

Italy – Fashion

Business reorganisation after the new CEO's appointment

30th July 2024

BUSINESS UPDATE

RIC: MONNA.MI
BBG: MNL IM

The new management team, who took office in May, is currently working on i) a business reorganisation and ii) a cost-cutting plan to preserve the group's financial stability in the short term and to achieve a medium-term economic and financial balance. The focus is on reducing costs even by closing non-performing stores, especially in China, and gaining a few additional license agreements with major brands.

Rating:

U.R. (Neutral)

Price Target:

U.R. (€ 2.00)

Upside/(Downside): -

Last Price: € 0.88

Market Cap.: € 4.6m

1Y High/Low: € 2.70 / € 0.88

Avg. Daily Turn. (3M, 6M): € 12k, € 10k

Free Float: 25.2%

Major shareholders:

Jafin Due 74.5%



Stock price performance

	1M	3M	12M
Absolute	-24.8%	-42.5%	-67.2%
Rel.to FTSE IT Growth	-23.2%	-39.6%	-55.1%
Rel.to Sector	-23.3%	-35.9%	-53.3%

Analysts:

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Luca Solari
+39 02 30343 397
luca.solari@cfosim.com

Chiara Francomacaro
+39 02 30343 394
chiara.francomacaro@cfosim.com

Estimates, Rating and PT Under Review

Monnalisa announced H1-24 preliminary sales characterised by a significant decline YoY mainly because of lower volumes in several countries, such as Russia and Ukraine due to the conflict, the US and China as a consequence of a declining consumption of luxury goods. Moreover, the management underlined that the group is experiencing financial stress, particularly concerning its short-term obligations, and is currently discussing with banks and suppliers to preserve its financial stability. In addition, the group is working on a business reorganisation and a cost-saving plan aimed at obtaining financial stability in the medium term and bringing back the business as a whole. Pending more details about the financial plan the management is working on, which is expected to be presented to the market by the end of September, we put our latest estimates, rating and PT under review.

Preliminary interim sales at € 18.9m, down by 13% YoY

In H1-24, preliminary sales were € 18.9m, down by 13% compared to € 21.9m in H1-23 (down by 11% at constant FX), mainly because of a revenue decline of brands other than Monnalisa (we think the management refers to Chiara Ferragni). Furthermore, following the start of the war between Russia and Ukraine, the group lost significant sales concerning the Online and Wholesale segments in those countries. Moreover, Monnalisa was negatively affected by the slowdown in the consumption of luxury goods, mainly in the US and China.

Business reorganisation is ongoing, the focus is on saving cost

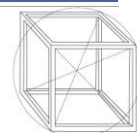
The new management team, led by Matteo Tugliani as CEO, who took office in May, is running i) a business reorganisation and ii) a cost-cutting plan, in discontinuity with the previous management, whose effect will be visible in 2025 (i) and H2-24 (ii), respectively. In greater detail, the new strategic plan envisages 1) a strengthening of the Wholesale business through the license agreements already signed (i.e. La Martina and Philosophy by Lorenzo Serafini), 2) the signing of additional license agreements to increase volumes and consequently improve the group's operating efficiency, and 3) the rationalisation of the Retail segment by closing the non-performing stores and, in particular, the six Chinese stores by the end of Q1-25. Furthermore, the group carried out additional cost savings concerning overheads, marketing and non-core expenses.

A financial plan to sustain the group's medium-term stability is under development

The new management underlined that the uncertainty and weakness of the reference market in recent years and a delay in the realisation of the strategic plan elaborated by the previous management caused financial stress concerning short-term financial exposure. Monnalisa is currently discussing with banks and suppliers to preserve its short-term financial stability and is working, with the support of external advisors, on a financial plan aimed at achieving a medium-term economic and financial balance. The management plans to discuss this financial plan during an ad-hoc BoD meeting by the end of September.

Monnalisa, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Net Revenues	46.4	41.9	-	-	-
Adjusted EBITDA	5.8	4.0	-	-	-
EBITDA	5.8	3.0	-	-	-
EBIT	(2.1)	(4.5)	-	-	-
Adjusted Net Profit	(3.2)	(5.9)	-	-	-
Net profit	(3.2)	(6.7)	-	-	-
NFP (cash)/debt	28.9	28.4	-	-	-
EBITDA margin	12.6%	6.7%	-	-	-
Adjusted EPS FD	(0.61)	(1.13)	-	-	-
Adjusted EPS FD growth	n.m.	n.m.	-	-	-
ROCE	neg.	neg.	-	-	-
NWC/Sales	30.8%	28.3%	-	-	-
EV/Sales x	1.00	0.93	-	-	-
EV/EBITDA x	8.0	14.0	-	-	-
EV/EBIT x	n.m.	n.m.	-	-	-
PER x	n.m.	n.m.	-	-	-



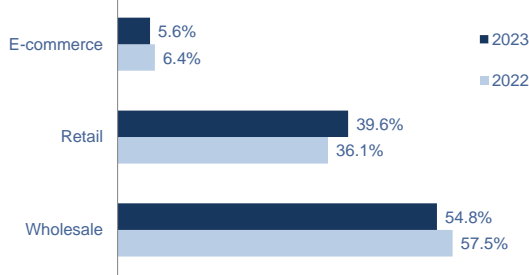


The company at a glance

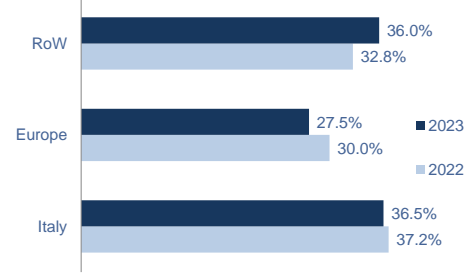
Founded in 1968 by Piero Iacomoni and Barbara Bertocci in the fashion and creative centre of Italy, Monnalisa is specialised in high-end childrenswear (0-16 years) through its own proprietary brands and licenses. The philosophy of Monnalisa is the creation of a lifestyle identity, offering a complete range of products from apparel to footwear, from accessories to cosmetics and furniture. At the end of 2023, Monnalisa operated worldwide in more than 50 countries through 51 direct stores and more than 400 multibrand stores. The company sells via three distribution channels:

- Wholesale, 54.8% of top line in FY-23. Monnalisa conducts a strict selection of stores considering location, visibility and their consistency with the Monnalisa brand identity. This includes Wholesale retail, namely monobrand stores in partnership (Third Party Operated Stores – TPOS) and those located in top department stores (Third Party Shop In Shop – TPSIS).
- Retail, 39.6% of top line. Monnalisa sells directly to the end customer through its directly owned stores: Directly Operated Stores (DOS) and Directly Operated Outlets (DOO), totalling 51 stores at year-end 2023.
- Direct e-commerce, 5.6% of top line. Monnalisa sells its products online through its own monobrand online boutique.

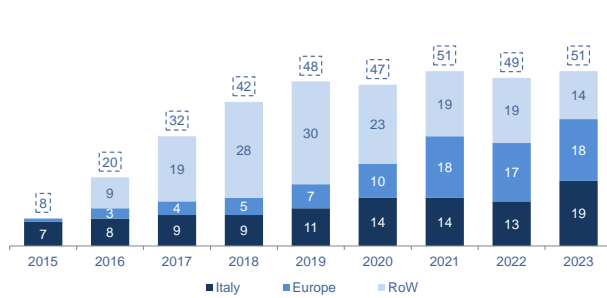
FY-23 vs FY-22 channel contribution...



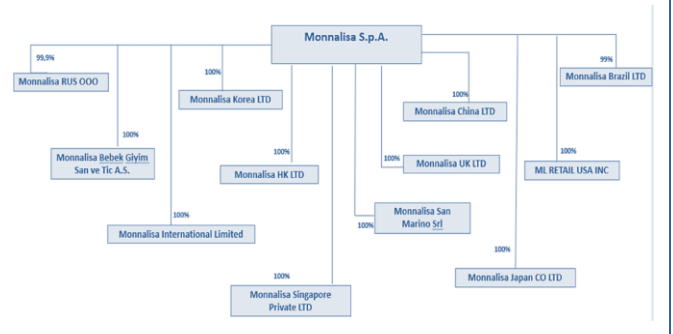
... and revenues by geography



2015-2023 retail evolution



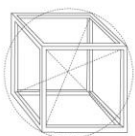
Group structure



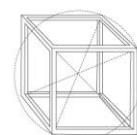
Peers group multiples table

EV multiples x	SALES FY1	SALES FY2	SALES FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Brunello Cucinelli SpA	5.00	4.52	4.09	17.7	16.0	14.4	30.3	27.0	24.1
Burberry Group PLC	0.98	0.93	0.88	5.7	4.4	3.9	18.9	9.6	7.6
Capri Holdings Ltd	1.14	1.07	0.96	8.2	7.4	6.0	11.3	9.7	8.4
Hugo Boss AG	0.78	0.73	0.66	4.5	4.0	3.5	8.7	7.4	6.1
Kering SA	2.54	2.38	2.20	9.7	8.5	7.6	14.8	12.5	10.8
Moncler SpA	4.55	4.02	3.56	11.7	10.3	9.0	15.2	13.3	11.7
Prada SpA	3.07	2.75	2.49	8.4	7.5	6.8	13.2	11.5	10.2
Ralph Lauren Corp	1.51	1.44	1.51	8.9	8.2	8.3	11.2	10.2	10.2
Salvatore Ferragamo SpA	1.74	1.67	1.58	8.3	7.6	6.7	37.0	26.1	20.1
Median	1.74	1.67	1.58	8.4	7.6	6.8	14.8	11.5	10.2
Monnalisa SpA	-	-	-	-	-	-	-	-	-

Source: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2022	2023	2024e	2025e	2026e
Net Revenues	46.4	41.9	-	-	-
Value of Production	45.7	45.1	-	-	-
Raw materials	(12.1)	(13.6)	-	-	-
Services	(15.3)	(16.5)	-	-	-
Personnel expenses	(12.0)	(11.6)	-	-	-
Other opex	(0.7)	(0.5)	-	-	-
EBITDA	5.8	3.0	-	-	-
D&A	(7.8)	(7.5)	-	-	-
EBIT	(2.1)	(4.5)	-	-	-
Financials	(1.3)	(1.7)	-	-	-
Re/(Deval.) of fin. assets	0.0	0.0	-	-	-
FX profit/(loss)	(0.0)	(0.8)	-	-	-
Pre-Tax profit	(3.4)	(7.0)	-	-	-
Income taxes	0.1	0.2	-	-	-
Minorities	0.0	(0.0)	-	-	-
Net Profit	(3.2)	(6.7)	-	-	-
Adjusted EBITDA	5.8	4.0	-	-	-
Adjusted Net Profit	(3.2)	(5.9)	-	-	-
Balance sheet (€ m)	2022	2023	2024e	2025e	2026e
Net Working Capital	14.1	12.8	-	-	-
Net Fixed Assets	37.1	31.5	-	-	-
Equity Investments	0.8	0.8	-	-	-
Other M/L Term A/L	0.8	0.6	-	-	-
Net Invested Capital	52.9	45.6	-	-	-
Net Financial Debt	28.9	28.4	-	-	-
Minorities	0.0	0.0	-	-	-
Group's Shareholders Equity	24.0	17.2	-	-	-
Financial Liabilities & Equity	52.9	45.6	-	-	-
Cash Flow statement (€ m)	2022	2023	2024e	2025e	2026e
Total net income	(3.2)	(6.7)	-	-	-
Depreciation	7.8	7.5	-	-	-
Other non-cash charges	0.8	(0.4)	-	-	-
Cash Flow from Oper. (CFO)	5.3	0.4	-	-	-
Change in NWC	1.6	1.3	-	-	-
FCF from Operations (FCFO)	6.9	1.7	-	-	-
Net Investments (CFI)	(0.7)	(0.1)	-	-	-
Free CF to the Firm (FCFF)	6.2	1.6	-	-	-
CF from financials (CFF)	(7.3)	(0.6)	-	-	-
Free Cash Flow to Equity (FCFE)	(1.2)	1.0	-	-	-
Financial ratios	2022	2023	2024e	2025e	2026e
EBITDA margin	12.6%	6.7%	-	-	-
EBITDA adj. margin	12.8%	8.9%	-	-	-
Net profit margin	-7.1%	-14.9%	-	-	-
Net profit adj. margin	-7.0%	-13.1%	-	-	-
Tax rate	n.m.	n.m.	-	-	-
Op NWC/Sales	30.8%	28.3%	-	-	-
Interest coverage x	(0.63)	(0.37)	-	-	-
Net Debt/EBITDA x	5.01	9.45	-	-	-
Net Debt-to-Equity x	1.20	1.64	-	-	-
ROIC	neg.	neg.	-	-	-
ROCE	neg.	neg.	-	-	-
ROACE	neg.	neg.	-	-	-
ROE	neg.	neg.	-	-	-
Payout ratio	0.0%	0.0%	-	-	-
Per share figures	2022	2023	2024e	2025e	2026e
Number of shares # m	5.24	5.24	5.24	5.24	5.24
Number of shares Fully Diluted # m	5.24	5.24	5.24	5.24	5.24
Average Number of shares Fully Diluted # m	5.24	5.24	5.24	5.24	5.24
EPS stated FD €	(0.62)	(1.28)	-	-	-
EPS adjusted FD €	(0.61)	(1.13)	-	-	-
EBITDA €	1.10	0.57	-	-	-
EBIT €	(0.39)	(0.85)	-	-	-
BV €	4.59	3.29	-	-	-
FCFO €	1.32	0.32	-	-	-
FCFF €	1.18	0.31	-	-	-
FCFE €	(0.22)	0.19	-	-	-
Dividend €	0.00	0.00	-	-	-



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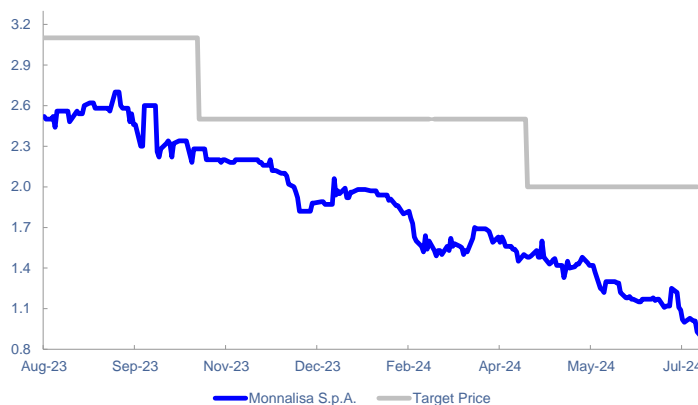
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DATE	TARGET PRICE	RATING
30/07/2024	U.R.	U.R.
24/04/2024	€2.00	NEUTRAL
27/10/2023	€2.50	NEUTRAL
28/04/2023	€3.10	NEUTRAL

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

