inventory)	58.1	99.0	180.2	240	172.7
Asset Turnover	1.9	3.6	2.8	3.8	5.4
Days Outstanding Inventory (Avg)	6.3	3.7	2.0	1.5	2.1
Current Ratio	0.4	0.9	2.5	0.9	1.1
Quick Ratio	0.4	0.8	2.5	0.8	1.1
Days Payable Outstanding (Avg)	66.6	61.6	48.9	41.6	37.5
Operating Cash Flow to Current Liabilities	0.6	0.9	0.6	-0.4	0.6

Source: Koyfin, Analysis by Kapitales Research

- Gross margin and EBITDA margin stood at 23.0% and 4.8%, in FY23, which are in the mid-point in the last six years.
- Net margin stood at 3.8% in FY23, which is the highest in the in the last three years, indicating a better cost management.
- The Company’s current ratio stood at 1.1x in FY23, which is on the mid-point in the last six years. This indicates stable working capital management despite to inflationary pressures.
- CTT’s asset turnover ratio stood at 5.4x, which is on the higher end in the last six quarters, and suggests that the Company seems efficient when generating revenue from its assets.

Price Performance



Source: Investing.com, Analysis by Kapitaless Research

The stock of CTT reported strong returns in the recent past at 89.12% and 114.38% respectively, three months and one year, respectively, as compared to the index return of -5.30% and -3.35%, respectively.

Recent Development

The Company recently reported that its gross revenue grew by 98% y-o-y basis to AUD 167.4 million in Q1FY24, which was largely driven by strong growth from its active customer base and higher repetitive customers. Active customer base stood at 4,87,289 which is 69% greater over Q1FY23.

Outlook

The Company's started its first quarter on a positive note and reported growth within its active customers along with higher revenue per customer. Average order also surged 2% over pcp, which indicates growing consumer preferences for its products. We expect the above momentum to sustain in FY24, which would likely to support its cash flows and income. The management is confident to penetrate into large global personal luxury market and also expect growing demand from both established and emerging markets. Both were driven by its localisation initiatives and marketing execution. All these factors are likely to contribute to higher sales volumes in FY24.

Key Risks and Uncertainties

The company's operation might be hindered due to an increase input costs due to rise in inflation costs. Moreover, growing marketing initiatives might hinder the margins as well. Arrival of new players might dampen the company's market share and might take a toll on the active consumer base.

Valuation

Relative Valuation Based on Price/Earnings Per Share	
Cettire Ltd	CTT
Earnings Per Share (FY25E AUD)	0.12
Price/EPS Multiple (NTM) (Peer Mean) (approx)	32.67x
Target Share Price (AUD)	3.92
Current Market Price (AUD) 20 November 2023	3.15
Recommendation	Speculative Buy

Source: Koyfin, Analysis by Kapitales Research

Technical Analysis



Source: TradingView, Analysis by Kapitaless Research

Company Name	Ticker	Sector	CMP (AUD)	Advisory date	Rating	Target 1 (AUD)	Target 2 (AUD)	Stop Loss (AUD)
Cettire Limited	CTT	Consumer Discretionary	AUD 3.15	20 November 2023	Speculative Buy	3.56	4.21	2.20

On a daily price chart, the CTT’s stock closed above its 20-days, 50-days and 100-days EMAs, respectively, which indicates strong buying interest. Moreover, the stock has recovered from its recent low of AUD 2.20-2.30 levels, which also indicates that investors are willing to buy at every dip, which is a key positive. The volume of the stock has remained at the same level since the beginning of 2023, which further suggests decent buying interest.

Investors can enter at the current price level of AUD 3.15 with a target price of horizontal resistance level of AUD 3.56 and mid-point of pivot resistance level R1 and R2 of AUD 4.21, respectively. Investors can either book full or partial profits at target and wait for the stock to achieve target 2 (depending on their risk appetite). Investors are advised to keep a strict stop loss at or below AUD 2.20 (pivot support level) to protect their investments, in case of an unfavourable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.

Investment Summary

The Company showcased a strong growth in early Q1FY24, and as per the sales trends in October month-to-date sales trend, its revenue surged by more than 80% y-o-y. The Group is confident that the winter sales would remain strong driven by growing consumer preferences for its personalised luxury products. Demand from the Company's established and emerging markets are likely to remain robust for FY24 supported by expected growth in average order value and strong surge in active customer base. With the expectation of cooling of inflation for the rest of FY24, we expect the consumer demand to grow in coming quarters supporting the operating metrics of the Company. Hence, after considering the facts mentioned above facts, investors are advised a 'Speculative Buy' rating on the stock of CTT at the last closing price of AUD 3.15 on 20 November 2023, with a target price of AUD 3.92.

Note: Kapitales Research Rating Star has been decided over the quantitative analysis of the stock. Maximum number of stars can be 5, with 5 for the top rating and 1 for the lowest rating.

Technical Indicators Defined:

EMA: Exponential Moving Average is the moving average that puts more weight on the most recent data points. $EMA = \text{Closing price} * \text{multiplier} + \text{EMA (previous day)} * (1 - \text{multiplier})$. For a 200-day exponential moving average, the multiplier can be calculated with the formulae i.e. $[2/(200+1)] = 0.0095$.

RSI: Momentum indicator, Relative Strength Index is used to evaluate the overbought or oversold nature of an asset by measuring the magnitude of its recent price changes.

Bollinger Band: A technical analysis tool that uses two parameters i.e. period (default is 20) and standard deviations, forming a kind of price envelope depicting a range of upper price band and lower price band. This price band shifts according to the volatility swings, and it helps in identifying whether the underlying asset is in the overbought zone or oversold zone.

Support: This is a level or zone where the stock finds good demand indicating the buyer's strength.

Resistance: This is a level or zone where the stock finds a good supply indicating the seller's strength.

Stop-loss: This is the level from where the investors should exit their positions to prevent any further losses in case of unfavorable movement in the stock prices.

Customer Notice:

Nextgen Global Services Pty Ltd trading as Kapitales Research (ABN 89 652 632 561) is a Corporate Authorised Representative (CAR No. 1293674) of Enva Australia Pty Ltd (AFSL 424494). The information contained in this website is general information only. Any advice is general advice only. No consideration has been given or will be given to the individual investment objectives, financial situation or needs of any particular person. The decision to invest or trade and the method selected is a personal decision and involves an inherent level of risk, and you must undertake your own investigations and obtain your own advice regarding the suitability of this product for your circumstances. Please be aware that all trading activity is subject to both profit & loss and may not be suitable for you. The past performance of this product is not and should not be taken as an indication of future performance.

Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e., Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.

Kapitales Research, Level 13, Suite 1A, 465 Victoria Ave, Chatswood, NSW 2067, Australia | 1800 005 780 | info@kapitales.com.au