

Italy – Fashion

Still in a transitional phase. Focus on license agreements

24th April 2024

FY-23 RESULTS RELEASE

RIC: MONNA.MI
BBG: MNL IM

In 2023, Monnalisa reported declining revenues mainly reflecting a still harsh environment in certain key reference markets where the company operates. Consequently, EBITDA and bottom line came in sharply lower YoY. The strategy aimed at making better use of the group's production capacity through licensing agreements is progressing well, and the first tangible effects are expected to materialise in 2025.

Rating:

Neutral

Price Target:

€ 2.00 (€ 2.50)

Upside/(Downside): 34.2%

Last Price: € 1.49

Market Cap.: € 7.8m

1Y High/Low: € 2.88 / € 1.44

Avg. Daily Turn. (3M, 6M): € 8k, € 6k

Free Float: 25.2%

Major shareholders:

Jafin Due 74.5%



Stock price performance

	1M	3M	12M
Absolute	-12.4%	-24.7%	-48.3%
Rel.to FTSE IT Growth	-12.6%	-22.5%	-35.6%
Rel.to Sector	-7.7%	-31.2%	-42.0%

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Estimates revised: new DCF-based PT of € 2.00/s (€ 2.50). Neutral confirmed

Following the FY-23 results release, we updated our estimates by factoring in: 1) lower sales growth in 2024 due to a still weak outlook in the key reference markets, 2) our assumptions relative to the development of the licensing agreements business over the 2024-26 period and, 3) slightly lower Capex. The combined result is an average 6.2% and 26.8% decline in Net Revenues and EBITDA and a 6.4% improvement in NFP in 2024-25. Furthermore, we introduced 2026 projections. After the roll forward of our DCF model and the update of the valuation criteria, our new PT points to € 2.00/s (€ 2.50). Despite the upside to current prices suggesting a recommendation change, we prefer a more prudent approach by maintaining the Neutral. The radical shift in strategy inherently bears a high execution risk, especially since the effectiveness of the new licenses-based business model is yet to be proven and a few sizeable contracts are still in the negotiation phase.

Net Revenues down by 9.6% YoY, mainly affected by a marked slowdown in Wholesale

Net Revenues amounted to € 41.9m, down by 9.6% YoY. Retail (39.6% of the total) came in at € 16.6m, broadly unchanged YoY (+4% at constant FX), and 6.3% lower compared to our estimate. Wholesale (54.8% of the total) declined by 14% YoY to € 23.0m (-12% at constant FX), and was broadly aligned with our expectation, continuing to be negatively impacted by the broad-based geopolitical instability and, especially, the enduring conflict between Russia and Ukraine. The direct e-commerce channel (5.6% of the total) totalled € 2.3m, showing the highest decline (-20.4% YoY) in the wake of the full effect of the closing of the Russian market coupled with a general decrease in online sales in the last quarter.

EBITDA was € 3.0m, 6.7% margin. Bottom line burdened by adverse currency effects

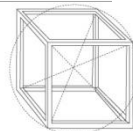
EBITDA amounted to € 3.0m, 6.7% margin (€ 5.8m, 12.6% margin in FY-22), and came in perfectly in line with expectations. The marked decline YoY resulted from 1) lower revenues, 2) negative translation effects of certain currencies the group is exposed to, and 3) increased marketing and communications expenses. Adjusted EBITDA came in at € 4.0m, 8.9% margin (€ 5.9m, 8.4% margin in FY-22), 11.5% higher compared to our € 3.6m estimate, following higher-than-expected adjustments. EBIT was negative for € 4.5m (negative for € 2.1m in 2022), and came in lower than expected because of higher D&A (€ 7.8m vs € 7.5m expected). Net Loss was € 6.7m (€ 3.2m in 2022), resulting from 1) a lower operating result, 2) higher net financial charges and, 3) an FX Loss of € 812k.

NFP at € 28.5m, slightly improved thanks to lower capex and asset sale proceeds

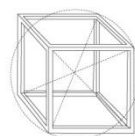
NFP stood at € 28.5m, improving from € 28.9m at year-end 2022 and came in better than our expectations, following 1) Op. CF of € 1.7m, 2) Capex of € 1.3m (vs our € 1.8m estimate) almost entirely offset by a cash-in arising from a fixed asset sale for € 1.25m and 3) lease payments for € 5.3m, broadly aligned with expectations. Net debt excluding the IFRS-16 effect amounted to € 12.2m.

Monnalisa, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Net Revenues	46.4	41.9	44.0	51.9	57.1
Adjusted EBITDA	5.8	4.0	4.5	6.5	8.4
EBITDA	5.8	3.0	4.4	6.5	8.4
EBIT	(2.1)	(4.5)	(2.6)	(0.1)	2.3
Adjusted Net Profit	(3.2)	(5.9)	(4.2)	(1.7)	0.8
Net profit	(3.2)	(6.7)	(4.3)	(1.7)	0.8
NFP (cash)/debt	28.9	28.4	31.7	33.2	32.3
EBITDA margin	12.6%	6.7%	9.6%	12.2%	14.4%
Adjusted EPS FD	(0.61)	(1.13)	(0.81)	(0.33)	0.15
Adjusted EPS FD growth	n.m.	n.m.	n.m.	n.m.	n.m.
ROCE	neg.	neg.	neg.	neg.	4.3%
NWC/Sales	30.8%	28.3%	29.2%	28.1%	27.9%
EV/Sales x	1.00	0.93	0.87	0.77	0.68
EV/EBITDA x	8.0	14.0	9.1	6.3	4.7
EV/EBIT x	n.m.	n.m.	n.m.	n.m.	17.7
PER x	n.m.	n.m.	n.m.	n.m.	n.m.



Income statement (€ m)	2022	2023	2024e	2025e	2026e
Net Revenues	46.4	41.9	44.0	51.9	57.1
Value of Production	45.7	45.1	45.5	53.4	58.6
Raw materials	(12.1)	(13.6)	(13.0)	(15.2)	(16.4)
Services	(15.3)	(16.5)	(15.9)	(18.5)	(20.2)
Personnel expenses	(12.0)	(11.6)	(11.7)	(12.4)	(12.9)
Other opex	(0.7)	(0.5)	(0.6)	(0.7)	(0.7)
EBITDA	5.8	3.0	4.4	6.5	8.4
D&A	(7.8)	(7.5)	(6.9)	(6.6)	(6.2)
EBIT	(2.1)	(4.5)	(2.6)	(0.1)	2.3
Financials	(1.3)	(1.7)	(1.7)	(1.6)	(1.5)
Re/(Deval.) of fin. assets	0.0	0.0	0.0	0.0	0.0
FX profit/(loss)	(0.0)	(0.8)	0.0	0.0	0.0
Pre-Tax profit	(3.4)	(7.0)	(4.3)	(1.7)	0.8
Income taxes	0.1	0.2	0.0	0.0	0.0
Minorities	0.0	(0.0)	0.0	0.0	0.0
Net Profit	(3.2)	(6.7)	(4.3)	(1.7)	0.8
Adjusted EBITDA	5.8	4.0	4.5	6.5	8.4
Adjusted Net Profit	(3.2)	(5.9)	(4.2)	(1.7)	0.8
Balance sheet (€ m)	2022	2023	2024e	2025e	2026e
Net Working Capital	14.1	12.8	13.3	15.0	16.4
Net Fixed Assets	37.1	31.5	30.1	28.7	27.6
Equity Investments	0.8	0.8	0.8	0.8	0.8
Other M/L Term A/L	0.8	0.6	0.5	(0.1)	(0.5)
Net Invested Capital	52.9	45.6	44.7	44.4	44.3
Net Financial Debt	28.9	28.4	31.7	33.2	32.3
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	24.0	17.2	12.9	11.2	12.0
Financial Liabilities & Equity	52.9	45.6	44.7	44.4	44.3
Cash Flow statement (€ m)	2022	2023	2024e	2025e	2026e
Total net income	(3.2)	(6.7)	(4.3)	(1.7)	0.8
Depreciation	7.8	7.5	6.9	6.6	6.2
Other non-cash charges	0.8	(0.4)	0.0	0.6	0.4
Cash Flow from Oper. (CFO)	5.3	0.4	2.6	5.5	7.3
Change in NWC	1.6	1.3	(0.5)	(1.7)	(1.4)
FCF from Operations (FCFO)	6.9	1.7	2.1	3.7	6.0
Net Investments (CFI)	(0.7)	(0.1)	(0.5)	(0.5)	(0.5)
Free CF to the Firm (FCFF)	6.2	1.6	1.6	3.2	5.5
CF from financials (CFF)	(7.3)	(0.6)	(3.5)	(3.8)	(3.6)
Free Cash Flow to Equity (FCFE)	(1.2)	1.0	(1.9)	(0.6)	1.9
Financial ratios	2022	2023	2024e	2025e	2026e
EBITDA margin	12.6%	6.7%	9.6%	12.2%	14.4%
EBITDA adj. margin	12.8%	8.9%	9.8%	12.2%	14.4%
Net profit margin	-7.1%	-14.9%	-9.5%	-3.3%	1.4%
Net profit adj. margin	-7.0%	-13.1%	-9.3%	-3.3%	1.4%
Tax rate	n.m.	n.m.	n.m.	n.m.	0.0%
Op NWC/Sales	30.8%	28.3%	29.2%	28.1%	27.9%
Interest coverage x	(0.63)	(0.37)	(0.67)	(11.97)	0.65
Net Debt/EBITDA x	5.01	9.45	7.29	5.11	3.82
Net Debt-to-Equity x	1.20	1.64	2.46	2.97	2.70
ROIC	neg.	neg.	neg.	neg.	5.1%
ROCE	neg.	neg.	neg.	neg.	4.3%
ROACE	neg.	neg.	neg.	neg.	4.4%
ROE	neg.	neg.	neg.	neg.	6.6%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2022	2023	2024e	2025e	2026e
Number of shares # m	5.24	5.24	5.24	5.24	5.24
Number of shares Fully Diluted # m	5.24	5.24	5.24	5.24	5.24
Average Number of shares Fully Diluted # m	5.24	5.24	5.24	5.24	5.24
EPS stated FD €	(0.62)	(1.28)	(0.82)	(0.33)	0.15
EPS adjusted FD €	(0.61)	(1.13)	(0.81)	(0.33)	0.15
EBITDA €	1.10	0.57	0.83	1.24	1.61
EBIT €	(0.39)	(0.85)	(0.49)	(0.03)	0.43
BV €	4.59	3.29	2.47	2.14	2.29
FCFO €	1.32	0.32	0.41	0.71	1.14
FCFF €	1.18	0.31	0.31	0.62	1.05
FCFE €	(0.22)	0.19	(0.36)	(0.11)	0.36
Dividend €	0.00	0.00	0.00	0.00	0.00



Monnalisa in a nutshell

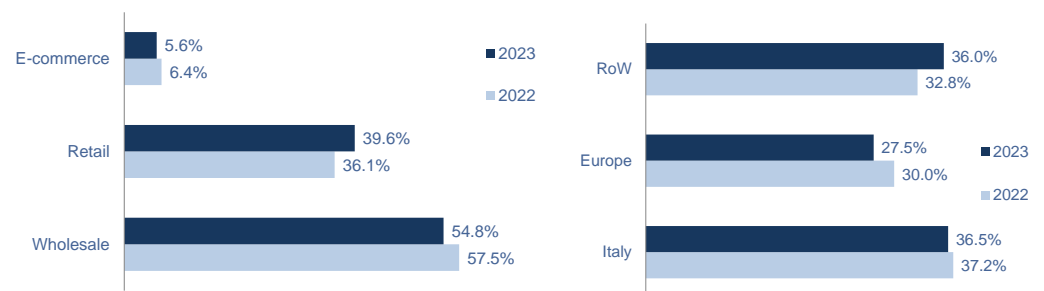
Founded in 1968 by **Piero Iacomoni** and **Barbara Bertocci** in the fashion and creative centre of Italy, **Monnalisa is specialised in high-end childrenswear (0-16 years) through its own proprietary brands and licenses.** The philosophy of Monnalisa is the creation of a lifestyle identity, offering 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 50 countries through 51 direct stores and more than 400 multibrand stores. With Net Revenues at € 41.9m in 2023, **Monnalisa is among the leading Italian childrenswear players operating worldwide in the high-end market segment.** The company sells via three distribution channels:

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

Chart 1 – Monnalisa, 2022-23 revenue breakdown by channel and by geography



Source: Company data

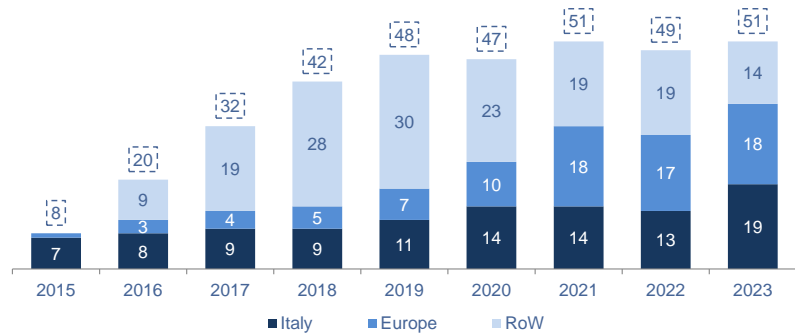
Monnalisa has a wide **global presence**, operating in over 50 countries: **Italy** accounts for **36.5%** of top line, **Europe 27.5%** and **Rest of the World 36.0%**. In particular, in order to boost its internationalisation, **Monnalisa controls 12 foreign subsidiaries in key strategic countries** such as Hong Kong, Russia, USA, Turkey, China, Singapore, Korea, the 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, the Middle East & Africa and America.



The higher return profile of Directly Operated Stores prompted Monnalisa to progressively increase the number of DOS and DOO as in recent years.

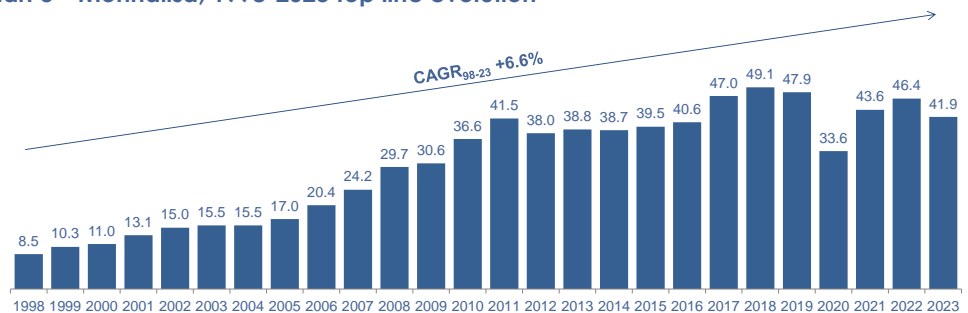
Chart 2 – Monnalisa, recent evolution in retail number of DOS and DOO



Source: Company data

The company has been recording a good growth path since its establishment: Monnalisa has shown **significant stable growth over the last 20 years**, with a **CAGR₉₈₋₂₃ of 6.6%**.

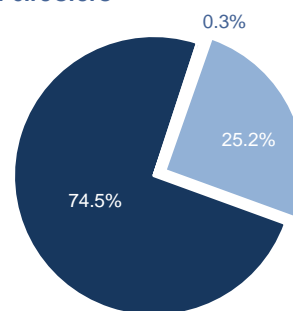
Chart 3 – Monnalisa, 1998-2023 top line evolution



Source: Company data

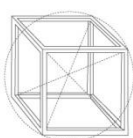
A successful IPO was completed in July 2018, which mainly consisted of a **primary offering** to professional investors, for some 95% of the total. Jafin Due, a holding company fully owned by the founding family, currently owns 74.5% of Monnalisa.

Chart 4 – Monnalisa, shareholder structure



■ Jafin Due ■ Treasury Shares ■ Free Float

Source: Company data

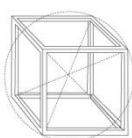


Strategy

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

Monnalisa's strategy is chiefly focused on:

- **Selective licensing:** as in the case of the license agreements signed with Chiara Ferragni Kids and Petit Cherie, other than those with La Martina in 2023 and Philosophy by Lorenzo Serafini at the outset of 2024. The company aims to add 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.
- **Consolidating international positioning:** Monnalisa has been increasing its international presence by entering new strategic markets such as Taiwan, Singapore and Turkey, whilst further penetrating already covered areas such as China, where the company boasts 10 directly owned stores, characterised by high growth potential.
- **Focus on the Retail channel:** 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 2023. In the medium term, the Retail channel is expected to improve the group's EBITDA margin. Monnalisa is going to continue with this policy in an opportunistic manner, selecting locations coherent with Monnalisa brand identity, in fast-growing regions not yet covered.
- **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.



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 as the company with the **best entry price among competitors**

WEAKNESSES

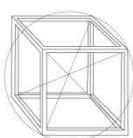
- ❑ **Limited size** in the international competitive arena
- ❑ Decisions are made by **few key figures**
- ❑ Its growth strategy is based on **increasing the retail distribution**, an area where Monnalisa is only gradually gaining experience

OPPORTUNITIES

- ❑ Signing of new licensing agreements in order to **make better use of the production and distribution capacity**
- ❑ **Foreign market** expansion, especially in the rapidly-expanding Asian region
- ❑ **E-commerce** development and online-offline integration

THREATS

- ❑ **Openings of new DOS** may be difficult and penalised by credit constraints
- ❑ **Change** in customer preferences and **fashion trends**
- ❑ Significant **slowdown in fashion & luxury consumption** generated by geopolitical instability



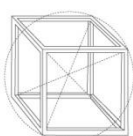
ESG Profile

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 5 – Monnalisa, ESG Profile

<p>E Environmental</p>	<ul style="list-style-type: none"> ❑ 77% of the energy consumed stems from renewable sources ❑ ISO 14001-certified environmental management system ❑ 4 photovoltaic systems able to generate more than 15,500 kWh/month ❑ <u>2021-23 Sustainability Plan</u>: <ul style="list-style-type: none"> ✓ 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 ❑ <u>ESG Rating</u>: EE- (investment grade) assigned by Standard Ethics1
<p>S Social</p>	<ul style="list-style-type: none"> ❑ 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 ❑ <u>2021-23 Sustainability Plan</u>: <ul style="list-style-type: none"> ✓ reintroduce a corporate welfare program ❑ <u>Suppliers' selection policy</u>: specific contract terms to audit the suppliers' effective compliance with certain ethical and environmental standards
<p>G Governance</p>	<ul style="list-style-type: none"> ❑ 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 ❑ <u>Legality Rating</u>: 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-23 Results

Monnalisa reported FY-23 results characterised by declining revenues and EBITDA, mainly in both the Wholesale and e-commerce sales channels, negatively impacted by geopolitical instability and the enduring conflict between Russia and Ukraine. EBITDA came in bang in line with our forecast while bottom line was lower than expected reflecting higher financial charges and negative currency translation effects.

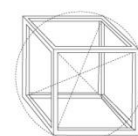
Table 1 – Monnalisa, 2023-22 results summary

€ m	2023	2022	% YoY	2023e	% Diff.
Retail	16.6	16.8	(1.0)	17.7	(6.3)
Wholesale	23.0	26.7	(14.0)	23.6	(2.8)
E-commerce	2.3	2.9	(20.4)	2.4	(4.1)
Net Revenues	41.9	46.4	(9.6)	43.8	(4.3)
Increase in finished products	2.1	(1.7)		(1.5)	
Other revenues	1.1	1.1		0.3	
Value of Production	45.1	45.7	(1.3)	42.6	6.0
Raw materials	(13.6)	(12.1)		(11.8)	
Services	(16.5)	(15.3)		(14.9)	
Personnel expenses	(11.6)	(12.0)		(12.3)	
Other opex	(0.5)	(0.7)		(0.6)	
EBITDA	3.0	5.8	(47.9)	3.0	(0.9)
% margin	6.7	12.6		7.1	
D&A	(7.5)	(7.8)		(7.2)	
EBIT	(4.5)	(2.1)	n.m.	(4.2)	(6.6)
% margin	(9.9)	(4.5)		(9.8)	
Financials	(1.7)	(1.3)		(1.5)	
Re/(Deval.) of financial assets	0.0	0.0		0.0	
FX profit/(loss)	(0.8)	(0.0)		0.0	
Pre-Tax profit	(7.0)	(3.4)	n.m.	(5.7)	(21.5)
% margin	(15.4)	(7.4)		(13.4)	
Income taxes	0.2	0.1		0.0	
Tax rate	n.m.	n.m.		n.m.	
Minorities	(0.0)	0.0		0.0	
Net Profit	(6.7)	(3.2)	n.m.	(5.7)	(17.2)
% margin	(14.9)	(7.1)		(13.4)	
Total adjustments	1.0	0.0		(0.6)	
Adjusted EBITDA	4.0	5.8	(31.0)	3.6	11.5
% margin	8.9	12.7		8.4	
NFP debt/(cash)	28.5	28.9	(1.2)	31.7	(10.0)

Source: Company data, CFO SIM estimates

Net Revenues amounted to € 41.9m, down by 9.6% YoY (-7% at constant FX), resulting from the following trends exhibited by the company's three main sales channels:

- **Retail (39.6% of the total) came in at € 16.6m, broadly unchanged YoY** (+4% at constant FX), and 6.3% lower compared to our estimate.
- **Wholesale (54.8% of the total) declined by 14% YoY to € 23.0m** (-12% at constant FX), and was broadly aligned with our expectation. The company's main sales channel in terms of revenues continues to be negatively impacted by the broad-based geopolitical instability and, especially, the enduring conflict between Russia and Ukraine, which both represented two key end markets for Monnalisa. Moreover, the channel's results were impacted, to a certain extent, by the depreciation of certain currencies in which revenues were denominated.



- **The direct e-commerce channel (5.6% of the total) totalled € 2.3m, showing the highest decline (-20.4% YoY both at current and constant FX)** in the wake of the full effect of the closing of the Russian market coupled with a general decrease in online sales that affected the luxury sector as a whole in the last quarter. Moreover, the overall results suffered to a certain extent from lower marketing expenses on sales campaigns promotions. By considering both the direct and indirect online channels, the incidence of total revenues stood at 16% (vs 18% at year-end 2022).

From a **geographical perspective**, Net Revenues totalled **€ 15.3m in Italy (36.5%)**, **€ 11.5m in Europe (27.5%)** and **€ 15.1m (36.0%) in the Rest of the World**.

Table 2 – Monnalisa, 2023-22 revenues breakdown by sales channel

€ m	2023	2022	% YoY	% on tot. 2023	% on tot. 2022
Retail	16.6	16.8	(1.0)	39.6	36.1
Wholesale	23.0	26.7	(14.0)	54.8	57.6
E-commerce	2.3	2.9	(20.4)	5.6	6.3
Net Revenues	41.9	46.4		100.0	100.0

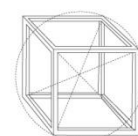
Source: Company data

EBITDA amounted to € 3.0m, 6.7% margin (€ 5.8m, 12.6% margin in FY-22), and came in perfectly in line with expectations. The marked decline YoY resulted from lower revenues, also due to the negative translation effects of certain currencies the group is exposed to (mainly Ruble and Turkish Lira), and increased marketing and communications expenses YoY, mainly related to the strategic decision returning to invest into fashion shows after the pandemic. **Adjusted EBITDA came in at € 4.0m, 8.9% margin (€ 5.9m, 8.4% margin in FY-22)**, 11.5% higher compared to our € 3.6m estimate, on the back of higher-than-expected adjustments which, as a reminder, represents the combination of non-recurring expenses along with the negative operating performance of the company's shops open for less than 12 months.

EBIT was negative for € 4.5m compared to a negative result of € 2.1m registered in 2022, and came in lower compared to our estimate because of higher D&A expenses (€ 7.8m vs € 7.5m expected).

Net Loss was € 6.7m, widening from a Net Loss equal to € 3.2m recorded in FY-22, as a result of 1) a lower operating result, 2) higher net financial charges following the several rate increases performed by the ECB throughout the year and, 3) **a FX Loss of € 812k**, (vs an FX loss of € 48k in 2022).

Net Financial Position stood at € 28.5m, improving from € 28.9m at year-end 2022 and better than our expectations, following 1) Op. CF of € 1.7m, 2) Capex of € 1.3m (vs our € 1.8m estimate) almost entirely offset by a cash-in arising from a fixed asset sale for € 1.25m and 3) lease payments for € 5.3m, broadly aligned with expectations. By excluding the figurative debt related to the IFRS-16 effect, Net debt amounted to € 12.2m.



Estimates, Valuation & Risks

Monnalisa 2023 results exhibited declining revenues mainly reflecting **a still harsh environment in certain key reference markets where the company operates**, leading to a sharp decrease especially in both the Wholesale and E-commerce channels. However, the Retail channel remained broadly unchanged YoY and, additionally, showed a mild increase in constant currency terms. EBITDA came in substantially lower YoY, while bottom line was burdened by higher financial charges and some negative currency translation effects, mostly occurred in the first semester.

The turnaround strategy rolled out by the company's management is in full swing. In fact, Monnalisa signed two important license agreements with La Martina in Sep-23 lasting 5 years (first collection will be the 2024/25 Fall-Winter), and with the brand Philosophy by Lorenzo Serafini in Feb-24, lasting until 2032 (first collection will be the 2025 Spring-Summer). This significant move is aimed at making better use of the group's production capacity, logistics and distribution capabilities, with the ultimate goal of improving the operating efficiency. **The tangible results of the two abovementioned agreements will be visible in 2025.** Furthermore, Monnalisa **intends to sign further licensing agreements** in the short-term, which are likely to drive significant top line growth of the Wholesale channel in 2025 and 2026. In particular, negotiations with two major brands are in progress.

Furthermore, the rationalisation of the Retail channel went on in the first months of 2024, resulting in the **closure of three stores** (Guam, Maasmechelen and Galleries Lafayette Nice) that did not achieve the previously established growth or profitability targets. No additional openings are planned for the foreseeable future.

Following the FY-23 results release, we updated our estimates by factoring in: 1) a lower sales growth in 2024 due to a still weak outlook in the key reference markets, 2) our assumptions relative to the development of the licensing agreements business over the 2024-26 period and, 3) slightly lower Capex. **The combined result is an average 6.2% and 26.8% decline in Net Revenues and EBITDA and a 6.4% improvement in Net Financial Position in 2024-25.** Furthermore, we introduced 2026 projections.

Table 3 – Monnalisa, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	44.0	49.1	(10.3)	(5.1)
EBITDA	4.4	6.8	(35.9)	(2.4)
% margin	9.9	13.8		
EBIT	(2.6)	(0.3)	n.m.	(2.3)
% margin	(5.9)	(0.6)		
Net Profit	(4.3)	(1.9)	n.m.	(2.4)
% margin	(9.8)	(3.8)		
Net debt / (Net cash)	31.7	34.4	(7.8)	(2.7)

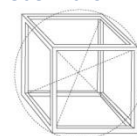
Source: CFO SIM

Table 4 – Monnalisa, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	51.9	53.0	(2.1)	(1.1)
EBITDA	6.5	7.9	(17.8)	(1.4)
% margin	12.5	14.9		
EBIT	(0.1)	1.0	n.m.	(1.1)
% margin	(0.3)	1.9		
Net Profit	(1.7)	(0.5)	n.m.	(1.3)
% margin	(3.4)	(0.9)		
Net debt / (Net cash)	33.2	35.0	(5.1)	(1.8)

Source: CFO SIM

Moreover, CFO has also updated the DCF valuation criteria, bringing the risk-free rate up-to-date and postponing its first valuation projection to 2024. The combined result is a **new DCF-based PT of € 2.00/s** (€ 2.50).



Despite the upside to current prices suggesting a recommendation change, **we prefer a more prudent approach by maintaining the Neutral**. The radical shift in strategy inherently bears a **high execution risk**, especially since the effectiveness of the new licenses-based business model is yet to be proven and a few sizeable contracts are still in the negotiation phase.

DCF

In our DCF valuation, we determine the company's value by identifying an explicit forecast period until 2028 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 5 - WACC derived from:

Interest costs, pre-tax	5.0%
Tax rate	26.0%
Int. costs, after taxes	3.7%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200gg mov. av.)	4.18%
Beta levered (x)	1.00
Required ROE	13.2%

Sources: CFO SIM, Refinitiv Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns that an investor might have with regard to the Euronext Growth Milan market segment. **Beta set at 1.00**. The WACC is computed by using a long-term 40/60% debt/equity balance-sheet structure (previously set at 30/70%).

Table 6 - Monnalisa, DCF model

€ m	2024e	2025e	2026e	2027e	2028e	TV
EBIT	(2.6)	(0.1)	2.3	3.5	4.1	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
Operating profit (NOPAT)	(1.9)	(0.1)	1.7	2.6	3.0	
Change working capital	(0.5)	(1.7)	(1.4)	(0.7)	(0.1)	
Depreciation	6.9	6.6	6.2	3.5	0.8	
Investments	(0.5)	(0.5)	(0.5)	(0.7)	(0.8)	
Free Cash Flows	4.0	4.3	6.0	4.7	3.0	35.6
Present value	3.8	3.7	4.7	3.4	1.9	23.4
WACC	9.4%	9.4%	9.4%	9.4%	9.4%	
Long-term growth rate	1.0%					

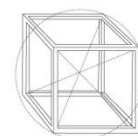
Source: CFO SIM

Table 7 – Monnalisa, DCF derived from:

€ m	
Total EV present value € m	40.9
<i>thereof terminal value</i>	57.2%
NFP last reported	(28.4)
Pension provision last reported	(2.3)
Equity value € m	10.2
#m shares (excl. treasury shares)	5.22
Equity value €/s	2.00
<i>% upside/(downside)</i>	34.2%

Source: CFO SIM

By applying our DCF model **we attained an equity value of Monnalisa of € 10.2m, € 2.00/s (€ 2.50)**.



The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value/s of between € 1.56-2.43 (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 € 1.61-2.33 (risk-free range of between 4.93% and 3.43%), and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of € 1.30-2.76 (risk premium range of between 10.50% and 7.50%).

Table 8 – 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	17.5	17.5	17.5	17.5	17.5	17.5	17.5
PV of terminal value	21.3	21.9	22.6	23.4	24.2	25.0	25.9
Total value	38.8	39.5	40.2	40.9	41.7	42.5	43.4
NFP last reported	(28.4)	(28.4)	(28.4)	(28.4)	(28.4)	(28.4)	(28.4)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	8.1	8.8	9.5	10.2	11.0	11.8	12.7
Equity value/share €	1.56	1.68	1.81	2.00	2.10	2.26	2.43

Source: CFO SIM

Table 9 – Monnalisa, equity value sensitivity to changes in free risk rate

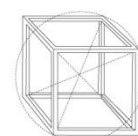
€ m	3.43%	3.68%	3.93%	4.18%	4.43%	4.68%	4.93%
Present value of CF	17.7	17.6	17.6	17.5	17.5	17.4	17.3
PV of terminal value	25.2	24.6	24.0	23.4	22.8	22.3	21.8
Total value	42.9	42.2	41.5	40.9	40.3	39.7	39.1
NFP last reported	(28.4)	(28.4)	(28.4)	(28.4)	(28.4)	(28.4)	(28.4)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	12.2	11.5	10.8	10.2	9.6	9.0	8.4
Equity value/share €	2.33	2.20	2.08	2.00	1.84	1.72	1.61

Source: CFO SIM

Table 10 – 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	17.9	17.7	17.6	17.5	17.4	17.3	17.2
PV of terminal value	27.2	25.8	24.6	23.4	22.3	21.3	20.3
Total value	45.1	43.6	42.2	40.9	39.7	38.5	37.5
NFP last reported	(28.4)	(28.4)	(28.4)	(28.4)	(28.4)	(28.4)	(28.4)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	14.4	12.9	11.5	10.2	9.0	7.9	6.8
Equity value/share €	2.76	2.47	2.20	2.00	1.72	1.50	1.30

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 (37% of top line), America (36%), Asia (27%). Retail and Wholesale represent respectively 66% and 34% 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 (43% of top line), the EMEA region (33%) and the Americas region (24%). Retail, Wholesale and Licensing represent respectively 81%, 17% and 2% of its revenues. Children's products account for 6% of top line.

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 EMEA (61% of top line), the Americas (23%), the Asia Pacific area (14%) and Licenses (2%). Retail, Wholesale, Digital and Licenses represent 54%, 25%, 19% and 2% of its revenues, respectively.

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 (28% of top line), the Asia Pacific area (42%), North America (23%) and RoW (7%). Retail and Wholesale represent respectively 78% and 22% of its revenues.

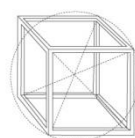
Moncler SpA: Moncler SpA manufactures apparel products and serves customers internationally, in particular in Asia (50% of top line), EMEA (36%) and the Americas (14%). Retail and Wholesale represent 84% and 16% of its revenues, respectively.

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 serves customers worldwide in particular in APAC (35% of top line), Europe (31%), the Americas (18%), Japan (12%) and the Middle East (4%). Retail and Wholesale + Royalties represent 89% and 11% of its revenues, respectively.

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 (47% of top line), Europe (29%), Asia (22%) and Row (2%). Retail and Wholesale + Licensing represent 63% and 37% of its revenues, respectively.

Salvatore Ferragamo SpA: Salvatore Ferragamo SpA is a clothing and accessories company offering shoes, handbags, belts, luggage, ties, scarves, and watches. The company serves customers worldwide in particular in the Asia Pacific area (33% of top line), Europe (24%), North America (28%), Japan (8%) and Latin America (7%). Retail, Wholesale and Licensing represent 71%, 26% and 3% of its revenues, respectively.

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 serves customers worldwide in particular in Italy (23% of top line), Europe (21%), China (32%), the Americas (8%) and RoW (16%). Retail and Wholesale represent 75% and 25% of its revenues, respectively.



Two French companies focus on childrenswear, like Monnalisa: **CWF** (€ 280m sales in 2023, mainly generated under licence as an outsourcer), has a presence in 83 countries and nearly 2,500 points of sale, including 344 department stores, 39 retailers websites and 36 stand-alone shops; **Bonpoint**, a company in which Rothschild PE Fund has an investment, boasts more than 120 boutiques spread across 30 countries.

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' weight on total revenues is close to 70%, on average.

Table 11 - Monnalisa, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₂₃₋₂₆	EBITDA CAGR ₂₃₋₂₆	EBIT CAGR ₂₃₋₂₆	EPS CAGR ₂₃₋₂₆	NFP /EBITDA
Brunello Cucinelli SpA	IT	6,656	1,271	365	28.7%	11.0%	11.2%	12.6%	10.2%	1.4
Burberry Group PLC	UK	4,820	3,462	835	24.1%	1.6%	-6.5%	-8.0%	-10.8%	(0.4)
Capri Holdings Ltd	USA	3,978	4,919	661	13.4%	0.1%	-3.0%	-5.1%	-2.0%	7.2
Hugo Boss AG	DE	3,566	4,421	831	18.8%	6.7%	11.2%	15.3%	14.7%	1.0
Kering SA	FR	43,041	19,143	5,423	28.3%	3.8%	1.3%	1.7%	1.8%	1.7
Moncler SpA	IT	18,017	3,198	1,260	39.4%	9.5%	8.9%	10.0%	10.4%	(0.7)
Prada SpA	IT	18,253	5,166	1,904	36.9%	8.3%	7.9%	10.1%	12.1%	(0.3)
Ralph Lauren Corp	USA	10,043	6,218	986	15.9%	4.6%	9.6%	10.7%	15.5%	(0.6)
Salvatore Ferragamo SpA	IT	1,557	1,085	235	21.7%	1.9%	5.5%	7.5%	28.4%	2.2
Tod's SpA	IT	1,414	1,176	263	22.4%	4.8%	6.9%	11.3%	18.4%	1.9
Median		5,738	3,941	833	23.2%	4.7%	7.4%	10.0%	11.3%	1.2
Monnalisa SpA	IT	8	45	4	9.6%	9.1%	43.2%	n.m.	n.m.	7.3

Source: CFO SIM, Refinitiv Eikon

Table 12 - Monnalisa, peer group EV multiple table

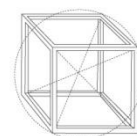
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Brunello Cucinelli SpA	5.63	5.07	4.63	19.6	17.6	16.1
Burberry Group PLC	1.30	1.27	1.17	5.4	5.3	4.7
Capri Holdings Ltd	1.78	1.08	0.99	13.2	7.2	6.2
Hugo Boss AG	0.99	0.88	0.81	5.3	4.4	4.0
Kering SA	2.74	2.55	2.38	9.7	8.5	7.6
Moncler SpA	5.35	4.74	4.16	13.6	12.0	10.6
Prada SpA	3.42	3.11	2.89	9.3	8.4	7.8
Ralph Lauren Corp	1.52	1.46	1.36	9.6	8.6	7.7
Salvatore Ferragamo SpA	1.91	1.81	1.74	8.8	7.9	7.3
Tod's SpA	1.62	1.53	1.42	7.3	6.7	6.0
Median	1.84	1.67	1.58	9.4	8.2	7.5
Monnalisa SpA	0.87	0.77	0.68	9.1	6.3	4.7
% premium/(discount) to median	(52.9)	(54.0)	(56.7)	(3.9)	(22.8)	(36.6)

Source: CFO SIM, Refinitiv Eikon

Table 13 - Monnalisa, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Brunello Cucinelli SpA	33.6	29.8	27.0	51.8	45.2	40.2
Burberry Group PLC	9.3	9.0	7.6	14.7	14.6	12.1
Capri Holdings Ltd	17.5	9.4	8.1	9.6	8.3	7.4
Hugo Boss AG	9.4	7.5	6.6	12.1	9.7	8.8
Kering SA	13.8	12.0	10.5	17.6	15.5	13.3
Moncler SpA	17.9	15.7	13.7	27.6	24.6	21.9
Prada SpA	14.9	13.2	11.9	24.0	21.4	19.2
Ralph Lauren Corp	12.5	10.9	9.6	15.7	14.9	13.5
Salvatore Ferragamo SpA	35.6	25.4	21.6	76.4	42.3	28.0
Tod's SpA	19.4	16.5	14.1	26.6	22.2	17.1
Median	16.2	12.6	11.2	20.8	18.5	15.3
Monnalisa SpA	n.m.	n.m.	17.7	n.m.	n.m.	9.8
% premium/(discount) to median	n.m.	n.m.	58.3	n.m.	n.m.	(35.8)

Source: CFO SIM, Refinitiv 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 14 - Monnalisa, peer group absolute performance

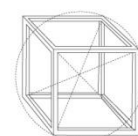
	1D	1W	1M	3M	6M	YTD	1Y
Brunello Cucinelli SpA	2.5	(0.3)	(5.5)	16.7	25.9	10.9	8.9
Burberry Group PLC	0.6	2.6	(4.5)	(6.4)	(32.5)	(17.8)	(55.8)
Capri Holdings Ltd	(3.8)	(6.2)	(18.4)	(26.2)	(28.6)	(27.3)	(18.9)
Hugo Boss AG	0.5	4.4	(5.8)	(13.2)	(13.1)	(24.6)	(25.2)
Kering SA	1.1	2.9	(4.0)	(2.7)	(14.1)	(12.2)	(40.1)
Moncler SpA	0.9	2.0	(3.2)	26.9	22.3	18.2	(2.7)
Prada SpA	3.7	4.7	(3.5)	33.2	30.1	33.9	0.0
Ralph Lauren Corp	3.8	4.5	(8.1)	20.5	44.1	16.6	44.7
Salvatore Ferragamo SpA	2.5	1.5	(17.2)	(15.2)	(20.9)	(24.1)	(42.8)
Tod's SpA	(0.4)	(0.2)	(0.3)	37.6	35.3	25.7	11.7
Median	1.0	2.3	(5.0)	7.0	4.6	(0.6)	(10.8)
Monnalisa SpA	(0.7)	(3.2)	(12.4)	(24.7)	(34.6)	(20.7)	(48.3)

Source: Refinitiv Eikon

Table 15 - Monnalisa, peer group and key indexes absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Monnalisa peer group	1.0	2.3	(5.0)	7.0	4.6	(0.6)	(10.8)
S&P Global Luxury	1.5	1.8	(4.7)	6.5	12.3	(0.5)	(6.2)
MSCI World Index	1.2	0.8	(2.7)	4.1	18.6	4.8	17.5
EUROSTOXX	1.3	1.8	(0.9)	9.7	20.8	8.4	10.5
FTSE Italia All Share	1.9	2.7	(1.1)	13.3	24.4	12.4	22.8
FTSE Italia STAR	1.6	1.3	(2.6)	0.1	16.4	(2.3)	(3.2)
FTSE Italia Growth	0.5	1.2	0.3	(2.3)	4.5	(2.5)	(12.7)
Monnalisa SpA	(0.7)	(3.2)	(12.4)	(24.7)	(34.6)	(20.7)	(48.3)

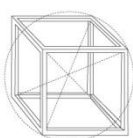
Source: Refinitiv Eikon



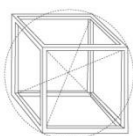
Risks

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

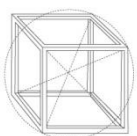
- openings of new DOS may be difficult and penalised by credit constraints;
- wholesale value of production development;
- net working capital management, in particular with regard to inventories;
- competition in mature markets, which might put margins or top line developments under pressure;
- impact 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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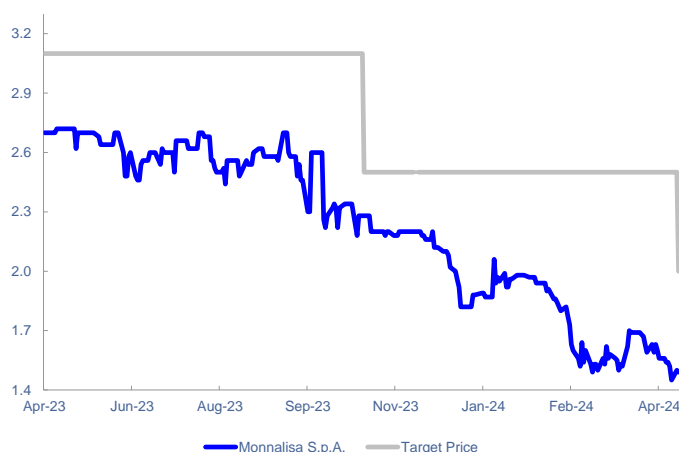
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DATE	TARGET PRICE	RATING
24/04/2024	€2.00	NEUTRAL
27/10/2023	€2.50	NEUTRAL
28/04/2023	€3.10	NEUTRAL

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
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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.

