Italy – Fashion	First tangible results of the new strategy

28th April 2022

FY-21 RESULTS RELEASE

RIC: MONNA.MI
BBG: MNL IM

FY-21 results exceeded our profitability estimates and showed first tangible results of the new strategy aimed at the reorganisation of the retail structure and the use of licensing agreements. The second part of the year showed a significant recovery of the business as well as some cash flow generation. Monnalisa is going in the right direction.

Rating:
Buy (Neutral)

Price Target:
€ 5.00 (€ 4.50)

Upside/(Downside): 45.8%

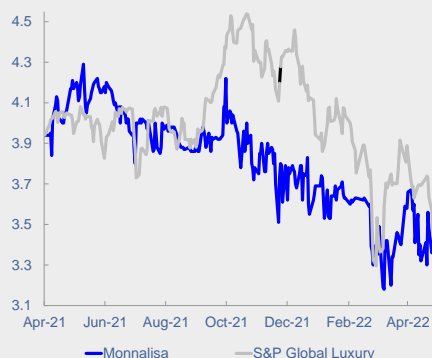**Last Price: € 3.43**

Market Cap.: € 18.1m

1Y High/Low: € 4.43 / € 3.07

Avg. Daily Turn. (3M, 6M): € 5k, € 9k

Free Float: 25.2%

Major shareholders:
Jafin Due   74.5%

(Stock price chart: Monnalisa vs S&P Global Luxury, Apr-21 to Apr-22)

Stock price performance

	1M	3M	12M
Absolute	-4.2%	-6.0%	-17.7%
Rel.to FTSE IT Growth	0.0%	1.5%	-27.6%
Rel.to Sector	7.0%	6.5%	-3.4%

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The new strategy is bringing tangible results: rating up to Buy, 45.8% upside
Despite the persistence of the pandemic, in 2021 Monnalisa reported significantly growing results, aligned with our expectation in terms of revenues. The increase in top line was driven by a robust recovery of both retail and wholesale channels, while the online channel showed an outstanding growth rate. Moreover, margins came in significantly higher than our projection primarily thanks to increasing revenues, which allowed for a better absorption of overhead costs, as well as a successful strategy aimed at reducing operating expenses. The new strategy aimed at the reorganisation of the retail structure and the use of licensing agreements is bearing its first tangible results. Following FY-21 results we have fine-tuned our estimates also on the back of a few uncertainties on Eastern European markets and in China, which could jeopardise the full recovery of the market in the short term. We have also introduced 2024 estimates and updated our DCF-based PT to € 5.00 (€ 4.50), 45.8% upside: rating up to Buy (Neutral).

**Turnover soared by 30%, broadly in line with our forecast**
Total revenues increased to € 43.7m, up 29.7% YoY, broadly in line with our € 42.5m projection. The E-commerce channel jumped to € 3.0m (vs € 1.8m in 2020, 69.5% YoY), thanks to both significant technological efforts aimed at supporting the digital platform and a more targeted marketing and communication campaign. The Wholesale channel, despite the continuing difficult situation related to the pandemic, went up more than 20% YoY to € 26.7m. The retail channel, contributing one-third of total revenues, soared by 45.5% to € 14.0m, which highlights a strong recovery after 2020. Moreover, Monnalisa proceeded with its strategy focused on the retail channel's profitability, closing stores with unsatisfactory profitability in favour of opening new stores with a potentially higher return profile.

Adjusted EBITDA positive by € 2.0m, NFP improved YoY
Following a harsh 2020, in 2021 EBITDA turned positive by € 0.2m, from negative € 6.5m in 2020, significantly better than our € 1.0m negative forecast. EBITDA adjusted, which stood at € 2.0m, is restated for stores' openings and closure expenditures as well as one-off costs incurred during the year. The aforementioned increase in profitability is primarily due to growing sales and a rigorous spending review strategy. EBIT came in at € -3.2m, while EBIT adjusted was € -1.1m. Bottom line amounted to € 1.9m negative (positive for € 0.2m considering the adjustments), higher than our estimate thanks to better than expected EBITDA. Net Financial Position reached € 7.8m (vs € 8.0m in FY-20) and better than our € 9.2m estimate on the back of € 1.5m Operating CF, stemming from a better Net Profit coupled with wiser WC management and a lower than expected CAPEX.

Monnalisa, key financials and ratios

| € m	2020	2021	2022e	2023e	2024e
Sales	33.6	43.7	51.0	55.1	58.2
EBITDA adj.	(2.2)	2.0	3.0	4.0	5.0
EBITDA	(6.5)	0.2	3.0	4.0	5.0
EBIT	(7.4)	(3.2)	(0.2)	1.7	2.9
Net profit adj.	(4.3)	(0.4)	(0.5)	1.0	2.0
Net profit	(7.8)	(1.9)	(0.5)	1.0	2.0
NFP (cash)/debt	8.0	7.8	7.4	5.4	2.6
EBITDA margin	-19.8%	0.4%	5.9%	7.3%	8.5%
EPS adj.	(0.82)	(0.08)	(0.09)	0.19	0.38
EPS adj. growth	n.m.	-90.1%	n.m.	n.m.	101.3%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
ROCE	n.m.	n.m.	n.m.	3.4%	5.8%
NWC/Sales	51.0%	36.4%	36.2%	36.2%	36.3%
Free Cash Flow Yield	-21.7%	7.1%	1.5%	10.4%	15.0%
PER x	neg.	neg.	neg.	18.0	8.9
EV/Sales x	0.78	0.65	0.50	0.43	0.36
EV/EBITDA x	neg.	160.8	8.5	5.8	4.2
EV/EBIT x	neg.	neg.	neg.	14.0	7.0
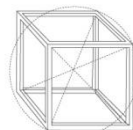
The company at a glance

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 2021, Monnalisa operated worldwide in more than 60 countries through 51 direct stores and almost 500 multibrand stores. The company sells via three distribution channels:

➤ Wholesale, 61% of top line in FY-21. 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 located in top department stores (Third Party Shop In Shop – TPSIS).

➤ Retail, 32% 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 end-21.

➤ Direct e-commerce, 7% of top line. Monnalisa sells its products online through its own monobrand online boutique.
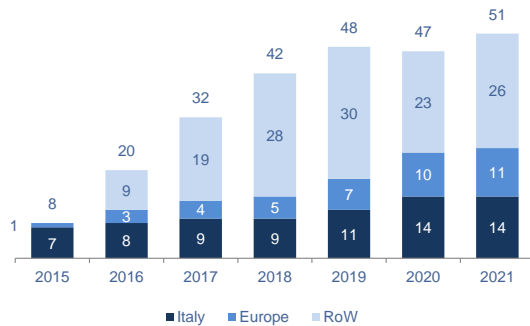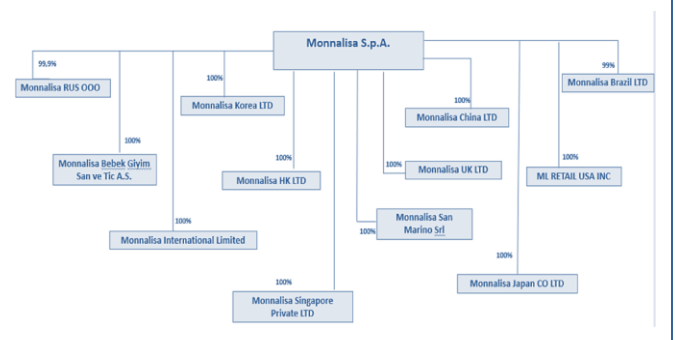
FY-21 vs FY-20 channel contribution…
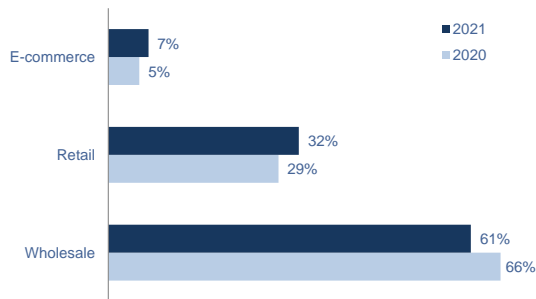
## … and revenues by geography
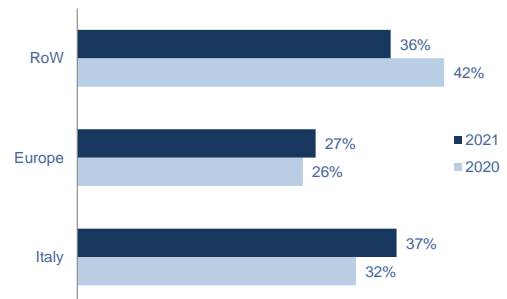
## 2015-2021 retail evolution

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	4.60	4.26	3.89	16.4	15.3	14.1	36.2	32.3	28.1
Burberry Group PLC	1.79	1.67	1.52	6.8	6.2	5.6	9.9	9.3	8.1
Capri Holdings Ltd	1.47	1.30	0.96	6.5	5.6	4.2	7.8	6.8	5.0
Hugo Boss AG	1.35	1.28	1.11	6.7	6.2	5.4	15.6	13.1	10.2
Kering SA	3.30	2.80	2.53	9.2	7.8	6.9	11.5	9.6	8.6
Moncler SpA	5.18	4.55	4.03	12.9	11.2	9.7	17.3	15.0	13.1
Prada SpA	4.02	3.49	3.36	12.8	10.7	10.0	24.5	18.8	14.8
Ralph Lauren Corp	1.02	1.01	0.97	6.0	5.8	5.5	7.7	7.4	7.0
Salvatore Ferragamo SpA	2.22	1.79	1.89	9.2	7.0	7.1	22.5	15.8	15.1
Tod's SpA	1.76	1.67	1.46	8.7	7.8	6.3	n.m.	n.m.	n.m.
Median	**2.00**	**1.73**	**1.71**	**8.9**	**7.4**	**6.6**	**15.6**	**13.1**	**10.2**
Monnalisa SpA	**0.50**	**0.43**	**0.36**	**8.5**	**5.8**	**4.2**	**neg.**	**14.0**	**7.0**

Source: CFO Sim, Thomson Reuters Eikon
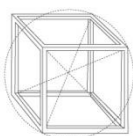
Income statement (€ m)	2020	2021	2022e	2023e	2024e
Sales	33.6	43.7	51.0	55.1	58.2
Value of Production	33.0	44.1	51.3	55.4	58.5
Raw materials	(10.9)	(12.1)	(13.6)	(14.7)	(15.4)
Services	(12.1)	(13.2)	(15.1)	(16.2)	(17.0)
Use of third-party assets	(5.7)	(6.7)	(7.2)	(7.8)	(8.2)
Personnel expenses	(9.5)	(10.8)	(11.5)	(11.8)	(12.0)
Other opex	(1.4)	(1.1)	(0.9)	(0.9)	(1.0)
EBITDA	(6.5)	0.2	3.0	4.0	5.0
D&A	(0.9)	(3.4)	(3.2)	(2.4)	(2.0)
EBIT	(7.4)	(3.2)	(0.2)	1.7	2.9
Financials	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)
Re/(Deval.) of fin. assets	0.0	0.0	0.0	0.0	0.0
FX profit/(loss)	(0.9)	0.7	0.0	0.0	0.0
Pre-Tax profit	(8.7)	(3.0)	(0.5)	1.3	2.6
Income taxes	0.9	1.1	0.0	(0.3)	(0.6)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(7.8)	(1.9)	(0.5)	1.0	2.0
EBITDA adj.	(2.2)	2.0	3.0	4.0	5.0
Net Profit adj.	(4.3)	(0.4)	(0.5)	1.0	2.0

Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	16.8	16.0	18.6	20.0	21.3
Net Fixed Assets	22.3	21.1	18.4	16.5	15.0
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(0.6)	0.2	(0.6)	(1.1)	(1.6)
Net Invested Capital	38.5	37.4	36.4	35.4	34.7
Net Financial Debt	8.0	7.8	7.4	5.4	2.6
Minorities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Group's Shareholders Equity	30.5	29.5	29.1	30.1	32.1
Financial Liabilities & Equity	38.5	37.4	36.4	35.4	34.7

Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	(7.8)	(1.9)	(0.5)	1.0	2.0
Depreciation	0.9	3.4	3.2	2.4	2.0
Other non-cash charges	1.0	(0.8)	0.6	0.5	0.4
Cash Flow from Oper. (CFO)	(5.9)	0.7	3.3	3.8	4.5
Change in NWC	3.3	0.8	(2.5)	(1.4)	(1.2)
FCF from Operations (FCFO)	(2.6)	1.5	0.8	2.4	3.2
Net Investments (CFI)	(1.4)	(0.2)	(0.5)	(0.5)	(0.5)
Free CF to the Firm (FCFF)	(3.9)	1.3	0.3	1.9	2.7
CF from financials (CFF)	(0.3)	(0.8)	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	(4.3)	0.5	0.3	1.9	2.7

Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	-19.8%	0.4%	5.9%	7.3%	8.5%
EBITDA adj. margin	-6.7%	4.6%	5.9%	7.3%	8.5%
EBIT margin	-22.5%	-7.3%	-0.3%	3.0%	5.0%
Net profit margin	-23.6%	-4.3%	-0.9%	1.8%	3.4%
Net profit adj. margin	-13.1%	-1.0%	-0.9%	1.8%	3.4%
Tax rate	10.7%	36.2%	6.9%	25.1%	22.6%
Op NWC/Sales	51.0%	36.4%	36.2%	36.2%	36.3%
Interest coverage x	(0.05)	(0.13)	(1.92)	0.20	0.11
Net Debt/EBITDA x	(1.23)	44.48	2.45	1.33	0.52
Debt-to-Equity x	0.26	0.26	0.25	0.18	0.08
ROIC	-20.2%	-5.1%	-1.3%	2.8%	5.8%
ROCE	n.m.	n.m.	n.m.	3.4%	5.8%
ROACE	-14.0%	-6.7%	-0.4%	3.5%	5.9%
ROE	-25.5%	-6.4%	-1.6%	3.3%	6.3%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

| Per share figures	2020	2021	2022e	2023e	2024e
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 €	(1.49)	(0.36)	(0.09)	0.19	0.38
EPS adjusted FD €	(0.82)	(0.08)	(0.09)	0.19	0.38
EBITDA €	(1.25)	0.03	0.57	0.77	0.95
EBIT €	(1.42)	(0.62)	(0.03)	0.32	0.56
BV €	5.83	5.64	5.55	5.74	6.12
FCFO €	(0.49)	0.29	0.15	0.45	0.62
FCFF €	(0.75)	0.24	0.05	0.36	0.52
FCFE €	(0.82)	0.09	0.05	0.36	0.52
Dividend €	0.00	0.00	0.00	0.00	0.00
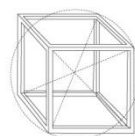
Monnalisa in a nutshell

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 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.

Monnalisa's core skill is its proven ability to provide quality, fashionable and highly identifiable products to 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 design to prototype creation and **outsourced every low value-added non-strategic phase of the production process**. Moreover, in order to guarantee high-quality finished products, Monnalisa pays particular attention to quality control of raw materials and fabric cutting.

Monnalisa operates worldwide in more than 60 countries through 51 direct stores and almost 500 multibrand stores (figures at end-2021). With net revenues at € 43.7m in 2021, **Monnalisa is the fifth Italian childrenswear player operating worldwide in the high-end market segment**. The company sells via three distribution channels:

➢ **Wholesale, 61% of top line.** Monnalisa sells to almost 500 independent multibrand stores worldwide on the most prestigious shopping streets. Monnalisa conducts a strict selection of the stores considering location, visibility and their consistency with the Monnalisa brand identity. Monnalisa has control of merchandising while store management is entrusted to third parties.

➢ **Retail, 32% of top line.** Monnalisa sells directly to end customers through its directly owned stores: Directly Operated Stores (DOS) and Directly Operated Outlets (DOO), totalling 51 stores at end-21.

➢ **Direct e-commerce, 7% of top line.** Monnalisa sells its products online through its own monobrand online boutique.

Chart 1 – Monnalisa, 2020-21 revenue breakdown by channel and by geography
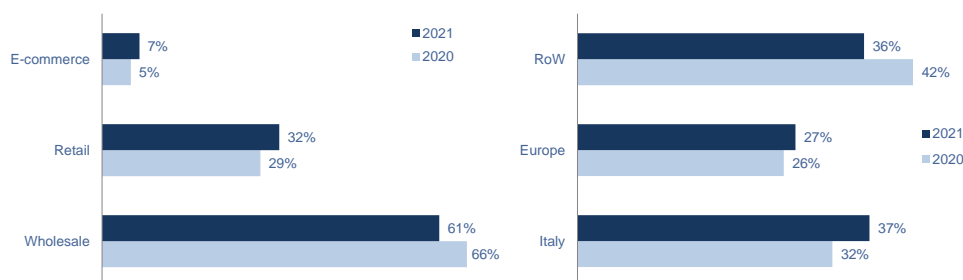
Source: Company data

Monnalisa has a wide **global presence**, operating in over 60 countries**: Italy** accounts for **37%** of top line, **Europe 27%** and **Rest of the World 36%**. In particular, in order to boost its internationalisation, **Monnalisa controls 12 foreign subsidiaries in key strategic countries** such as Hong Kong, Russia, USA, Turkey, China, Singapore, 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.

➢ **Europe**: 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.
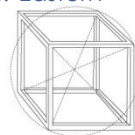
In terms of products, revenues have definitely shifted to apparel, accounting for almost all of last year's total.

The significantly higher returns of Directly Operated Stores prompted Monnalisa to progressively continue increasing the number of DOS and DOO as in recent years.
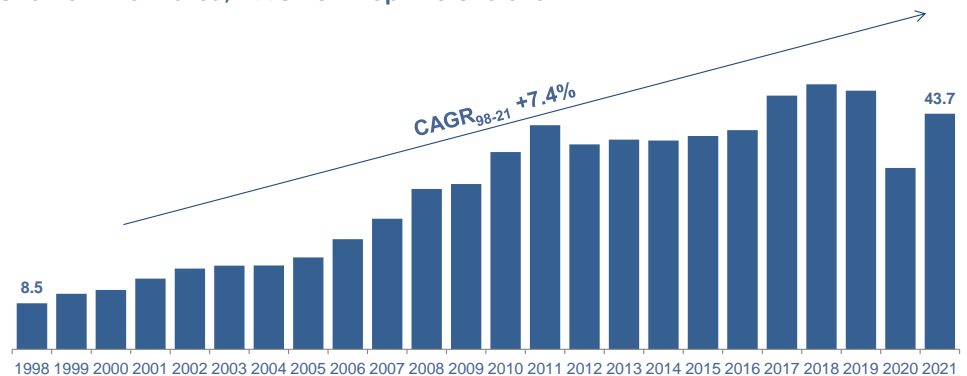
Chart 2 – Monnalisa, recent evolution in retail number of DOS and DOO
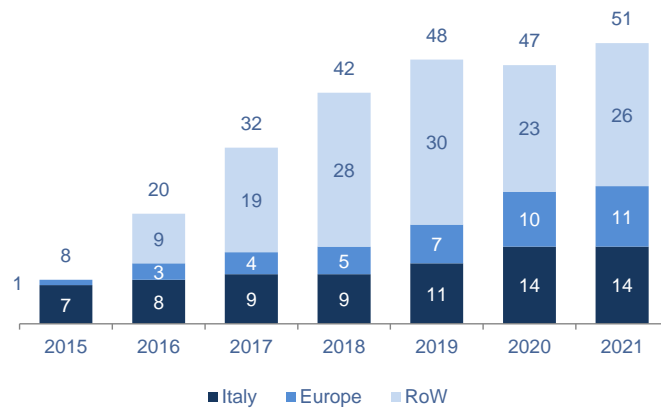
Source: Company data

The company has been growing significantly since its establishment: Monnalisa has shown **significant stable growth over the last 20 years**, with a **$CAGR_{98-21}$ of 7.4%.**
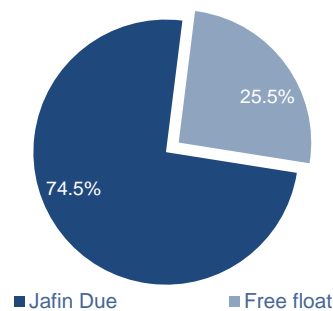
**Chart 3 – Monnalisa, 1998-2021 top line evolution**

Source: Company data

A successful IPO was completed in July 2018, which mainly consisted of a primary **offering** to professional investors, for some 95% of the total. Jafin Due, a holding company fully owned by the founding family, currently owns 74.5% of Monnalisa.

Chart 4 – Monnalisa, shareholder structure


Source: Company data
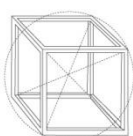
The reference market & competitive environment

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. Its target customers are 'aspirational consumers'.

The childrenswear market can be divided into four segments: high-end, premium, medium and low cost. Their contribution to growth on the overall market is different based on the type of segment: 2021 was characterised by a strong performance of high-end and a slowdown of premium, medium and low cost.

The out-performance of the luxury segment vs. the global market is evident considering a 2Y time horizon. However, the long-term positive trend in the luxury industry has been disproved only in the short run by a weaker performance recorded by the **luxury market index (-6.5%)** vs. the **global market (+2.1%)** in the last year: the turmoil linked to the war in the Ukraine has prompted expectations as to a recovery in consumer spending on luxury goods only in the medium term.

**Chart 5 – Monnalisa, luxury market index versus MSCI World 2 and 1 year**
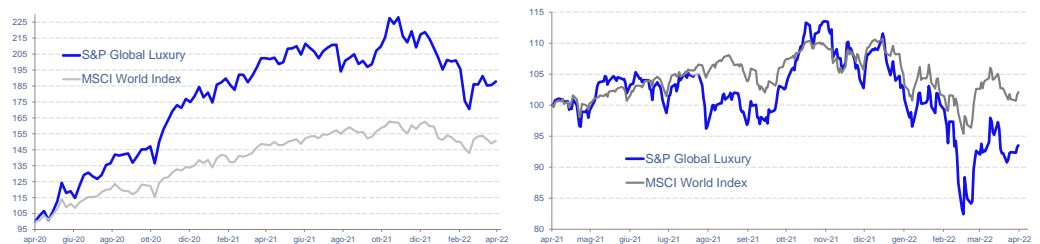

Source: Thomson Reuters Eikon

In the last twenty years, the global personal luxury goods market has recorded mid-single digit growth, showing a **$CAGR_{00-21e}$ of +5.4%.** The value of the **global luxury goods** market is anticipated to reach **€ 283bn in 2021, up 29% YoY and broadly in line with 2019** after the dramatic decline reported in 2020 due to the COVID-19 pandemic (-22% YoY). According to Bain – Altagamma, the 2021 V-shape rebound is a strong predictor of the healthy growth of the luxury market in the medium-term: **in 2022 the market is expected to grow between 6.0% and 9.5%** reaching € 300-310bn, while in 2025 the market is expected to be in the range of € 360-380bn, growing with a **$CAGR_{21e-25f}$ between 6.2% and 7.6%.**

According to Altagamma, market recovery to pre-Covid levels is likely to happen in 2021, thanks to a V-shaped performance fostered by: 1) sustained macroeconomics and the easing of restrictions, 2) effective vaccination campaign worldwide 3) new customers entering the market 4) Ultra-High-Net-Worth Individuals' increased spending.

Chart 6 – Monnalisa, global personal luxury goods– Historical trend, 2021-2025 forecasts
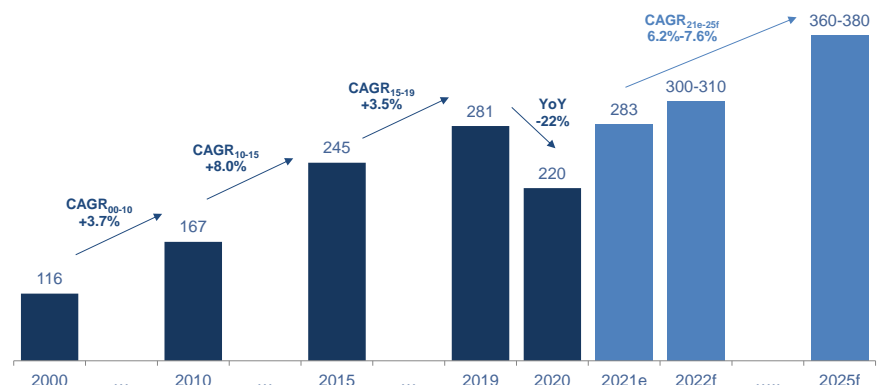
Source: Bain & Company – Altagamma 2021
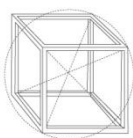
The forced lockdown has highlighted the relevance of digital channels worldwide: **the digitalisation of the entire value chain has become an urgent priority in the global fashion industry.** Several new innovative technologies, not necessarily used before the spread of coronavirus, are now adopted to set up virtual fashion shows and digital show rooms, sample sign-offs in sourcing offices, livestream commerce and design activities using the latest 3D design tools.

According to Bain & Company estimates, **in 2021, the online channel is anticipated to rise by 27% YoY to € 62bn** (22% of the market), **almost doubling its size compared to 2019**, when it was worth € 33bn.

Online and monobrand have been the key channels for the 2021 recovery and **will drive industry growth in the medium-term**. In particular, the online channel will account for 28-30% of the market in 2025 compared to 22% in 2021 and 12% in 2019, being well on track to become the main sales channel within the personal luxury goods market. The monobrand channel is expected to remain a key sales channel, accounting for 26-28% of the market in 2025, although it needs to be reimagined in a phygital ecosystem.

On the other hand, in 2021 the **department stores and speciality** channels have regained footfall thanks to the loosening of restrictions, albeit behind the pre-pandemic levels. These channels **are expected to decline in the coming years**, accounting for 10-12% of the market each in 2025, compared to 18% and 20% in 2019, respectively.

The travel retail and outlet channels are expected to grow in the coming years, prompted by the resumption of touristic flows and the Chinese middle-class purchases.

Chart 7 – Monnalisa, global personal luxury goods by channel (€ bn)
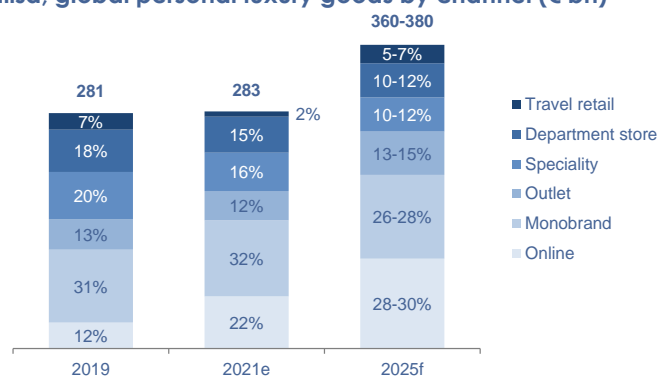
Source: Bain & Company – Altagamma 2021

It is possible to distinguish three macro trends in 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 increased investments in their own **e-commerce platforms**, thanks to the relevant growth perspectives of the global e-commerce retail market which is anticipated to increase by 27% in 2021.

Monnalisa operates as a leading player within the high-end childrenswear arena. Via its three channels (wholesale, retail and e-commerce), the company has a solid position in the Italian market as well as globally: Monnalisa products are available worldwide thanks to the group's DOS network and a strong wholesale channel. Monnalisa operates worldwide in over 60 countries and 63% of its revenues are generated outside Italy.
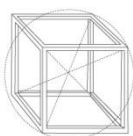
Italian Childrenswear Market

The Italian childrenswear market is highly concentrated with the first eight players accounting for 50% of the total. The remainder is represented by a very fragmented plethora of 800 small actors. The Italian market was worth **€ 1.78bn in 2020**, **after a decrease of 17.6% YoY because of the COVID-19 pandemic.** The CAGR of the last four years (2016-2020) was -5.5% but **the market is expected to rise by 3.9% in 2021**, reaching € 1.85bn. Overall, **the Italian childrenswear market is anticipated to grow at a 6.4% CAGR$_{20-23}$.** The high-end Italian childrenswear market was worth € 218m in 2020 (-22.1% YoY).

The market in Italy is characterised 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.

Table 1 – Monnalisa, 2018-20 high-end childrenswear ranking by market share in Italy

#	Company	2018	2019	2020	Var. bps 18-20
1	Brave Kid	6.10%	7.10%	8.50%	240
2	CWF Italia	6.00%	6.50%	7.30%	130
3	Moncler	7.10%	7.10%	6.90%	-20
4	Armani	5.90%	5.90%	6.40%	50
5	**Monnalisa**	**5.90%**	**5.60%**	**6.20%**	**30**
6	Dolce e Gabbana	6.30%	6.40%	6.00%	-30
7	Il Gufo	4.60%	4.20%	4.60%	0
8	Gimel	7.10%	3.70%	4.20%	-290
9	Liu Jo	3.70%	3.60%	3.80%	10

Source: Childrenswear Databank 2021

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. Thanks to its solid growth, **Monnalisa increased its market share from 5.9% to 6.2% in 2018-20** and is now **the fifth player in the Italian market.**

Table 2 – Monnalisa, 2019-23e Italian childrenswear sector by market segments

€ m	2019	2020	2021e	2022e	2023e	CAGR$_{20-23}$
Domestic market	**2,167**	**1,785**	**1,855**	**2,000**	**2,150**	**6.4%**
yoy		-17.6%	3.9%	7.8%	7.5%	
High-End	**280**	**218**	**232**	**252**	**270**	**7.4%**
% Domestic market	12.9%	12.2%	12.5%	12.6%	12.6%	
Premium	**136**	**108**	**112**	**120**	**131**	**6.6%**
% Domestic market	6.3%	6.1%	6.0%	6.0%	6.1%	
Medium	**581**	**485**	**496**	**533**	**575**	**5.8%**
% Domestic market	26.8%	27.2%	26.7%	26.7%	26.7%	
Low cost	**1,170**	**974**	**1,015**	**1,095**	**1,174**	**6.4%**
% Domestic market	54.0%	54.6%	54.7%	54.8%	54.6%	

Source: Childrenswear Databank 2021

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. Monnalisa's target customers are "aspirational consumers", always looking for innovative luxury products with high creativity and style.

Monnalisa's policy is to optimally **align the retail and wholesale pricing** in each geographical area. In the retail business (namely DOS), the company is progressively **reducing fire sales**, improving both its operating margins and brand image. Inventories are managed through Directly Operated Outlets strategically located in high traffic places.
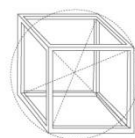
Chart 9 – Monnalisa, pricing and brand positioning

Source: Company data

Global Childrenswear Market

Revenues in the Children's Apparel segment are anticipated to reach € 240.0bn in 2021. The market is projected to grow annually by 7.0% (CAGR 2021-2025). In global comparison, the bulk of revenues is generated in the United States, i.e. € 43.8bn in 2021. In relation to total population figures, per person revenues of € 31.94 were generated in 2021. In the Children's Apparel segment, volume is expected to amount to 68,1bn pcs. by 2025.

The Children's Apparel segment is expected to show a volume growth of 6.7% in 2022. The average volume per person in the Children's Apparel segment is expected to amount to 7.7 pieces in 2021.

In 1988, Monnalisa started an internalisation process by selling its products to Paris, New York and London. Monnalisa operates worldwide thanks to almost 500 multibrand stores and 47 direct stores (data at end-2020). With consolidated net revenues of € 33.6m in 2020, Monnalisa is the **5th Italian player operating worldwide**, in the high-end childrenswear market. Monnalisa generates 68% of its revenues outside Italy (€ 22.9m in 2020).

Table 3 – Monnalisa, Italian company global rankings

| Ranking | Company Name | Revenues | | Delta % |
		2019	2020	
1	Moncler (Cons.)	80.0	75.0	-6.3%
2	Giorgio Armani (Cons.)	82.0	69.0	-15.9%
3	D&G (Cons.)	77.0	67.0	-13.0%
4	Brave Kid	42.3	42.9	1.4%
5	**Monnalisa (Cons.)**	**47.9**	**33.6**	**-29.9%**
6	Altana	33.1	29.0	-12.4%
7	Simonetta	23.5	21.0	-10.6%
8	Follie's Group	20.0	19.7	-1.5%
9	Il Gufo	20.9	18.0	-13.9%
10	Liu.Jo	18.2	17.5	-3.8%

Source: Childrenswear Databank 2021, data provided directly by the companies to Databank
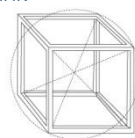
Strategy

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

In line with its growth path, Monnalisa's strategy is chiefly focused on:

- ➢ **Increasing international positioning:** Monnalisa has been increasing its international presence by entering new strategic markets such as Taiwan and Singapore, whilst further penetrating already covered areas such as China, characterised by high growth potential.

- ➢ **Boost Corporate Retail sales (from 32% in 2021 to around 34% in 2024e)**: over the last few years the company has invested € 8m in new buildings, including an automated warehouse, and reached 51 Direct Stores at the end of 2021 (5 new openings in 2021, in addition to 1 closure). In the medium term the Retail channel will improve the group's EBITDA margin. Monnalisa is going to continue with this policy, although during 2021 the company slowed down the openings strategy, also on the back of the COVID-19 pandemic.

- ➢ **E-commerce development:** Monnalisa is going to expand online retail e-commerce with a focus on specific boutiques for strategic countries (China and the Far East). Furthermore, the company implemented an Enterprise solution-based platform to better manage merchandising, new collections and semantic research tools. Monnalisa will also continue to invest in technology for data integration and strengthen commercial relationships, especially with 'e-tailers', enhancing inventory management. The company is integrating the online and offline selling process through investment in social platforms and dedicated Shop Assistant Apps in order to increase customer 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 the company'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 streamlining of the brand portfolio, already effective with the merger of all the product lines into 'Monnalisa', taking advantage of its visibility and awareness.

- ➢ **Selective licensing:** as in the case of the recent license agreement signed with Chiara Ferragni Kids, the company aims to add at most two other reasonably big brands to its business portfolio. This will allow it to 1) make better use of the current unexpressed capacity and resources (design, development, production, international distribution network, retailing and logistics), 2) increase turnover and profitability, 3) have access to a new customer cluster and 4) make use of and leverage their brand notoriety.

As highlighted before, the **Retail business is the channel with the highest profitability** (gross margin of roughly 73%), 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 some 70%, just slightly lower than Retail's. Wholesale has a gross margin of about 53%.
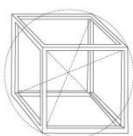
SWOT Analysis

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 achieving 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 use to its advantage.

> **Threats**: elements in the environment that could cause harm 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 60s/70ss using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS

- One of the few companies **specialising in the high-end childrenswear** niche
- **Complete strategic autonomy** thanks to the use of proprietary brands and selective licenses
- Monnalisa operates in the high-end segment being the company with the **best entry price among competitors**

WEAKNESSES

- **Limited size** in the international competitive arena
- Decisions are made by **few key figures**
- Its 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 of new DOS** may be difficult/delayed
- **Change** in customer preferences and **fashion trends**
- Significant slowdown in fashion & luxury consumption generated by the Covid-19 pandemic
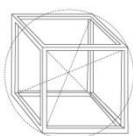
ESG Profile

Monnalisa has always paid close attention to *Corporate Social Responsibility* principles, drawing up sustainability reports since 2001. In addition, the company decided to publish its **Non-Financial Statements (NFS)** pursuant to Legislative Decree no. 254 /2016 on a voluntary basis from 2022, based on FY-21, drafted in accordance with the **GRI** (Global Reporting Initiative) **standards** and the **IIRC** (International Integrated Reported Council) **guidelines**. The *materiality analysis* applied to Monnalisa's business model allowed it to identify some topics to focus on: **Human Resources** (health and safety, working conditions, work-life balance, respect for human rights, diversity and equal opportunities), **Environment** (material sustainability), **Governance** (sustainability strategies) and **Product & Consumer Responsibility** (protection, health and safety, eco-design, product innovation). Moreover, the company's considerable ESG efforts have been confirmed by its decision to present the **2021-23 Sustainability Plan**, with a view to achieving some of the **United Nations' Sustainable Development Goals (SDGs).**

Chart 10 – Monnalisa, ESG Profile

Environmental	❑ 77% of the energy consumed stemming from renewable sources
	❑ ISO 14001-cerified environmental management system
	❑ 4 photovoltaic systems able to generate more than 15,500 kWh/month
	❑ 2021-23 Sustainability Plan:
	  ✓ increase the use of recyclable materials
	  ✓ halt the use of unnecessary plastic for packaging
	  ✓ map out all the raw materials used in the production process
	❑ ESG Rating: EE- (investment grade) assigned by Standard Ethics1

Social	❑ Monnalisa provides information about the composition of workforce ❑ Compliance with the social standards SA8000 (since 2001) and ISO 26000 ❑ ISO 9001, the international standard for quality management system ❑ Whistleblowing Procedure ❑ 2021-23 Sustainability Plan: ✓ reintroduce a corporate welfare program ❑ Suppliers' selection policy: specific contract terms to audit the suppliers' effective compliance with certain ethical and environmental standards
Governance	❑ Sustainability Reports since 2001 and Non-Financial Statement (NFS) pursuant to Legislative Decree no. 254 /2016 since 2022 voluntarily ❑ A dedicated team aimed at supervising the implementation of the 2021-23 Sustainability Plan ❑ Legality Rating: a score of ★★+ out of a maximum of "3 stars" assigned by the AGCM, the Italian Competition Authority ❑ Organisational Model pursuant to Legislative Decree no. 231/2001 ❑ Code of Ethics ❑ List voting: 5% ❑ 5 members in the BoD, 2 Independent Directors

Source: CFO Sim analysis on company data
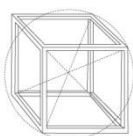
FY-21 results

Despite the persistence of the pandemic, in 2021 Monnalisa reported significantly growing results, aligned with CFO Sim's expectation in terms of revenues. The increase in top line was driven by a robust recovery in both retail and wholesale channels, while the online channel showed an outstanding growth rate. Moreover, margins came in significantly higher than our projection primarily thanks to increasing revenues, which allowed for a better absorption of overhead costs, as well as a successful strategy aimed at reducing operating expenses.

Table 4 – Monnalisa, FY-21 results

€ m	2021	2020	% YoY	2021e	% Diff.
Retail	14.0	9.6	45.9	13.7	2.3
Wholesale	26.7	22.2	20.4	25.8	3.5
E-commerce	3.0	1.8	69.0	3.0	(0.2)
Net Revenues	**43.7**	**33.6**	**29.9**	**42.5**	**2.7**
Increase in finished products	(1.2)	(1.4)		0.0	
Other revenues	1.6	0.8		1.0	
Value of Production	**44.1**	**33.0**	**33.4**	**43.5**	**1.3**
Raw materials	(12.1)	(10.9)		(12.4)	
Services	(13.2)	(12.1)		(13.9)	
Use of third-party assets	(6.7)	(5.7)		(7.0)	
Personnel expenses	(10.8)	(9.5)		(10.5)	
Other opex	(1.1)	(1.4)		(0.7)	
EBITDA	**0.2**	**(6.5)**	**n.m.**	**(1.0)**	**n.m.**
% margin	*0.4*	*(19.8)*		*(2.3)*	
D&A	(3.4)	(0.9)		(3.2)	
EBIT	**(3.2)**	**(7.4)**	**56.4**	**(4.2)**	**22.4**
% margin	*(7.3)*	*(22.5)*		*(9.6)*	
Financials	(0.4)	(0.4)		(0.4)	
Re/(Deval.) of fin. assets	0.0	0.0		0.0	
FX profit/(loss)	0.7	(0.9)		0.0	
Pre-Tax profit	**(3.0)**	**(8.7)**	**65.8**	**(4.5)**	**34.2**
% margin	*(6.8)*	*(26.4)*		*(10.4)*	
Income taxes	1.1	0.9		0.8	
Tax rate	*n.m.*	*n.m.*		*26.0%*	
Minorities	0.0	0.0		0.0	
Net Profit	**(1.9)**	**(7.8)**	**75.6**	**(3.7)**	**48.6**
% margin	*(4.3)*	*(23.6)*		*(8.5)*	
Total adjustments	(1.8)	(4.3)		(0.2)	
EBITDA adj.	**2.0**	**(2.2)**	**n.m.**	**(0.8)**	**n.m.**
% margin	*4.6*	*(6.7)*		*(1.8)*	
NFP debt/(cash)	**7.8**	**8.0**	**(2.5)**	**9.2**	**(14.8)**

Source: Company data, CFO SIM estimates

Total revenues increased to € 43.7m, up 29.7% YoY, broadly in line with our € 42.5m projection.

➢ **E-commerce channel jumped to € 3.0m (vs € 1.8m in 2020, 69.5% YoY)**, thanks to both significant technological efforts aimed at supporting the digital platform and a more targeted marketing and communication campaign.

➢ **The Wholesale channel**, despite the continuing difficult situation related to the pandemic, **went up more than 20% YoY to € 26.7m**.

➢ **The retail channel, contributing one-third of the total revenues, soared by 45.5%** to € 14.0m, which highlights a strong recovery after 2020. Moreover, throughout the year Monnalisa proceeded with its strategy focused on the retail channel's profitability, closing stores with unsatisfactory profitability in favour of opening new stores with a potentially higher return profile.
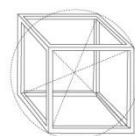
Following a harsh 2020, in 2021 **EBITDA turned positive by € 0.2m**, from negative € 6.5m in 2020, significantly better than our € 1.0m negative forecast. EBITDA adjusted, which stood at € 2.0m, is related to stores' openings and closure as well as one-off costs incurred during the year. The aforementioned increase in profitability is primarily due to growing revenues and a rigorous spending review strategy rolled out by the management. EBIT came in at € -3.2m, while EBIT adjusted was € -1.1m.

It should be noted that **Monnalisa's financial statements are drawn up in accordance with Italian GAAP**, as opposed to all of its domestic and international peers, whose reporting policy is based on IAS, also known as the International Financial Reporting Standards (IFRS). This affects EBITDA since results reflect the "right of use" value of the rents and operating leases. IFRS 16 impacts the lessee's P&L where they have previously classified leases as operating leases. The lease expenses are recognised as depreciation of the right-of-use asset to be recognised on the balance sheet as well as an interest expense. As a result, operating expenses are lower, whereas interest expenses, EBITDA and EBIT are higher. In contrast, the impact on the balance sheet is twofold: the recognition of a right-of-use asset and a lease liability. As a result, companies that have previously had significant off-balance sheet leases now show higher assets and higher liabilities, thus affecting Net Financial Position.

Bottom line amounted to € 1.9m negative (positive for € 0.2m considering the adjustments), higher than our estimate thanks to better than expected EBITDA.

Net Financial Position reached € 7.8m (vs € 8.0m in FY-20), better than our € 9.2m estimate on the back of € 1.5m Operating CF, stemming from a better Net Profit coupled with wiser WC management and a lower than expected CAPEX. In addition, the combined result allowed for a reduction in the long-term debt for over € 2.0m.
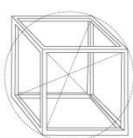
Valuation & risks

Despite the persistence of the pandemic, in 2021 Monnalisa reported encouraging results, aligned with CFO Sim's expectation in terms of top line. The increase in sales was driven by a robust recovery in both retail and wholesale channels, in addition to the online channel, which experienced massive growth rate. Moreover, margins came in significantly higher than our projection primarily thanks to increasing revenues, which allowed for a better absorption of overhead costs, as well as a successful strategy aimed at reducing operating expenses. **The approach aimed at the reorganisation of the retail structure, focusing on fewer but more profitable shops, is going in the right direction.**

Following FY-21 results, we have fine-tuned our estimates also on the back of a few consumption uncertainties on Eastern European markets and in China, due to war in the Ukraine and selective local lockdowns that could jeopardise the short-term full recovery of the market, respectively. We have also introduced 2024 estimates.

Table 5 – Monnalisa, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	51.0	51.0	0.1	0.1
EBITDA	3.0	3.4	(10.9)	(0.4)
% margin	5.9	6.6		
EBIT	(0.2)	0.2	(211.0)	(0.3)
% margin	(0.3)	0.3		
Net Profit	(0.5)	(0.2)	(103.2)	(0.2)
% margin	(0.9)	(0.5)		
Y/E net debt (net cash)	7.4	9.0	(17.8)	(1.6)

Source: CFO Sim

Table 6 – Monnalisa, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	55.1	55.0	0.2	0.1
EBITDA	4.0	4.6	(11.5)	(0.5)
% margin	7.3	8.3		
EBIT	1.7	2.2	(23.7)	(0.5)
% margin	3.0	4.0		
Net Profit	1.0	1.4	(28.1)	(0.4)
% margin	1.8	2.5		
Y/E net debt (net cash)	5.4	6.1	(11.1)	(0.7)

Source: CFO Sim

Moreover, we have updated the DCF valuation criteria and brought the Free Risk Rate up to date. The combined result is a **new DCF-based PT of € 5.00/s** (€ 4.50). **We have upgraded the rating to Buy from Neutral: the 45.8% potential upside to our new PT,** supports our long-term positive stance on the shares.
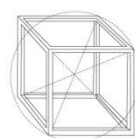
DCF

In our DCF valuation, we determine the company's value by identifying an explicit forecast period until 2026 and then by cautiously assuming a long-term growth rate of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated in accordance with the following parameters:

Table 7 - WACC derived from:

Interest costs, pre-tax	1.0%
Tax rate	26.0%
Int. costs, after taxes	**0.7%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200gg mov. av.)	1.24%
Beta levered (x)	1.00
Required ROE	**10.2%**

Sources: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns and disquiet that an investor might have with regard to the Euronext Growth Milan market segment. **Beta at 1.00** is a usual conservative value for a small cap. The WACC is computed by using a long-term, sustainable 20/80% debt/equity balance-sheet structure.

Table 8 - Monnalisa, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	(0.2)	1.7	2.9	3.5	4.2	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
Operating profit (NOPAT)	**(0.1)**	**1.2**	**2.2**	**2.6**	**3.1**	
Change working capital	(2.5)	(1.4)	(1.2)	(0.7)	(0.1)	
Depreciation	3.2	2.4	2.0	1.3	0.5	
Investments	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	
Free Cash Flows	**0.0**	**1.7**	**2.5**	**2.7**	**3.0**	**41.7**
Present value	0.0	1.5	2.0	2.0	2.1	**28.7**
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	
Long-term growth rate	**1.0%**					

Source: CFO Sim

Table 9 – Monnalisa, DCF derived from:

€ m	
Total EV present value € m	36.3
thereof terminal value	*79.1%*
NFP last reported	(7.8)
Pension provision last reported	(2.2)
Equity value € m	**26.2**
#m shares	5.24
Equity value €/s	**5.00**
% upside/(downside)	*45.8%*

Source: CFO Sim

By applying our DCF model we attained an equity value of Monnalisa of € 26.2m, € 5.00/s (€ 4.50).

The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value/s of between **€ 4.46-5.68m (perpetuity range of between 0.25% and 1.75%)**, while, 2) if compared to changes in the free risk rate, it produces an equity value/s of **€ 4.44-5.68m (free risk range of between 1.99% and 0.49%)**, and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of **€ 3.95-6.48m (risk premium range of between 10.50%% and 7.50%)**.
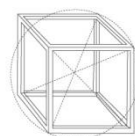
Table 10 – Monnalisa, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	7.6	7.6	7.6	7.6	7.6	7.6	7.6
PV of terminal value	25.8	26.7	27.7	28.7	29.8	31.0	32.2
Total value	**33.4**	**34.3**	**35.3**	**36.3**	**37.4**	**38.5**	**39.8**
NFP last reported	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)
Pension provision last reported	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
Equity value	**23.4**	**24.3**	**25.2**	**26.2**	**27.3**	**28.5**	**29.7**
Equity value/share €	**4.46**	**4.63**	**4.81**	**5.00**	**5.21**	**5.44**	**5.68**

Source: CFO Sim

Table 11 – Monnalisa, equity value sensitivity to changes in free risk rate

€ m	0.49%	0.74%	0.99%	1.24%	1.49%	1.74%	1.99%
Present value of CF	7.7	7.7	7.6	7.6	7.5	7.5	7.4
PV of terminal value	32.1	30.9	29.8	28.7	27.7	26.8	25.9
Total value	**39.8**	**38.6**	**37.4**	**36.3**	**35.2**	**34.2**	**33.3**
NFP last reported	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)
Pension provision last reported	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
Equity value	**29.7**	**28.5**	**27.3**	**26.2**	**25.2**	**24.2**	**23.2**
Equity value/share €	**5.68**	**5.44**	**5.22**	**5.00**	**4.81**	**4.62**	**4.44**

Source: CFO Sim

Table 12 – 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	7.9	7.8	7.7	7.6	7.5	7.4	7.3
PV of terminal value	36.1	33.4	30.9	28.7	26.8	25.0	23.4
Total value	**44.0**	**41.1**	**38.6**	**36.3**	**34.2**	**32.4**	**30.7**
NFP last reported	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)
Pension provision last reported	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
Equity value	**33.9**	**31.1**	**28.5**	**26.2**	**24.2**	**22.3**	**20.7**
Equity value/share €	**6.48**	**5.93**	**5.44**	**5.00**	**4.62**	**4.27**	**3.95**

Source: CFO Sim

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 (45% of top line), North America (34%), China (10%) and RoW (11%). Retail and Wholesale represent respectively 56% and 44% 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 the Asia Pacific region (41% of top line), the EMEA region (36%) and the Americas region (23%). Retail and Wholesale represent respectively 80% and 18% of its revenues. Children's products account for 4% of top line.
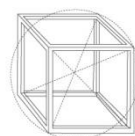
Capri Holdings Ltd: Capri Holdings Limited operates as a holding company. The company, through its brands (such as Versace, Jimmy Choo and Michael Kors), covers the full spectrum of fashion luxury categories including women's and men's accessories, footwear and ready-to-wear as well as wearable technology, watches, jewellery, eyewear and a full line of fragrance products. Capri Holdings serves customers worldwide in particular in America (61% of top line), Europe (24%) and Asia (15%). Retail and Wholesale represent respectively about 60% and 40% of its 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. It sells its products worldwide in particular in Europe (63% of top line), the Americas (19%) and the Asia Pacific area (15%). Retail and Wholesale represent respectively 65% and 32% of its revenues.

Kering SA: Kering SA is a global Luxury Group. It 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 (32% of top line), the Asia Pacific area (42%), North America (19%) and RoW (7%). Retail and Wholesale represent respectively 78% and 22% of its revenues.

Moncler SpA: Moncler SpA manufactures apparel products and serves customers internationally, in particular in Asia and RoW (44% of top line), EMEA (29%), the Americas (16%) and Italy (11%). Retail and Wholesale represent respectively 77% and 23% of its revenues. Moncler Enfant accounts for roughly a mid-single digit percentage of total sales.

Prada SpA: PRADA SpA 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 APAC (36% of top line), Europe (33%), the Americas (14%), Japan (14%) and the Middle East (3%). Retail and Wholesale represent respectively 83% and 15% of its 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 (51% of top line), Europe (26%), Asia (16%) and Row (6%). Retail and Wholesale represent respectively 60% and 38% of its 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 (37% of top line), Europe (25%), North America (23%), Japan (9%) and Latin America (6%). Retail and Wholesale represent respectively 65% and 33% of its revenues.

Tod's SpA: Tod's SpA 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 (28% of top line), Europe (26%), China (23%), the Americas (8%) and RoW (14%). Retail and Wholesale represent respectively 70% and 30% of its revenues.

Among the non-listed companies, **Armani Junior** has revenues accounting for approximately € 80m, about 4% of the group's total turnover. Two French companies focus on childrenswear, like Monnalisa: **CWF** (roughly € 150m sales, mainly generated under licence as an outsourcer), with 10% of its sales in Italy, 55% in the rest of Europe, 35% worldwide and only 29 DOS) and **Bonpoint**, in which Rothschild PE Fund has an investment.
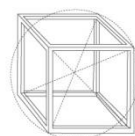
The size of the listed luxury companies is huge, and the operating profitability is rather diversified because of the different channel mix. In the peer group sample, the retail sales of the total business are close to 70%, on average.

Table 13 - Monnalisa, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR$_{21-24}$	EBITDA CAGR$_{21-24}$	EBIT CAGR$_{21-24}$	EPS CAGR$_{22-24}$	NFP /EBITDA
Brunello Cucinelli SpA	ITALY	3,232	802	225	28.1%	10.9%	11.7%	20.6%	16.7%	2.0
Burberry Group PLC	UK	7,232	3,387	892	26.3%	12.1%	9.8%	15.1%	9.0%	(1.3)
Capri Holdings Ltd	USA	6,633	5,232	1,182	22.6%	21.6%	42.2%	55.7%	7.8%	0.9
Hugo Boss AG	GERMANY	3,670	3,155	636	20.2%	10.0%	9.6%	13.7%	23.1%	0.9
Kering SA	FRANCE	63,730	20,146	7,200	35.7%	10.2%	10.2%	11.6%	10.4%	0.4
Moncler SpA	ITALY	13,469	2,457	987	40.2%	14.2%	9.5%	17.6%	13.5%	(0.7)
Prada SpA	ITALY	14,431	3,784	1,186	31.4%	11.0%	11.2%	28.2%	31.4%	0.7
Ralph Lauren Corp	USA	6,971	5,793	994	17.2%	19.2%	43.7%	73.4%	5.8%	(1.0)
Salvatore Ferragamo SpA	ITALY	2,662	1,246	301	24.1%	7.9%	7.7%	6.9%	28.8%	0.3
Tod's SpA	ITALY	1,225	966	196	20.3%	7.2%	16.2%	61.9%	n.m.	2.4
Median		**6,802**	**3,271**	**939**	**25.2%**	**11.0%**	**10.7%**	**19.1%**	**13.5%**	**0.5**
Monnalisa SpA	**ITALY**	**18**	**51**	**3**	**5.9%**	**10.1%**	**n.m.**	**n.m.**	**n.m.**	**n.m.**

Source: CFO Sim, Thomson Reuters Eikon

Table 14 - Monnalisa, peer group EV multiple table

	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Brunello Cucinelli SpA	4.60	4.26	3.89	16.4	15.3	14.1
Burberry Group PLC	1.79	1.67	1.52	6.8	6.2	5.6
Capri Holdings Ltd	1.47	1.30	0.96	6.5	5.6	4.2
Hugo Boss AG	1.35	1.28	1.11	6.7	6.2	5.4
Kering SA	3.30	2.80	2.53	9.2	7.8	6.9
Moncler SpA	5.18	4.55	4.03	12.9	11.2	9.7
Prada SpA	4.02	3.49	3.36	12.8	10.7	10.0
Ralph Lauren Corp	1.02	1.01	0.97	6.0	5.8	5.5
Salvatore Ferragamo SpA	2.22	1.79	1.89	9.2	7.0	7.1
Tod's SpA	1.76	1.67	1.46	8.7	7.8	6.3
Median	**2.00**	**1.73**	**1.71**	**8.9**	**7.4**	**6.6**
Monnalisa SpA	**0.50**	**0.43**	**0.36**	**8.5**	**5.8**	**4.2**
% premium/(discount) to median	*(75.1)*	*(75.3)*	*(79.2)*	*(5.0)*	*(21.3)*	*(37.1)*

Source: CFO Sim, Thomson Reuters Eikon

Table 15 - Monnalisa, peer group EV & price multiple table

	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Brunello Cucinelli SpA	36.2	32.3	28.1	n.m.	46.1	39.5
Burberry Group PLC	9.9	9.3	8.1	16.4	15.2	13.8
Capri Holdings Ltd	7.8	6.8	5.0	7.7	7.2	6.7
Hugo Boss AG	15.6	13.1	10.2	21.1	16.9	13.9
Kering SA	11.5	9.6	8.6	16.1	14.6	13.2
Moncler SpA	17.3	15.0	13.1	26.8	23.5	20.8
Prada SpA	24.5	18.8	14.8	n.m.	28.3	21.0
Ralph Lauren Corp	7.7	7.4	7.0	12.0	11.7	10.8
Salvatore Ferragamo SpA	22.5	15.8	15.1	n.m.	29.7	24.0
Tod's SpA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Median	**15.6**	**13.1**	**10.2**	**16.3**	**16.9**	**13.9**
Monnalisa SpA	**neg.**	**14.0**	**7.0**	**neg.**	**18.1**	**9.0**
% premium/(discount) to median	*n.m.*	*7.5*	*(30.9)*	*n.m.*	*6.8*	*(35.5)*

Source: CFO Sim, Thomson Reuters Eikon
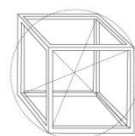
Peer stock performance

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 16 - Monnalisa, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Brunello Cucinelli SpA	0.5	(9.5)	(12.7)	(12.3)	(7.8)	(22.3)	8.5
Burberry Group PLC	0.3	(5.9)	(10.7)	(18.0)	(19.1)	(15.8)	(26.2)
Capri Holdings Ltd	2.0	(8.9)	(13.0)	(13.3)	(9.9)	(26.9)	(14.2)
Hugo Boss AG	(0.6)	(3.6)	(5.1)	(2.7)	(2.4)	(3.3)	36.1
Kering SA	(0.0)	(6.4)	(13.5)	(22.7)	(21.7)	(28.3)	(21.8)
Moncler SpA	3.7	(3.7)	(6.3)	(13.2)	(18.8)	(23.7)	(4.2)
Prada SpA	2.2	(4.7)	(8.9)	(0.6)	(0.6)	(6.4)	(4.0)
Ralph Lauren Corp	(0.9)	(10.4)	(13.6)	(2.3)	(15.1)	(13.0)	(19.8)
Salvatore Ferragamo SpA	0.8	(5.3)	(11.9)	(17.8)	(13.5)	(30.5)	(12.8)
Tod's SpA	1.4	(8.0)	(13.1)	(21.2)	(21.9)	(25.5)	(5.5)
Median	**0.7**	**(6.2)**	**(12.3)**	**(13.2)**	**(14.3)**	**(23.0)**	**(9.1)**
Monnalisa SpA	**0.6**	**3.9**	**(4.2)**	**(6.0)**	**(9.3)**	**(7.0)**	**(17.7)**

Source: Thomson Reuters Eikon

Table 17 - Monnalisa, peer group and key indexes absolute performance

|	1D	1W	1M	3M	6M	YTD	1Y
Monnalisa peer group	0.7	(6.2)	(12.3)	(13.2)	(14.3)	(23.0)	(9.1)
S&P Global Luxury	0.4	(7.5)	(11.2)	(12.5)	(18.1)	(20.6)	(14.3)
MSCI World Index	(0.1)	(6.2)	(9.3)	(5.8)	(10.9)	(13.1)	(4.9)
EUROSTOXX	0.4	(3.6)	(4.8)	(8.7)	(10.9)	(12.5)	(5.4)
FTSE Italia All Share	0.5	(4.1)	(5.7)	(10.2)	(11.5)	(13.0)	(2.7)
FTSE Italia STAR	(0.9)	(4.6)	(8.9)	(11.3)	(19.5)	(21.3)	(0.9)
FTSE Italia Growth	0.2	(2.8)	(4.2)	(7.5)	(9.8)	(12.3)	9.9
Monnalisa SpA	**0.6**	**3.9**	**(4.2)**	**(6.0)**	**(9.3)**	**(7.0)**	**(17.7)**

Source: Thomson Reuters Eikon

Risks

The principal investment **risks** associated with Monnalisa include:

- ➢ delays in the internationalisation process (DOS openings);
- ➢ wholesale value of production development;
- ➢ net working capital management, in particular with regard to inventories;
- ➢ competition in mature markets, which might put margins or top line developments under pressure;
- ➢ impact on P&L account and balance sheet profiles triggered by a sharp decline in global economic growth;
- ➢ change in customer preferences and fashion trends;
- ➢ departure of one, or a few, of key people
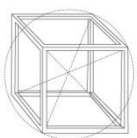- ➢ proper management of possible additional license agreements
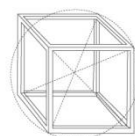
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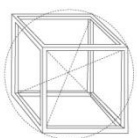
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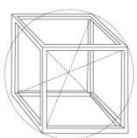
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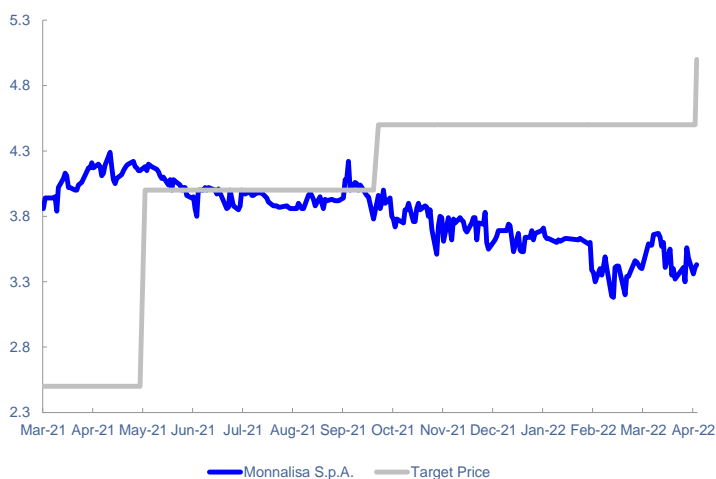
DATE	TARGET PRICE	RATING
28/04/2022	€5.00	BUY
11/03/2022	€4.50	NEUTRAL
26/10/2021	€4.50	NEUTRAL
31/05/2021	€4.00	NEUTRAL

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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.

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