

Italy – Fashion

Double digit growth of Retail and B2C channels

10th May 2019

FY-18 RESULTS RELEASE

RIC: MONNA.MI
BBG: MNL IM

In the last few years Monnalisa has started a strategy to increase the relevance of the retail distribution network compared to the wholesale channel. In 2018, 14 new DOS were opened, for a total of 42 DOS at year-end, of which only 7 opened for more than 3 years. Retail channel reached 25% of total revenues, with 75% gross margin.

Rating:

Buy

Price Target:

€ 12.00 (€ 15.50)

Upside/(Downside): 41.2%

Last Price: € 8.50

Market Cap.: € 44.4

1Y High/Low: € 14.49 / € 7.80

Free Float: 25.5%

Major shareholders:

Jafin Due 74.5%



Stock price performance

	1M	3M	12M
Absolute	5.6%	-4.9%	-
Rel.to AIM Italia	5.4%	-7.4%	-
Rel.to Sector	7.7%	-10.6%	-

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

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

New PT € 12.00/s (€ 15.50), 41.2% upside: Buy

FY-18 results were characterised by the strong increase in retail revenues driven by new DOS openings and by a deeper-than-anticipated double digit decline in reported EBITDA due to 1) the underestimation of direct costs linked to the massive development plan, and in some cases, 2) the shift in DOS openings which prompted a postponement in revenues but with the full cost structure. We have revised our model accordingly: the result is a 33% average cut in EBITDA₁₉₋₂₀. We also introduced 2021 projections. We have updated our PT to € 12.00 (€ 15.50) based on a market multiple comparison, applying a 25% size-discount (previously 20%), corresponding to an implied 9.8x EBITDA_{19e} vs. 12.0x of peers. The new PT offers 41.2% upside: Buy rating confirmed.

FY-18 net revenues increased by 4.5% to € 49.1m

Net revenues increased 4.5% to € 49.1m, up 6% at constant FX, driven by the Retail and B2C channels, up 39% and 17% (43% and 17% at constant FX), respectively. In 2018 Retail accounted for 25% of total sales, it was 19% in 2017. The 39% jump in Retail to € 12.3m was driven by the new openings. The 4% decline in the Wholesale division to € 35.3m is mainly ascribable to 1) the discontinuance of the relationship with a Russian customer (4 stores in Moscow, o/w 3 already reopened as DOS) and 2) the purchase of a business unit from a US client consisting of 2 monobrand shops.

Adj. EBITDA at € 7.3m. DOS was 42 at the end of 2018

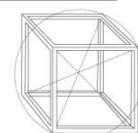
EBITDA adj. was € 7.3m vs. € 7.6m in 2017, € 7.6m at constant FX. Profitability was impacted by the massive development plan boosted by last year IPO fresh resources: Monnalisa opened 14 DOS in 2018, reaching a total of 42 shops. However, only 7 out of 42 have been operating for more than three years and only 8 for at least 2 years. The youth of the Monnalisa DOS structure explains the still limited contribution to group profitability. In addition, an unexpected stop of group goods at the Chinese custom (now solved) together with a few opening delays, prompted reduction of the effective new DOS operating period.

New DOS openings continue

Overall, the group foresees the inauguration, in 2019, of circa 14 new shops in Europe, Turkey, India, the USA and the Asia Pacific area. In the first months of this year 6 new direct stores have already been opened: Sawgrass and Guam in the USA, Harrods in London, El Corte Inglés in Barcelona, Fidenza Outlet Village in Italy, and Istanbul Airport in Turkey. The program provides for other new openings, i.e. Rome, Taiwan, Singapore, Belgium, Russia and Brazil, supporting also the aim of increasing internationalisation.

Monnalisa, key financials and ratios

€ m	2017	2018	2019e	2020e	2021e
Sales	47.0	49.1	53.0	57.8	63.2
EBITDA adj.	7.6	7.3	7.1	8.2	9.7
EBITDA	6.8	5.3	6.2	7.3	9.3
EBIT	4.1	2.1	2.5	3.5	5.4
Net profit adj.	2.9	2.8	2.3	3.0	4.0
Net profit	2.2	1.3	1.6	2.3	3.7
NFP (cash)/debt	8.2	(2.3)	(2.2)	(4.2)	(8.0)
EBITDA margin	13.3%	10.1%	11.4%	12.4%	14.4%
EBIT margin	7.9%	4.1%	4.7%	5.9%	8.4%
EPS adj. FD	0.55	0.53	0.44	0.57	0.77
EPS adj. FD growth	-	-3.4%	-17.3%	29.3%	35.1%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
ROCE	9.2%	3.4%	3.8%	5.0%	7.2%
NWC/Sales	35.7%	40.4%	41.5%	40.5%	40.8%
Free Cash Flow Yield	-	-16.4%	-0.4%	4.1%	8.0%
PER x	-	15.9	19.2	14.9	11.0
EV/Sales x	-	0.86	0.80	0.70	0.58
EV/EBITDA x	-	7.9	6.9	5.5	3.9
EV/EBIT x	-	19.7	16.8	11.5	6.8



Monnalisa in a nutshell

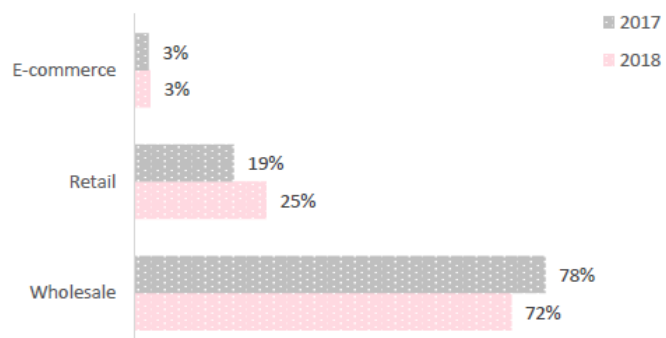
Founded in 1968 by **Piero Iacomoni** and **Barbara Bertocci** in the fashion and creative centre of Italy, **Monnalisa is specialised in high-end childrenswear (0-16 years) through its own proprietary brands.** The philosophy of Monnalisa is the creation of a lifestyle identity, offering a complete range of products from apparel to footwear, from accessories to cosmetics and furniture.

The core competence of Monnalisa is the proven ability to provide quality, fashionable and highly identifiable products for consumers looking for luxury clothes. Monnalisa presents rich and innovative collections every season which are the result of continuous product innovation, excelling in terms of creativity and style content. **Monnalisa has completely insourced every strategic activity**, from the design to prototype creation and **outsourced every low-value added non-strategic phase of the production process.** Moreover, in order to guarantee a high-quality level to finished products, Monnalisa pays particular attention to quality control of raw materials and fabric cutting.

Monnalisa operates worldwide in more than 60 countries through 42 direct stores and over 750 multibrand stores (figures at end-2018). With net revenues at a company record level of € 49.1m in 2018 (+4.5% YoY), **Monnalisa is the fourth Italian childrenswear player operating worldwide in the high-end segment of the market.** The company sells via three distribution channels:

- **Wholesale, 72% of top line.** Monnalisa sells to over 750 independent multibrand stores worldwide in the most important shopping streets. Monnalisa conducts a strict selection of the stores considering location, visibility and coherence of the store with Monnalisa brand identity. Although a third party manages the stores, Monnalisa keeps control of the merchandising.
- **Retail, 25% of top line.** Monnalisa sells directly to final customers through its directly owned stores: Directly Operated Stores (DOS) and Directly Operated Outlets (DOO), totalling 42 stores at end-18.
- **E-commerce, 3% of top line.** Monnalisa sells its products online through its own monobrand online boutique. Direct e-commerce accounts for 3% of total sales.

Chart 1 – Monnalisa, 2017-18 channel contribution



Source: Company data

The significantly higher returns of Directly Operated Stores prompt Monnalisa to continue progressively increasing the number of DOS and DOO as in recent years.

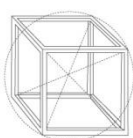
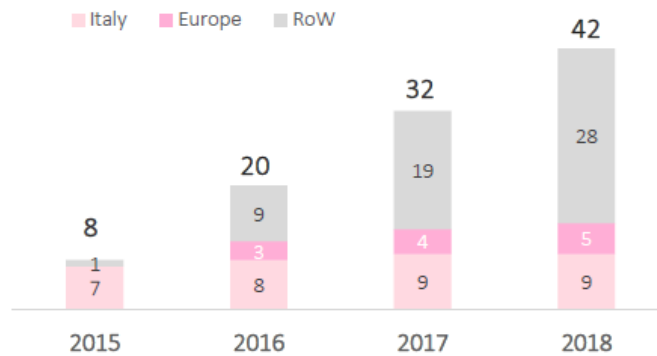


Chart 2 – Monnalisa, recent evolution in retail number of DOS and DOO



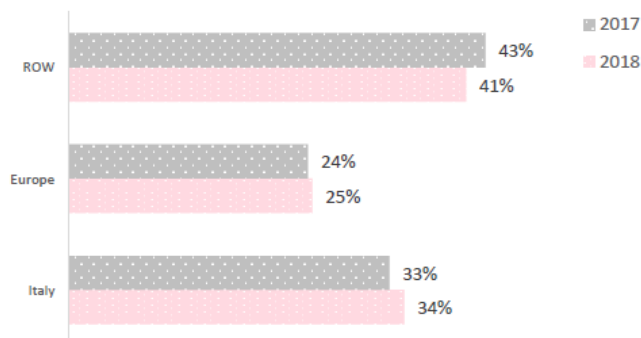
Source: Company data

By product, revenues have definitely shifted to apparel, accounting for roughly 88% of the total last year, with footwear and accessories at 6% each.

Almost 66% of revenues are generated outside Italy, the aim being to increase international presence by entering new markets (in particular Asia) and increasing direct retail presence abroad.

The company has a wide **global presence: Italy** accounts for **34%** of **top line**, Domestic **Europe** almost **25%** and **Rest of the World** **41%** of total revenues.

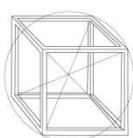
Chart 3 – Monnalisa, 2018 revenue breakdown by geography



Source: Company data

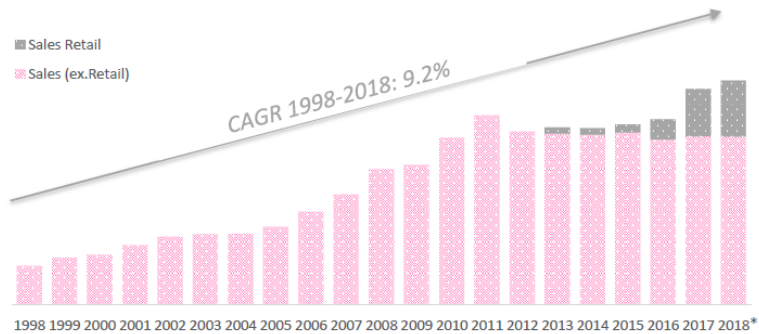
Monnalisa operates in over 60 countries generating 66% of its revenues outside Italy. In particular, in order to boost its internationalisation, **Monnalisa controls 9 foreign subsidiaries in key strategic countries** such as Hong Kong, Russia, USA, Turkey, China, Brazil, Korea, United Kingdom and Taiwan. The company sells mainly in **three reference markets**:

- **Italy:** Monnalisa products are available throughout Italy, in particular thanks to a large number of DOS and Wholesales stores.
- **Domestic:** Monnalisa has a strong presence in the European area. The company sells its clothing in some 'domestic' countries such as: Austria, Belgium, Cyprus, Finland, France, Germany, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.
- **Rest of the World:** The rest of the world is divided into 4 strategic areas: Eastern Europe, Asia Pacific, Middle East & Africa and America.



The company has been growing significantly since its establishment: Monnalisa has shown **significant stable growth over the last 20 years**, with a **CAGR₉₈₋₁₈ of 9.2%**. Since 2012, wholesale revenues have maintained their level, while the wholesale market overall experienced a general decline.

Chart 4 – Monnalisa, 1998-2018 top line, Revenue evolution



Source: Company data, Sales Retail Data preceding 2013 are not disclosed being considered not relevant - * Unaudited results

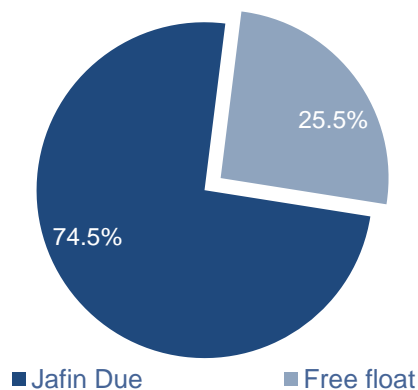
Shareholding structure

The successful IPO was completed in July 2018, consisted mainly of a primary **offering** to professional investors, for some 95% of the total. **At the IPO price of € 13.75, almost none of the existing controlling shareholders were willing to sell stocks.**

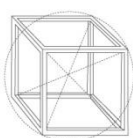
Jafin Due, a holding company fully owned by the founding family, currently owns 74.5% of Monnalisa. Pre-IPO shareholders have at least a 12 month lock-up.

The company already has one independent BoD member, selected by Jafin Due, pending the decision to nominate another by investors.

Chart 5 – Monnalisa, shareholder structure



Source: Company data



The reference market & competitive environment

Monnalisa operates in the children's clothing sector, and is positioned in the high-end segment of the market. In this context, the company has the best entry price, thus being considered as affordable luxury. Target clients are 'aspirational consumers'.

The childrenswear market can be divided into four segments: high-end, premium, medium and low cost. The contribution to growth of these segments on the overall market is different considering the type of segment: 2018 was characterised by a strong performance of high-end and by a slowdown of premium, medium and low cost.

The fashion positive trend is confirmed also by the performance of the **luxury market index (+3.3%)** in line with the **global market (+3.7%)** in the last year, thanks to the orientation of consumer purchases towards luxury goods.

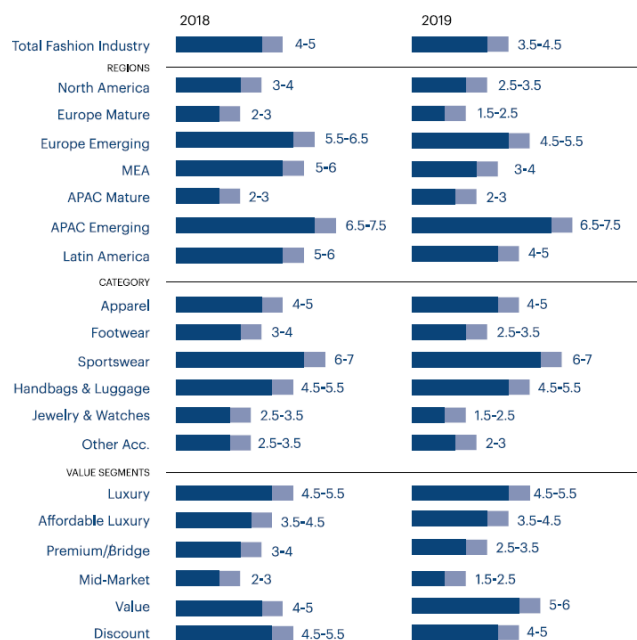
Chart 6 – Monnalisa, luxury market index versus MSCI World



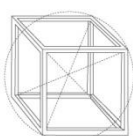
Source: Bloomberg

Looking at the fashion industry perspective, in 2018/2019 versus 2017, according to a McKinsey study, the growth rate by region, by categories and by segments will be the following:

Chart 7 – Monnalisa, fashion industry sales growth forecast, 2018-2019 - %

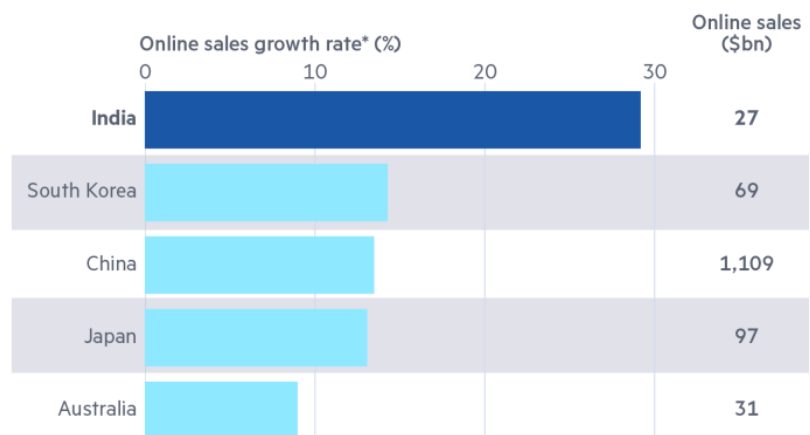


Source: McKinsey Global Fashion Index 2018



Concerning potential e-commerce growth rates, the following graph focusing on APAC economies shows Monnalisa targets for future investments. In 2017, **Emerging markets** accounted for roughly **40%** of total sales (Eastern Europe 19%, APAC 13%, Middle East and Africa 8%).

Chart 8 – Monnalisa, potential e-commerce growth rates



* Compound annual growth rate, forecast, 2017-22

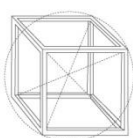
Source: Forrester, 2017

It is possible to distinguish three macro trends of the global high-end childrenswear market:

- **Demographics** are a key driver of growth and represent a market opportunity especially in developing countries which are characterised by a high birth rate.
- In Europe and America, where birth rate is very low, **consumers are moving towards the high-end market**. In particular, fashion trends play an ever-greater role in influencing what and how often they purchase.
- Fashion luxury brands have started developing their own **e-commerce strategies**. This decision is due to the relevant growth perspectives of the global e-commerce retail market which experienced an increase of 6% in 2015-16.

Monnalisa operates as a leading player within the high-end childrenswear arena. Via its four channels (wholesale, corporate retail, wholesale retail and e-commerce), the company has a solid position in the Italian market as well as globally:

- **Italian Market**, Monnalisa products are available throughout Italy thanks to its DOS and wholesales channels.
- **Global Market**, Monnalisa operates worldwide in over 60 countries and 66% of its revenues are generated outside Italy.



Italian Childrenswear Market

The Italian childrenswear market is highly concentrated with the first ten players accounting for some 60% of the total. The remainder is represented by a very fragmented plethora of 800 small actors. The Italian market was worth € 2.19bn in 2018, after a decrease of 2.1% YoY. The CAGR of the last two years (2016-2018) was -1.1% but the market is expected to recover in the next two years, growing with a 0.7% CAGR₁₈₋₂₀.

The market in Italy is characterized by the presence of well-known luxury brands (Giorgio Armani, Dolce and Gabbana, Moncler, Guess) operating via the kids business line, and specialised players such as Monnalisa.

The value of the Italian apparel retail market was worth € 2.19bn in 2018 (-2.1% YoY) with a CAGR of -1.1% over the period 2016-2018 and it is expected to recover in the next two years reaching € 2.22bn in 2020 (0.7% CAGR 2018-2020E). The high-end Italian childrenswear market was worth € 270m in 2018 (+2.7% YoY).

Table 1 – Monnalisa, 2016-18 high-end Italian childrenswear ranking by market share

	#	2016	2017	2018	var. 2016-18
Dolce & Gabbana (cons.)	1	5.0	6.8	6.4	1.4
Monnalisa	2	5.3	5.5	6.3	1.0
Gimel	3	3.8	5.4	6.1	2.3
Brave Kid	4	6.1	6.1	6.0	-0.1
Giorgio Armani (cons.)	5	6.5	6.1	5.9	-0.6
CWF Italia	6	5.8	5.8	5.7	-0.1
Kidiliz Group Italy	7	3.2	3.8	5.3	2.1
Il Gufo	8	4.7	5.1	5.0	0.3
Moncler (cons.)	9	3.8	4.2	4.8	1.0
Liujo	10	3.3	3.6	3.9	0.6

Source: Childrenswear Databank 2018

Table 2 – Monnalisa, 2017-18 Italian childrenswear sector by market segments

Market Segment Contribution			
€/M	2017	2018	Δ%
<i>Domestic Market</i>	2,238	2,190	-2.1%
Market Segments			
High-End	263	270	2.7%
<i>% Domestic Market</i>	12%	12%	
Premium	148	146	-1.4%
<i>% Domestic Market</i>	7%	7%	
Medium	632	624	-1.3%
<i>% Domestic Market</i>	28%	28%	
Low cost	1,195	1,150	-3.8%
<i>% Domestic Market</i>	53%	53%	

Source: Childrenswear Databank 2018

Monnalisa is focusing on the luxury part of the market as the group operates as a leading player within the high-end childrenswear segment in Italy. With the strong growth it has experienced, **Monnalisa increased its market share from 3.9% to 6.3% in 2014-18** and is now **the second player in the Italian market**.

In particular, Monnalisa reported € 16.9m revenue in 2018 experiencing a significant outperformance with a **+6.5% CAGR in 2016-18** versus a market decrease of 1.1% in the same period. In 2018, the company increased Italian revenues by 9.3% to € 16.9m, strongly outperforming the domestic market.

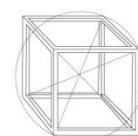
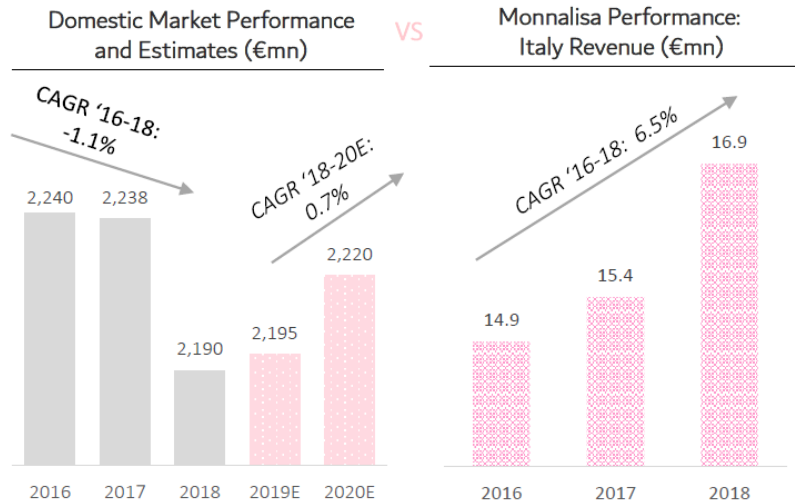


Chart 9 – Monnalisa, Italian market and company performance



Source: Childrenswear Databank 2018

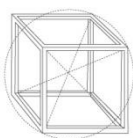
Since the beginning, Monnalisa has operated exclusively in the high-end childrenswear market. In particular, having the best entry price in the high-end market, Monnalisa can be considered as “**affordable Luxury**”. The average price of Monnalisa's clothes is just over € 100. The target clients for Monnalisa are “aspirational consumers” who are always looking for innovative luxury products with high creativity and style.

Chart 10 – Monnalisa, pricing and brand positioning



Source: Company data

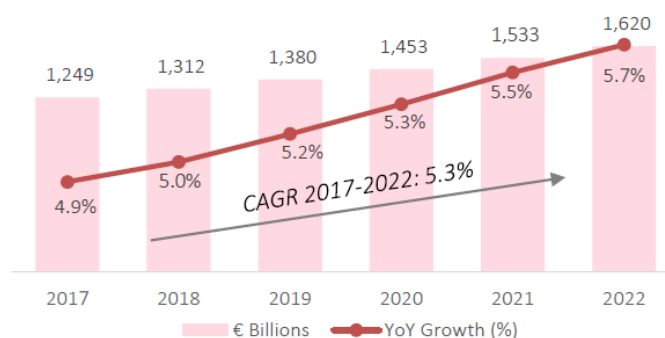
Monnalisa policy is to optimally **align the pricing** between retail and wholesale channel in each geographical area. In the retail business (namely DOS), the company is progressively **reducing fire sales**, improving both operating margins and brand image. Inventories are managed through Direct Operated Outlets strategically located in high traffic places.



Global Childrenswear Market

The **childrenswear global market** was worth € 180bn in 2015. It represents 14.4% of the total value of the global apparel retail market which totalled € 1.249bn in 2017, up 4.9% from a year earlier. For the future, the global apparel retail market is **forecasted** to reach € 1,620bn in value in 2022 (+29.7% vs 2017 with a **CAGR 2017-2022 of 5.3%**).

Chart 11 – Monnalisa, global apparel retail industry forecast



Source: Marketline 2018

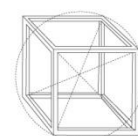
In 2016, the European High-End Market represented the major luxury market with a value of € 35bn. Behind the European Market, there is the Chinese Market with a value of € 24bn. In particular, the **China High-End luxury segment** experienced a sharp growth from **2011-2017** characterised by a **CAGR of 6%** and it is expected to grow at a CAGR of 3% from 2017 to 2021.

In 1988, Monnalisa started the internalisation process selling its products in Paris, New York and London. Monnalisa operates worldwide thanks to over 750 multibrand stores and 42 DOS (data at end-2018). With consolidated net revenues of € 49.1m in 2018, Monnalisa represents the **fourth Italian player operating worldwide**, in the high-end childrenswear market. Monnalisa generates 66% of its revenues outside Italy (€ 32.3m in 2018, +2.2% YoY).

Table 3 – Monnalisa, Italian company global rankings

Ranking	Company Name	Revenue		Δ %
		2017	2018	
1	Moncler (Cons)	74.0	84.0	13.5%
2	Giorgio Armani	66.0	66.0	0.0%
3	D&G (cons)	55.0	57.8	5.1%
4	Monnalisa	31.6	32.3	2.2%
5	Simonetta	24.0	24.0	0.0%
6	Brave Kid	22.7	22.9	0.9%
7	Altana	13.6	14.6	7.4%
8	Miniconf	9.0	10.5	16.7%
9	Il Gufo	9.7	9.9	2.1%
10	LiuJo	6.5	7.5	15.4%

Source: Childrenswear Databank 2018

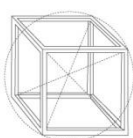


Strategy

In recent years, Monnalisa has started an expansion of its international presence and consolidation of its core business. This strategy has been the foundation for a continuous growth phase of the company that operates in a market characterised by high competition and continuous style innovation.

Coherently to its growth path, Monnalisa's strategy is focused principally on:

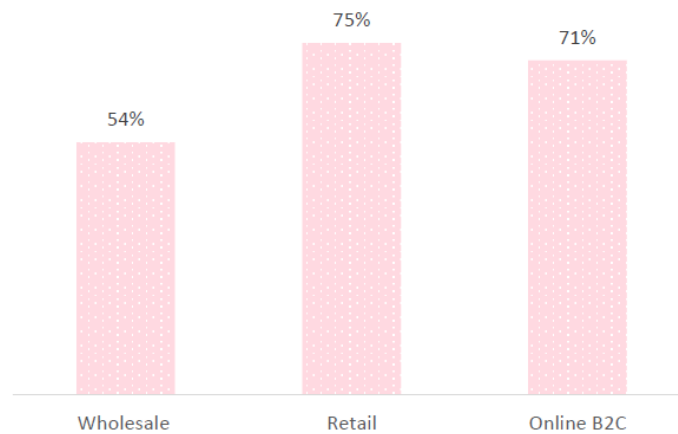
- **Increasing international positioning:** Monnalisa is planning to increase its international presence through the entrance in new strategic markets such as Taiwan and Singapore, and continue the penetration in already covered markets such as Russia and China which are characterised by high growth potential. In addition to this, the company wants to expand the travel channel through new openings in main international airports.
- **Boost Corporate Retail sales (from 25% in 2018 to around 43% in 2021e):** in the last three years the company invested € 8m on new buildings, including an automated warehouse, and opened 38 Direct Stores (for a total of 42 at the end of 2018), generating an improvement in EBITDA margin in the next years. Monnalisa is going to continue with this policy and during 2019 the company plans to open around 14 new monobrand stores, of which 6 already opened, including the conversion of some TPOS (Third Part Operated Stores) into DOS. The main strategic area will be Asia, with a particular focus on China, Taiwan and Singapore. In particular, China market opportunities will be exploited thanks to the widespread direct presence in the market through around 20 DOS.
- **E-commerce development:** Monnalisa is going to expand online retail e-commerce with a focus on specific boutiques for strategic countries (China and Far East). Furthermore, the company is implementing an Enterprise solution-based platform to better manage merchandising, new collections and semantic research tools. Monnalisa will also invest in technology for data integration and strengthen commercial relationships, especially with 'e-tailers', enhancing inventory management. The company is planning to integrate the online and offline selling process through investment in social platforms and dedicated Shop Assistant Apps in order to increase client entrenchment and up-selling potential ("showrooming concept").
- **Product portfolio and brand awareness:** through optimised investment in communication, Monnalisa aims to boost brand recognition worldwide and strengthen Monnalisa's brand awareness. In particular the company aims to increase cross-selling opportunities thanks to investments directed at strengthening the product portfolio (*Monnalisa total look* expanding existing lines such as layette, furniture, accessories, cosmetics and footwear). The company is increasing communication effectiveness thanks to the brand portfolio rationalisation, already effective with the merger of all the product lines into 'Monnalisa' exploiting its visibility and awareness.



As highlighted before, the **Retail business is the channel with the highest profitability** (gross margin roughly of 75%), confirming the potential of the strategy pursued by Monnalisa, which is shifting its business towards directly operated stores (DOS and DOO).

Online B2C shows a gross margin of 71%, just slightly lower than Retail. Wholesale has a gross margin of circa 54%.

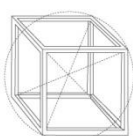
Chart 12 – Monnalisa, 2018 gross margin by channel



Source: Company data

Overall, **the group foresees the inauguration, in 2019, of circa 14 new shops (vs FY-18) in Europe, Turkey, India, the USA and the Asia Pacific area.**

Concerning the retail channel, **in the first months of 2019 six new Direct Stores were opened:** Sawgrass and Guam in USA, Harrods in London, El Corte Inglés in Barcelona, Fidenza Outlet Village in Italy, and Istanbul Airport in Turkey. The program provides for other new openings worldwide, such as Rome, Taiwan, Singapore, Belgium, Russia and Brazil, supporting also the aim of increasing the company's international positioning.



SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS

- ❑ Among the few companies which is **specialised on childrenswear** high-end niche
- ❑ **Complete strategic autonomy** thanks to the use of proprietary brands only
- ❑ Monnalisa operates in the high-end segment being the one with the **best entry price among competitors**

WEAKNESSES

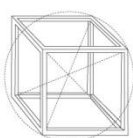
- ❑ **Limited size** in the international competitive arena
- ❑ **Decisions are concentrated** among few key figures
- ❑ Growth strategy is based on **increasing the retail distribution**, an area where Monnalisa is only gradually gaining experience

OPPORTUNITIES

- ❑ **Consolidation opportunities** in the domestic market and abroad
- ❑ **Foreign market** expansion
- ❑ **E-commerce** development and online-offline integration

THREATS

- ❑ **Aggressive expansion in the DOS** number may be difficult/delayed
- ❑ **Change** in client preferences and **fashion trends**



FY-18 results

In the last few years Monnalisa has started a strategy to increase the relevance of the retail distribution network compared to the wholesale channel. As result, the company invested € 8m in new buildings, including an automated warehouse, and opened new Directly Operated Stores. In 2018, **14 DOS were opened, 4 closed, for a total of 42 DOS at the end of the year, of which only 7 opened for more than 3 years.** The lower than expected EBITDA is mainly attributable to a few extraordinary costs and an underestimation of direct expenses linked to the development of new openings .

Table 4 – Monnalisa, FY-18 results summary

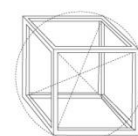
€ m	2018	2017	% YoY	2018e	% Diff.
Revenues	49.1	47.0	4.5	50.8	(3.3)
EBITDA	5.2	6.6	(20.4)	7.3	(28.7)
% margin	10.7	14.0		14.5	
EBITDA adjusted	7.3	7.6	(3.9)	8.2	(11.0)
% margin	14.9	16.2		16.2	
EBIT	2.1	3.5	(40.9)	4.1	(49.6)
% margin	4.2	7.5		8.1	
Net Profit	1.3	2.3	(42.6)	2.7	(52.3)
% margin	2.6	4.8		5.3	
Net Financial Position	(2.5)	8.4	n.m.	(5.0)	(49.9)

Source: Company data, CFO SIM estimates

Net revenues increased 4.5% to € 49.1m, up 6% at constant FX, driven by the Retail and B2C channels, up 39% and 17% (43% and 17% at constant FX), respectively. In 2018 Retail accounted for 25% of total sales, it was 19% in 2017. The 39% jump in Retail to € 12.3m was driven by new openings: **Monnalisa opened 14 new DOS in 2018, for a total of 42 direct shops at the end of the year.** Retail is the channel with the highest profitability, 75% of gross margin, confirming the potential of the strategy pursued by Monnalisa. The 4% decline in the Wholesale division to € 35.3m is mainly ascribable to 1) the discontinuance of the relationship with a Russian customer (4 stores in Moscow, o/w 3 already reopened as DOS) and 2) the purchase of a business unit from a US client consisting of 2 monobrand shops. **B2C (internet) increased 17% to € 1.5m.**

EBITDA adj. was € 7.3m vs. € 7.6m in 2017. At constant FX it was € 7.6m, unchanged YoY. Profitability was impacted by the massive development plan boosted by last year's IPO fresh resources: Monnalisa opened 14 new DOS in 2018, reaching a total of 42 shops. However, **only 7 out of 42 DOS have been operating for more than three years and only 8 for at least 2 years.** The youth of the Monnalisa DOS structure explains the still limited contribution to group profitability. In other words, the direct costs increase linked to the new openings (namely personnel and rents) and the rise in D&A was not entirely counterbalanced by a proper revenues increase. In addition, an unexpected stop of group goods at Chinese customs (now solved) together with a few opening delays, prompted the reduction of the effective new DOS operating period. The adjustments, in addition to those already reported in H1-18, are related to extraordinary costs linked to new openings and to DOS renovation costs. **EBITDA reported totalled € 5.2m**, margin of 10.7%, down 20% YoY and compares to our € 7.3m estimate. The sizeable discrepancy vs. our expectation is mainly due to an underestimation of those direct costs linked to the DOS expansion plan. **Net profit was € 1.3m**, vs. € 2.3m in 2017 as a result of lower operating performance and higher D&A (2018 capex was € 7.6m).

Net Financial Position was € 2.5m cash (€ 8.3m debt at the end of 2017), after IPO proceeds of € 17.0m, cash flow from operations of € 1.5m, mainly thanks to the improvement in NWC cash absorption, and capex of € 7.6m (€ 8.8m including listing costs on AIM Italia market) for retail channel development and industrial investments. **Net cash available at end-18 and the existing business cash flow generation is feeding ongoing new opening plans.**



Valuation & risks

FY-18 results were characterised by **the strong increase in retail revenues** driven by new DOS openings and by a **deeper-than-anticipated double digit drop in reported EBITDA** due to 1) the underestimation of direct costs linked to the massive development plan, and in few cases, 2) the shift in DOS opening which prompted a postponement of revenues recognition but with the full costs structure in operation. We have revised our model accordingly: the result is a 33% average slash in EBITDA₁₉₋₂₀. We introduced also 2021 projections.

We have updated our PT to € 12.00 (€ 15.50) based on a market multiple comparison, applying a 25% size-discount (previously 20%, mainly due the smaller size, the lack of decent stock liquidity on the back of the listing on the AIM Italia and to a certain extent an increase in execution risk considering the FY-18 result miscue vs. our estimates), corresponding to an implied 9.8x EV/EBITDA_{19e} vs. 12.0x of peers. **At current price, the new PT offers a 41.2% upside.**

We also used the DCF model with standard setting for a small-cap, including a prudent $g=1\%$. According to this methodology, we assess a valuation of € 65.9m (€ 12.60/s), corroborating the value obtained via the peer multiple practice.

CFO SIM confirms the Buy on the stock. We think Monnalisa is an interesting long term value player. In our opinion, Monnalisa is less exposed to fashion collection risk and it enjoys more recurring sales than a man/woman luxury brand. Capex and opex related to DOS openings are also less expensive. The operating leverage deploys its full effect and operating margins will benefit from the changing channel mix, as the gross profit margin in retail business is significantly higher. As a result, EBITDA and EBIT are expected to grow more than proportionately compared to top line: +20.1% and 36.0% CAGR₁₈₋₂₁, vs. 8.8% of revenues. Net Profit is anticipated to show a +41.8% CAGR₁₈₋₂₁.

Market multiples

We conducted an analysis on ten companies operating in the luxury and fashion arena.

Brunello Cucinelli SpA: Brunello Cucinelli SpA is a luxury fashion company, known for its cashmere products as well as exclusive brands. The company designs, manufactures, and distributes clothing and accessories globally for men and women. Brunello Cucinelli sells its products in Europe (43% of top line), North America (36% of top line), China (10% of top line) and RoW (11% of top line). Retail and Wholesale represent respectively 54% and 46% of sales.

Burberry Group PLC: Burberry Group PLC is a global luxury brand with British heritage, core outerwear, and large leather goods base. The company designs and sources apparel and accessories. Burberry sells its products worldwide in particular in Asia Pacific region (41% of top line), EMEA region (36% of top line) and Americas region (23% of top line). Retail and Wholesale represent respectively 82% and 17% of the revenues. Children's products account for 4% of top line.

Capri Holdings Ltd: Capri Holdings Limited operates as a holding company. The company, through its brands (such as Versace, Jimmy Choo and Michael Kors), covers the full spectrum of fashion luxury categories including women's and men's accessories, footwear and ready-to-wear as well as wearable technology, watches, jewellery, eyewear and a full line of fragrance products. Capri Holdings serves customers worldwide in particular in America (64% of top line), Europe (23% of top line) and Asia (13%). Retail and Wholesale represent respectively about 60% and 40% of the revenues.

Hugo Boss AG: Hugo Boss AG designs, produces, and markets brand name clothing. Hugo Boss licenses its name for eyeglass frames, fragrances, watches, shoes, and leather goods. Hugo Boss sells its products worldwide in particular in Europe (62% of top line), the Americas (20% of top line), and the Asia Pacific area (15%). Retail and



Wholesale represent respectively 63% and 34% of the revenues.

Kering SA: Kering is a global Luxury Group; Kering develops an ensemble of luxury houses in fashion, leather goods, jewellery and watches: Gucci, Saint Laurent, Bottega Veneta, Alexander McQueen, Balenciaga, Ulysse Nardin, etc. The company specialises in ready-to-wear products, sports goods, shoes, jewellery, and watches. Kering serves customers worldwide in particular in Europe (33% of top line), the Asia Pacific area (41% of top line), North America (20%), RoW (6%). Retail and Wholesale represent respectively 77% and 23% of the revenues.

Moncler SpA: Moncler S.p.A. manufactures apparel products. Moncler serves customers internationally, in particular in Asia and RoW (43%), EMEA (29%), the Americas (16%) and Italy (12%). Retail and Wholesale represent respectively 77% and 24% of the revenues. Moncler enfant weights for roughly mid-single digit on total sales.

Prada SpA: PRADA S.p.A. is an Italian fashion company that designs, manufactures and sells high-end leather goods, ready-to-wear and footwear through various brands. Brand names include Prada, Miu Miu, Church's, Car Shoe and Pasticceria Marchesi. Prada SpA serves customers worldwide in particular in Europe (38% of top line), FarEast (33% of top line), the Americas (14%), Japan (11%) and RoW (3%). Retail and Wholesale represent respectively 82% and 18% of the revenues.

Ralph Lauren Corp: Ralph Lauren Corporation designs, markets, and distributes men's, women's and children's apparel, accessories, fragrances, and home furnishings. The company's products are sold under a wide range of brands. Ralph Lauren's operations include wholesale, retail, and licensing. Ralph Lauren serves customers internationally, in particular in North America (52%), Europe (26%), Asia (15%) and Row (7%). Retail and Wholesale represent respectively 55% and 45% of the revenues.

Salvatore Ferragamo SpA: Salvatore Ferragamo SpA is a clothing and accessories company offering shoes, handbags, belts, luggage, ties, scarves, and watches. Salvatore Ferragamo serves customers worldwide in particular in the Asia Pacific area (38% of top line), Europe (25%), North America (23%), Japan (9%) and RoW (6%). Retail and Wholesale represent respectively 65% and 33% of the revenues.

Tod's SpA: Tod's S.p.A. manufactures and retails men's and women's shoes. The company's signature shoe is a loafer with rubber spikes on the sole and heel. Brand names include Tod's, Hogan, and Fay. Tod's SpA serves customers worldwide in particular in Italy (30% of top line), Europe (26% of top line), China (22%), the Americas (8%) and RoW (14%). Retail and Wholesale represent respectively 65% and 35% of the revenues.

Among the not-listed companies, **Armani Junior** has revenues in the region of € 66m, slightly above 3% of the total group. Two French companies are focused on childrenswear like Monnalisa: **CWF** (roughly € 150m sales, mainly producing on licensing as outsourcer, with 10% sales in Italy, 55% in rest of Europe, 35% worldwide and only 20 DOS) and **Bonpoint**, in which Rothschild PE fund has an investment.

The size of the listed luxury companies is huge, and the operating profitability slightly higher because of the different channel mix. In the peer group sample, the average of retail sales on the total business is close to 70%. **Monnalisa is set to close the gap in terms of EBITDA margin by increasing retail business weight** (which will grow from 25.0% in FY-18 to 43% in 2021). **Monnalisa shows notably higher sales CAGR than the luxury sector, with a buoyant CAGR for EBITDA, EBIT and net profit level, thanks to the operating leverage,** evidence of the growing weight of the retail channel.

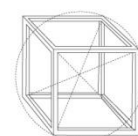




Table 5 - Monnalisa, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₁₇₋₂₀	EBITDA CAGR ₁₇₋₂₀	EBIT CAGR ₁₇₋₂₀	EPS CAGR ₁₈₋₂₀	NFP /EBITDA
Brunello Cucinelli SpA	ITALY	2,044	601	104	17.3%	8.3%	8.5%	8.0%	6.0%	0.1
Burberry Group PLC	UK	9,060	3,154	670	21.2%	3.1%	2.9%	2.0%	6.2%	(1.4)
Capri Holdings Ltd	USA	5,788	4,663	1,002	21.5%	14.3%	9.8%	8.6%	5.2%	2.1
Hugo Boss AG	GERMANY	4,184	2,926	531	18.2%	4.6%	8.6%	6.7%	10.4%	(0.0)
Kering SA	FRANCE	63,178	15,743	5,230	33.2%	10.3%	12.0%	12.5%	10.7%	0.1
Moncler SpA	ITALY	9,141	1,631	567	34.8%	12.8%	13.2%	12.7%	9.7%	(1.1)
Prada SpA	ITALY	6,726	3,314	614	18.5%	5.3%	10.7%	14.2%	5.7%	0.3
Ralph Lauren Corp	USA	8,807	5,600	879	15.7%	6.0%	9.4%	11.4%	6.7%	(1.1)
Salvatore Ferragamo SpA	ITALY	3,170	1,395	222	15.9%	4.4%	7.9%	9.0%	14.5%	(0.8)
Tod's SpA	ITALY	1,433	962	116	12.1%	2.8%	6.0%	6.9%	9.8%	(0.4)
Median		6,257	3,040	591	18.3%	5.6%	9.0%	8.8%	8.2%	(0.2)
Monnalisa SpA	ITALY	44	53	6	11.6%	8.8%	20.1%	36.0%	37.1%	(0.4)

Source: CFO Sim, Thomson Reuters Eikon

Table 6 - Monnalisa, peer group EV multiple table

	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Brunello Cucinelli SpA	3.42	3.13	2.90	19.8	17.9	16.6
Burberry Group PLC	2.57	2.49	2.32	12.1	11.6	10.5
Capri Holdings Ltd	1.69	1.38	1.18	7.9	7.0	5.8
Hugo Boss AG	1.42	1.34	1.27	7.8	7.1	6.5
Kering SA	4.06	3.63	3.30	12.2	10.8	9.7
Moncler SpA	5.21	4.52	3.99	15.0	12.9	11.2
Prada SpA	2.08	1.96	1.80	11.2	9.9	8.8
Ralph Lauren Corp	1.40	1.38	1.33	8.9	8.4	7.8
Salvatore Ferragamo SpA	2.14	2.02	1.88	13.5	12.0	10.6
Tod's SpA	1.44	1.38	1.34	11.9	10.7	10.0
Median	2.11	1.99	1.84	12.0	10.7	9.8
Monnalisa SpA	0.80	0.70	0.58	6.9	5.5	3.9
% premium/(discount) to median	(62.3)	(65.0)	(68.7)	(42.9)	(48.8)	(60.0)

Source: CFO Sim, Thomson Reuters Eikon

Table 7 - Monnalisa, peer group EV & price multiple table

	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Brunello Cucinelli SpA	27.2	24.6	22.9	37.8	36.8	33.7
Burberry Group PLC	15.7	15.2	13.7	22.7	22.3	20.2
Capri Holdings Ltd	9.8	8.9	7.3	8.7	8.6	7.8
Hugo Boss AG	11.0	10.0	9.1	15.8	14.2	13.0
Kering SA	13.7	12.0	10.8	19.0	16.9	15.5
Moncler SpA	17.2	14.8	12.8	25.0	23.3	20.8
Prada SpA	18.5	15.6	13.3	22.7	22.6	20.3
Ralph Lauren Corp	12.5	11.7	10.7	17.2	16.5	15.1
Salvatore Ferragamo SpA	19.2	16.7	14.7	30.0	26.3	22.9
Tod's SpA	19.8	16.9	15.4	27.8	26.1	23.1
Median	16.5	15.0	13.1	22.7	22.4	20.2
Monnalisa SpA	16.8	11.5	6.8	21.2	16.0	11.3
% premium/(discount) to median	2.0	(23.1)	(48.2)	(6.6)	(28.7)	(44.3)

Source: CFO Sim, Thomson Reuters Eikon

Applying a 25% discount to peer multiples (20% previously, mainly due the smaller size, the lack of decent stock liquidity on the back of the listing on the AIM Italia and to a certain extent an increase in execution risk considering the FY-18 result miscue vs. our estimates) on peer average multiples for EV/EBITDA to Monnalisa metrics we attain an **equity value of Monnalisa of € 62.6m, or € 12.00ps**, 41.2% upside, using 2019-21 estimates and multiples (40-35-25% weighted respectively), **in order to consider in the valuation part of the upside stemming from the retail development plan.**

As from 2019 we estimate an acceleration in margin expansion and free cash flow generation on the back of the aforementioned development of the retail channel.



Table 8 - Monnalisa, equity assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Monnalisa metrics	53.0	57.8	63.2	6.2	7.3	9.3
Multiple, median	2.11	1.99	1.84	12.0	10.7	9.8
Enterprise Value	84.0	86.1	87.3	55.5	58.8	68.4
Net Financial Position	2.2	4.2	8.0	2.2	4.2	8.0
Pension Provisions	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Equity Value	84.5	88.7	93.6	56.0	61.4	74.7
Equity Value/share €	16.10	16.90	17.90	10.70	11.70	14.30

Source: CFO Sim, Thomson Reuters Eikon

Table 9 - Monnalisa, equity assessment, 2#3

€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Monnalisa metrics	2.5	3.5	5.4	1.6	2.3	3.7
Multiple, median	16.5	15.0	13.1	22.7	22.4	20.2
Enterprise Value	31.1	39.2	52.8	26.5	38.7	55.9
Net Financial Position	2.2	4.2	8.0			
Pension Provisions	(1.6)	(1.6)	(1.6)			
Equity Value	31.6	41.8	59.1	26.5	38.7	55.9
Equity Value/share €	6.00	8.00	11.30	5.10	7.40	10.70

Source: CFO Sim, Thomson Reuters Eikon

Table 10 - Monnalisa, equity value assessment, 3#3

€ m	FY1	FY2	FY3
Equity Value based on EV/EBITDA	56.0	61.4	74.7
Weighting	40.0%	35.0%	25.0%
EV/EBITDA	62.59		
Per share €	12.00		
% upside/(downside)	41.2%		

Source: CFO Sim, Thomson Reuters Eikon

DCF

In the valuation via the DCF method, we assess explicit estimates until 2023 and cautious long term growth of 1.0%. Cash flows are discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 11 - WACC derived from:

Interest costs, pre-tax	1.0%
Tax rate	26.0%
Inf. costs, after taxes	0.7%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	2.50%
Beta levered (x)	1.02
Required ROE	11.7%

Source: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all AIM Italia market segment related concerns and disquiets that an investor might have. **Beta at 1.02** has been calculated taking peer group specific unlevered beta for each competitor, then **leveraging it for Monnalisa 20/80 debt/equity long-term structure**. The WACC is accordingly computed using 20/80% debt/equity long term sustainable balance sheet structure.

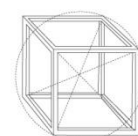


Table 12 - Monnalisa, DCF model

€ k	2019e	2020e	2021e	2022e	2023e	Term. Val.
EBIT	2.5	3.5	5.4	7.1	9.3	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
Operating profit (NOPAT)	1.9	2.6	4.0	5.3	6.9	
Change working capital	(1.1)	(1.5)	(2.4)	(2.8)	(0.1)	
Depreciation	3.6	3.8	3.9	3.9	1.6	
Investments	(4.6)	(3.0)	(1.8)	(1.6)	(1.6)	
Free Cash Flows	(0.2)	1.9	3.7	4.8	6.8	80.8
Present value	(0.2)	1.6	2.9	3.4	4.5	53.0
WACC	9.5%	9.5%	9.5%	9.5%	9.5%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 13 – Monnalisa, DCF derived from:

€ m	
Total EV present value € m	65.2
	<i>thereof terminal value</i>
	81.2%
NFP FY-18	2.3
Pension provision FY-18	(1.6)
Equity value € m	65.9
#m shares	5.24
Equity value €/s	12.60
<i>% upside/(downside)</i>	48.2%

Source: CFO Sim

The outcome of our DCF model set up an equity value of € 65.9m for Monnalisa, 12.60/s.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value/s of between **€ 11.70-13.64m (perpetuity range of between 0.25% and 1.75%)**, while 2) compared to changes in the free risk rate produces an equity value/s of **€ 11.64-13.68m (free risk range of between 3.25% and 1.75%)** and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of **€ 10.77-15.02m (risk premium range of between 10.50%% and 7.50%)**.

Table 14 – Monnalisa, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	12.3	12.3	12.3	12.3	12.3	12.3	12.3
PV of terminal value	48.3	49.8	51.3	53.0	54.7	56.5	58.5
Total value	60.6	62.1	63.6	65.2	67.0	68.8	70.8
NFP FY-18	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Pension provision FY-18	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Equity value	61.3	62.7	64.3	65.9	67.6	69.5	71.4
Equity value/share €	11.70	11.98	12.27	12.60	12.92	13.27	13.64

Source: CFO Sim

Table 15 – Monnalisa, equity value sensitivity to changes in free risk rate

€ m	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
Present value of CF	12.5	12.4	12.4	12.3	12.2	12.1	12.0
PV of terminal value	58.4	56.5	54.7	53.0	51.3	49.7	48.2
Total value	71.0	68.9	67.0	65.2	63.5	61.9	60.3
NFP FY-18	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Pension provision FY-18	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Equity value	71.6	69.6	67.7	65.9	64.2	62.5	60.9
Equity value/share €	13.68	13.30	12.93	12.60	12.26	11.94	11.64

Source: CFO Sim

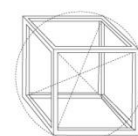


Table 16 – Monnalisa, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	12.8	12.6	12.4	12.3	12.1	12.0	11.8
PV of terminal value	65.2	60.7	56.6	53.0	49.7	46.7	43.9
Total value	78.0	73.3	69.0	65.2	61.8	58.6	55.7
NFP FY-18	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Pension provision FY-18	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Equity value	78.7	73.9	69.7	65.9	62.4	59.3	56.4
Equity value/share €	15.02	14.12	13.31	12.60	11.93	11.32	10.77

Source: CFO Sim

Peer stock performance

Adopting the same approach used in setting up the peer sample for assessing the value of Monnalisa, we defined a panel of ten companies operating in the luxury and fashion arena.

Table 17 - Monnalisa, peer group absolute performance

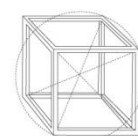
	1D	1W	1M	3M	6M	YTD	1Y
Brunello Cucinelli SpA	(3.0)	(3.1)	(5.5)	(8.4)	(4.0)	0.3	5.9
Burberry Group PLC	(2.1)	(3.2)	(3.0)	2.9	1.9	9.4	7.3
Capri Holdings Ltd	1.9	(1.3)	(10.3)	(8.6)	(14.0)	13.6	(30.9)
Hugo Boss AG	(2.5)	(4.1)	0.0	(6.2)	(4.5)	10.5	(20.5)
Kering SA	(2.7)	(3.6)	(6.3)	13.9	23.1	21.9	12.3
Moncler SpA	(0.4)	(2.5)	(2.4)	6.4	12.9	22.8	(2.7)
Prada SpA	0.0	1.3	0.7	(14.9)	(25.1)	(10.3)	(49.2)
Ralph Lauren Corp	1.0	(4.7)	(0.7)	0.1	(4.9)	21.5	14.4
Salvatore Ferragamo SpA	(2.6)	(4.2)	(5.9)	7.3	(7.8)	6.7	(24.4)
Tod's SpA	(1.3)	(1.3)	5.6	5.5	(11.1)	5.2	(30.8)
Median	(1.7)	(3.2)	(2.7)	1.5	(4.7)	10.0	(11.6)
Monnalisa SpA	1.2	0.0	5.6	(4.9)	(18.3)	(10.5)	n.a.

Source: Thomson Reuters Eikon

Risks

The principal investment **risks** in Monnalisa include:

- delays in the internationalisation process (DOS openings);
- wholesale value of production development;
- net working capital management, in particular for inventories;
- competition in mature markets, which might put margins or top line developments under pressure;
- impact on economics and balance sheet profile triggered by a deep decline in global economic growth;
- change in client preferences and fashion trends;
- the departure of one of few key relevant people.

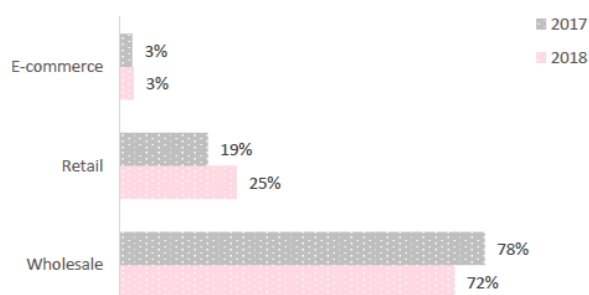


The company at a glance

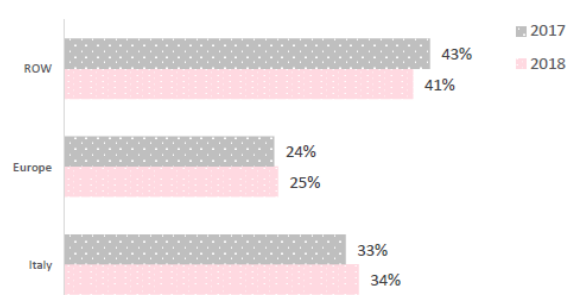
Founded in 1968 by Piero Iacomoni and Barbara Bertocci in the fashion and creative centre of Italy, Monnalisa is specialised in high-end childrenswear (0-16 years) through its own proprietary brands. The philosophy of Monnalisa is the creation of a lifestyle identity, offering a complete range of products from apparel to footwear, from accessories to cosmetics and furniture. At the end of 2018, Monnalisa acted worldwide in more than 60 countries through 42 direct stores and over 750 multibrand stores. The company sells via three distribution channels:

- Wholesale, 72% of top line in FY-18. Monnalisa conducts a strict selection of stores considering location, visibility and coherence of the store with the Monnalisa brand identity. This includes Wholesale retail, namely monobrand stores in partnership (Third Party Operated Stores – TPOS) and located in top department stores (Third Party Shop In Shop – TPSIS).
- Retail, 25% of top line. Monnalisa sells directly to the final customer through its directly owned stores: Directly Operated Stores (DOS) and Directly Operated Outlets (DOO), totalling 42 stores at end-18.
- E-commerce, 3% of top line. Monnalisa sells its products online through its own monobrand online boutique. Direct e-commerce accounts for 3% of total sales.

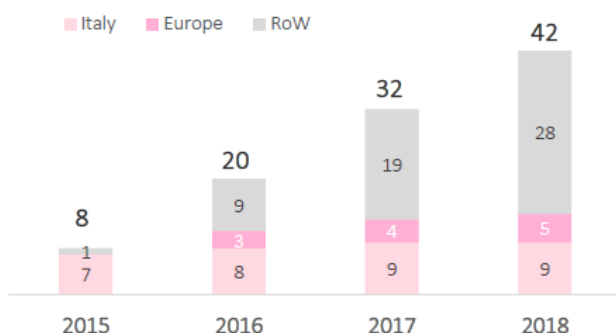
FY-18 vs FY-17 channel contribution...



... and revenues by geography



2015-18 retail evolution



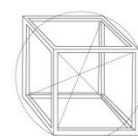
Group structure



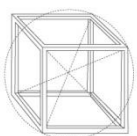
Peers group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Brunello Cucinelli SpA	3.42	3.13	2.90	19.8	17.9	16.6	27.2	24.6	22.9
Burberry Group PLC	2.57	2.49	2.32	12.1	11.6	10.5	15.7	15.2	13.7
Capri Holdings Ltd	1.69	1.38	1.18	7.9	7.0	5.8	9.8	8.9	7.3
Hugo Boss AG	1.42	1.34	1.27	7.8	7.1	6.5	11.0	10.0	9.1
Kering SA	4.06	3.63	3.30	12.2	10.8	9.7	13.7	12.0	10.8
Moncler SpA	5.21	4.52	3.99	15.0	12.9	11.2	17.2	14.8	12.8
Prada SpA	2.08	1.96	1.80	11.2	9.9	8.8	18.5	15.6	13.3
Ralph Lauren Corp	1.40	1.38	1.33	8.9	8.4	7.8	12.5	11.7	10.7
Salvatore Ferragamo SpA	2.14	2.02	1.88	13.5	12.0	10.6	19.2	16.7	14.7
Tod's SpA	1.44	1.38	1.34	11.9	10.7	10.0	19.8	16.9	15.4
Median	2.11	1.99	1.84	12.0	10.7	9.8	16.5	15.0	13.1
Monnalisa SpA	0.80	0.70	0.58	6.9	5.5	3.9	16.8	11.5	6.8

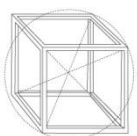
Source: CFO Sim, Thomson Reuters Eikon



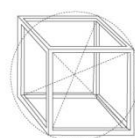
This page has been intentionally left blank



This page has been intentionally left blank



Income statement (€ m)	2017	2018	2019e	2020e	2021e
Sales	47.0	49.1	53.0	57.8	63.2
Value of Production	51.4	52.7	54.0	58.8	64.4
Raw material and processing	(15.6)	(14.4)	(14.0)	(14.7)	(15.4)
Services	(16.2)	(16.2)	(16.3)	(17.4)	(18.1)
Personnel expenses	(8.7)	(10.6)	(12.1)	(14.1)	(15.8)
Other opex	(4.1)	(6.2)	(5.4)	(5.3)	(5.8)
EBITDA	6.8	5.3	6.2	7.3	9.3
D&A	(2.8)	(3.2)	(3.6)	(3.8)	(3.9)
EBIT	4.1	2.1	2.5	3.5	5.4
Financials	(0.9)	(0.4)	(0.4)	(0.4)	(0.4)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	3.1	1.7	2.1	3.1	5.0
Income taxes	(0.9)	(0.4)	(0.5)	(0.8)	(1.3)
Minorities	(0.0)	(0.0)	0.0	0.0	0.0
Net Profit	2.2	1.3	1.6	2.3	3.7
EBITDA adj.	7.6	7.3	7.1	8.2	9.7
Net Profit adj.	2.9	2.8	2.3	3.0	4.0
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	18.3	21.3	22.4	23.9	26.3
Net Fixed Assets	17.9	23.6	24.5	23.7	21.6
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	1.2	0.2	(0.1)	(0.5)	(0.9)
Net Invested Capital	37.4	45.1	46.8	47.1	47.0
Net Financial Debt	8.2	(2.3)	(2.2)	(4.2)	(8.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	29.2	47.4	48.9	51.2	54.9
Financial Liabilities & Equity	37.4	45.1	46.8	47.1	47.0
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	2.2	1.3	1.6	2.3	3.7
Depreciation	2.8	3.2	3.6	3.8	3.9
Other non-cash charges	(2.5)	(0.0)	0.3	0.2	0.2
Cash Flow from Oper. (CFO)	2.5	4.5	5.5	6.3	7.7
Change in NWC	(3.9)	(3.0)	(1.1)	(1.5)	(2.4)
FCF from Operations (FCFO)	(1.5)	1.5	4.5	4.8	5.3
Net Investments (CFI)	(4.9)	(8.8)	(4.6)	(3.0)	(1.8)
Free CF to the Firm (FCFF)	(6.3)	(7.3)	(0.2)	1.8	3.5
CF from financials (CFF)	5.1	18.0	0.3	1.2	1.4
Free Cash Flow to Equity (FCFE)	(1.2)	10.8	0.2	3.1	5.0
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA margin	13.3%	10.1%	11.4%	12.4%	14.4%
EBITDA adj. margin	14.7%	13.8%	13.2%	13.9%	15.1%
EBIT margin	7.9%	4.1%	4.7%	5.9%	8.4%
Net profit margin	4.4%	2.4%	2.9%	3.9%	5.7%
Net profit adj. margin	5.6%	5.3%	4.3%	5.1%	6.3%
Tax rate	28.4%	24.5%	26.0%	26.0%	26.0%
Op NWC/Sales	35.7%	40.4%	41.5%	40.5%	40.8%
Interest coverage x	0.23	0.21	0.17	0.11	0.08
Net Debt/EBITDA x	1.20	(0.43)	(0.35)	(0.57)	(0.86)
Debt-to-Equity x	0.28	(0.05)	(0.04)	(0.08)	(0.15)
ROIC	6.0%	2.9%	3.3%	4.9%	7.8%
ROCE	9.2%	3.4%	3.8%	5.0%	7.2%
ROACE	10.0%	4.0%	3.9%	5.1%	7.5%
ROE	7.7%	2.7%	3.2%	4.5%	6.7%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2017	2018	2019e	2020e	2021e
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 €	0.43	0.25	0.30	0.44	0.70
EPS adjusted FD €	0.55	0.53	0.44	0.57	0.77
EBITDA €	1.30	1.02	1.17	1.39	1.77
EBIT €	0.78	0.41	0.48	0.66	1.03
BV €	5.58	9.05	9.35	9.79	10.49
FCFO €	(0.28)	0.28	0.85	0.92	1.01
FCFF €	(1.21)	(1.39)	(0.03)	0.35	0.68
FCFE €	(0.23)	2.06	0.03	0.58	0.95
Dividend €	0.00	0.00	0.00	0.00	0.00



ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

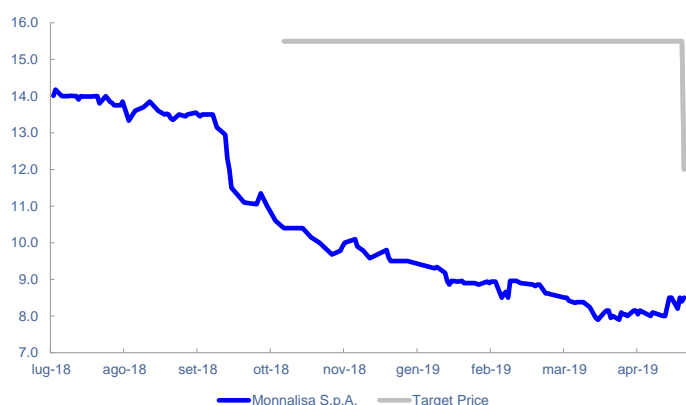
DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. The analyst is an ordinary member of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document be held liable (culpably or otherwise) for damage stemming from use of the information or opinions set out therein. The purpose of this document is solely informative. The document cannot be reproduced directly or indirectly and redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to observe the constraints indicated above.

CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, with a frequency depending on circumstances considered to be important (corporate events and changes of recommendation, etc.). CFO SIM acts as a NOMAD, Specialist and Corporate Broker for Monnalisa stock, listed on AIM Italia. The next table shows the ratings issued on the stock in the last 12 months.



DATE	TARGET PRICE	RATING
10/05/2019	€12.00	BUY
31/10/2018	€15.50	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format at CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or in Borsa Italiana's Internet site.

RATING SYSTEM

- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- 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% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. 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.

