

Italy – Fashion
Increasing volumes prompt initial margin recovery

 26th October 2021

H1-21 RESULTS RELEASE

 RIC: MONNA.MI
 BBG: MNL IM

In H1-21 Monnalisa showed growing revenues and early signs of recovery in terms of EBITDA. The ongoing strategy aimed at the reorganisation of the retail structure seems to be going in the right direction, focusing on fewer but more profitable shops. H1-21 sales are almost entirely related to the Monnalisa brand, as sales relating to the 'Chiara Ferragni' licence will be visible as from H2.

Rating:
Neutral
Price Target:
€ 4.50 (€ 4.00)
Upside/(Downside): 14.2%
Last Price: € 3.94
Market Cap.: € 20.7m
1Y High/Low: € 6.20 / € 2.16
Avg. Daily Turn. (3M, 6M): € 21k, € 14k
Free Float: 25.2%
Major shareholders:

Jafin Due 74.5%


Stock price performance

	1M	3M	12M
Absolute	0.0%	2.3%	43.8%
Rel.to FTSE IT Growth	-1.1%	-9.3%	-32.1%
Rel.to Sector	-5.7%	0.0%	-0.6%

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Estimates upgraded, new PT of € 4.50/s (€ 4.00). Neutral confirmed

On the back of H1-21 results, we have updated our model by factoring in 1) a slight increase in revenues related to the Wholesale channel, on the back of the positive performance recorded in H1-21, 2) a fine-tuning of the cost structure, lowering the incidence of certain costs, previously overestimated, and 3) an update in the openings plan, now anticipating three openings and no closures for FY-21 (previously four openings and one closure). The combined result is an average 4.4%, 27.1% and 40.6% increase in Net Sales, adj. EBITDA and adj. Net Profit, respectively, in 2021-23. 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 € 4.50/s (€ 4.00), broadly in line with current price levels. Neutral.

Sales grew by 34.0% YoY thanks to increasing volumes in all the business divisions

In H1-21 sales were € 20.3m, up by 34.0% YoY, driven by a strong business acceleration in Q2 (sales up by 184% YoY). It is worth noting that H1-20 was heavily impacted by the Covid-19 pandemic. However, H1-21 was also characterised by several lockdown periods worldwide. In addition, almost 98% of H1-21 turnover derives from the Monnalisa brand, as sales related to the 'Chiara Ferragni' licence will be visible as from H2-21.

Retail up by 41.3% YoY, Wholesale rose by 24.5% YoY, E-commerce more than doubled

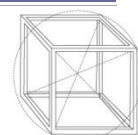
Retail sales grew by 41.3% YoY to € 5.9m (29% of total). During H1-21 two stores were opened, in Istanbul and San Marino (49 direct stores in Jun-21 vs 47 in Dec-20). The Wholesale segment totalled € 12.8m, up by 24.5% YoY (63% of total). Unlike H1-20, in H1-21 the group was able to early start the delivery of the FW collection, with positive impact on both revenues and margins. The E-commerce channel more than doubled, generating € 1.5m in sales (8% of total). The sharp increase was achieved thanks to a marketing strategy focusing on the strengthening of the Monnalisa brand on digital channels.

EBITDA benefited from increasing volumes and cost reduction

EBITDA was € 0.2m, sharply increasing from € -5.9m reported in H1-20. The strong recovery was mainly driven by the reduction of COGS and overheads. In particular, 1) the reduction and/or postponement of certain non-strategical marketing expenses, 2) the renegotiation of rent terms, 3) the use of government subsidies, and 4) top management salary cuts on a voluntary basis. Adjusted EBITDA for non-recurring costs relating to store openings and closings stood at € 0.4m (vs € -2.1m in H1-20). EBIT was negative by € 1.5m (vs negative by € 7.6m in H1-20), after D&A which remained broadly stable YoY. Net loss was equal to € 1.4m (vs € 6.8m in H1-20). NFP was € 9.3m (debt), slightly higher compared to € 8.0m at end-20. Capex was € 320k, mainly related to leasehold improvements stemming from new openings and certain investments with regard to the e-commerce platform.

Monnalisa, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	47.9	33.6	42.5	51.0	55.0
EBITDA adj.	0.3	(2.2)	(0.8)	3.4	4.6
EBITDA	(3.0)	(6.5)	(1.0)	3.4	4.6
EBIT	(7.6)	(7.4)	(4.2)	0.2	2.2
Net profit adj.	(2.5)	(4.3)	(3.6)	(0.2)	1.4
Net profit	(8.4)	(7.8)	(3.7)	(0.2)	1.4
NFP (cash)/debt	3.4	8.0	9.2	9.0	6.1
EBITDA margin	-6.0%	-19.8%	-2.3%	6.6%	8.2%
EPS adj.	(0.48)	(0.82)	(0.68)	(0.05)	0.27
EPS adj. growth	-189.3%	n.m.	-17.5%	n.m.	n.m.
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
ROCE	n.m.	n.m.	n.m.	0.3%	4.6%
NWC/Sales	40.3%	51.0%	40.4%	40.2%	38.8%
Free Cash Flow Yield	-30.1%	-19.0%	-9.3%	-1.7%	12.7%
PER x	neg.	neg.	neg.	neg.	14.8
EV/Sales x	0.95	0.78	0.70	0.58	0.49
EV/EBITDA x	neg.	neg.	neg.	8.8	5.9
EV/EBIT x	neg.	neg.	neg.	n.m.	12.2

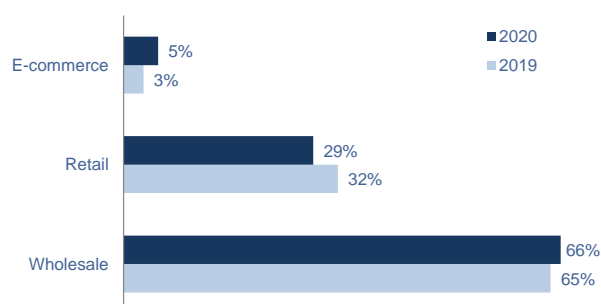


The company at a glance

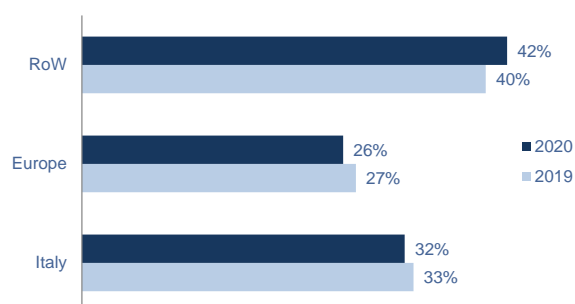
Founded in 1968 by Piero Iacomoni and Barbara Bertocci in the fashion and creative centre of Italy, Monnalisa is specialised in high-end childrenswear (0-16 years) through its own proprietary brands and licenses. The philosophy of Monnalisa is the creation of a lifestyle identity, offering a complete range of products from apparel to footwear, from accessories to cosmetics and furniture. At the end of June 2021, Monnalisa operated worldwide in more than 60 countries through 49 direct stores and almost 500 multifranchise stores. The company sells via three distribution channels:

- Wholesale, 66% of top line in FY-20. Monnalisa conducts a strict selection of stores considering location, visibility and their consistency with the Monnalisa brand identity. This includes Wholesale retail, namely mono-brand partnership stores (Third Party Operated Stores – TPOS) and located in top department stores (Third Party Shop In Shop – TSPS).
- Retail, 29% of top line. Monnalisa sells directly to the final customer through its directly owned stores: Directly Operated Stores (DOS) and Directly Operated Outlets (DOO), totalling 49 stores at the end of June 2021.
- Direct e-commerce, 5% of top line. Monnalisa sells its products online through its own monobrand online boutique.

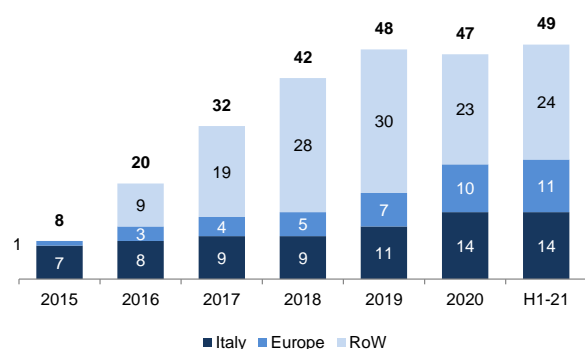
FY-20 vs FY-19 channel contribution...



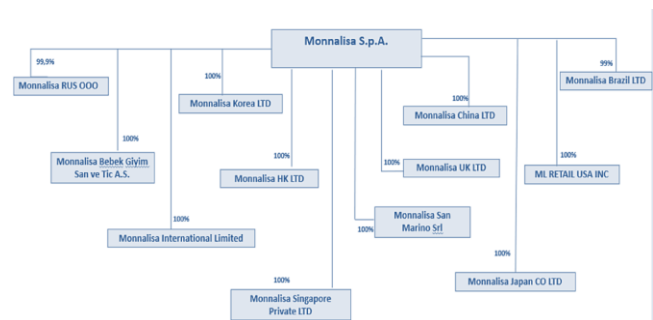
... and revenues by geography



2015-2020 retail evolution



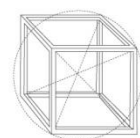
Group structure



Peer group multiples table

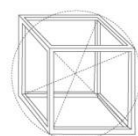
EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Brunello Cucinelli SpA	5.69	5.14	4.63	22.0	19.4	16.6	60.8	42.6	35.8
Burberry Group PLC	2.38	2.23	2.09	9.2	8.3	7.5	14.2	12.4	11.2
Capri Holdings Ltd	1.73	1.50	1.23	8.5	7.1	5.6	10.6	8.7	6.9
Hugo Boss AG	1.69	1.44	1.35	8.0	6.5	5.9	22.6	15.8	13.1
Kering SA	4.97	4.48	4.10	13.6	12.2	10.9	17.7	15.5	13.7
Moncler SpA	8.32	6.90	6.12	21.0	17.2	15.1	29.2	23.1	20.0
Prada SpA	4.31	3.81	3.43	14.5	12.3	10.5	36.1	25.4	20.0
Ralph Lauren Corp	1.37	1.35	1.29	7.9	7.5	7.0	10.7	10.1	9.1
Salvatore Ferragamo SpA	2.74	2.44	2.19	10.6	9.9	8.4	27.9	23.2	18.1
Tod's SpA	2.37	2.20	2.01	14.7	11.4	9.6	n.m.	n.m.	n.m.
Median	2.56	2.34	2.14	12.1	10.6	9.0	22.6	15.8	13.7
Monnalisa SpA	0.70	0.58	0.49	neg.	8.8	5.9	neg.	n.m.	12.2

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Sales	47.9	33.6	42.5	51.0	55.0
Value of Production	50.1	33.0	43.5	51.3	55.3
Raw materials	(14.6)	(10.9)	(12.4)	(13.6)	(14.6)
Services	(17.7)	(12.1)	(13.9)	(15.1)	(16.0)
Use of third-party assets	(7.2)	(5.7)	(7.0)	(7.2)	(7.7)
Personnel expenses	(12.4)	(9.5)	(10.5)	(11.1)	(11.4)
Other opex	(1.1)	(1.4)	(0.7)	(0.9)	(0.9)
EBITDA	(3.0)	(6.5)	(1.0)	3.4	4.6
D&A	(4.5)	(0.9)	(3.2)	(3.2)	(2.4)
EBIT	(7.6)	(7.4)	(4.2)	0.2	2.2
Financials	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Re/(Deval.) of fin. assets	(0.0)	0.0	0.0	0.0	0.0
FX profit/(loss)	0.1	(0.9)	0.0	0.0	0.0
Pre-Tax profit	(7.9)	(8.7)	(4.5)	(0.2)	1.8
Income taxes	(0.5)	0.9	0.8	(0.0)	(0.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(8.4)	(7.8)	(3.7)	(0.2)	1.4
EBITDA adj.	0.3	(2.2)	(0.8)	3.4	4.6
Net Profit adj.	(2.5)	(4.3)	(3.6)	(0.2)	1.4
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	20.2	16.8	17.6	20.6	21.5
Net Fixed Assets	22.5	22.3	20.0	17.3	15.4
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(0.4)	(0.6)	(1.6)	(2.4)	(2.9)
Net Invested Capital	42.3	38.5	36.0	35.5	34.0
Net Financial Debt	3.4	8.0	9.2	9.0	6.1
Minorities	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Group's Shareholders Equity	38.9	30.5	26.8	26.6	28.0
Financial Liabilities & Equity	42.3	38.5	36.0	35.5	34.0
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	(8.4)	(7.8)	(3.7)	(0.2)	1.4
Depreciation	4.5	0.9	3.2	3.2	2.4
Other non-cash charges	0.2	1.0	0.2	0.2	0.2
Cash Flow from Oper. (CFO)	(3.7)	(5.9)	(0.3)	3.2	4.0
Change in NWC	1.1	3.3	(0.7)	(3.1)	(0.9)
FCF from Operations (FCFO)	(2.5)	(2.6)	(1.0)	0.1	3.1
Net Investments (CFI)	(3.7)	(1.4)	(1.0)	(0.5)	(0.5)
Free CF to the Firm (FCFF)	(6.2)	(3.9)	(1.9)	(0.4)	2.6
CF from financials (CFF)	1.0	(0.3)	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	(5.2)	(4.3)	(1.9)	(0.4)	2.6
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	-6.0%	-19.8%	-2.3%	6.6%	8.2%
EBITDA adj. margin	0.5%	-6.7%	-1.8%	6.6%	8.2%
EBIT margin	-15.1%	-22.5%	-9.6%	0.3%	4.0%
Net profit margin	-16.8%	-23.6%	-8.5%	-0.5%	2.5%
Net profit adj. margin	-5.0%	-13.1%	-8.2%	-0.5%	2.5%
Tax rate	-6.7%	10.7%	18.4%	-15.6%	24.0%
Op NWC/Sales	40.3%	51.0%	40.4%	40.2%	38.8%
Interest coverage x	(0.05)	(0.05)	(0.09)	2.28	0.17
Net Debt/EBITDA x	(1.13)	(1.23)	(9.36)	2.66	1.33
Debt-to-Equity x	0.09	0.26	0.34	0.34	0.22
ROIC	-19.9%	-20.2%	-10.3%	-0.7%	4.1%
ROCE	n.m.	n.m.	n.m.	0.3%	4.6%
ROACE	-12.6%	-14.0%	-8.8%	0.3%	4.6%
ROE	-21.6%	-25.5%	-13.8%	-0.9%	5.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
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 €	(1.61)	(1.49)	(0.71)	(0.05)	0.27
EPS adjusted FD €	(0.48)	(0.82)	(0.68)	(0.05)	0.27
EBITDA €	(0.58)	(1.25)	(0.19)	0.64	0.87
EBIT €	(1.45)	(1.42)	(0.80)	0.03	0.42
BV €	7.43	5.83	5.12	5.07	5.34
FCFO €	(0.48)	(0.49)	(0.19)	0.03	0.60
FCFF €	(1.19)	(0.75)	(0.37)	(0.07)	0.50
FCFE €	(1.00)	(0.82)	(0.37)	(0.07)	0.50
Dividend €	0.00	0.00	0.00	0.00	0.00



H1-21 results

Monnalisa reported 2021 interim results showing a rebound, with growing revenues and signs of a timid recovery in terms of EBITDA. Growth was driven by increasing revenues across all the sales channels as well as in all geographical areas. EBITDA benefited from strong cost containment as well as from rising sales volumes.

Table 1 – Monnalisa, H1-21 results

€ m	H1-21	H1-20	% YoY
Retail	5.9	4.2	41.3
Wholesale	12.8	10.3	24.5
E-commerce	1.5	0.6	139.1
Italy	6.6	5.1	30.4
Europe	5.3	4.0	33.1
RoW	8.4	6.1	37.6
Net Revenues	20.3	15.1	34.0
Increase in finished products	(0.2)	(1.9)	
Other revenues	1.0	0.4	
Value of Production	21.1	13.6	54.7
Raw materials	(5.9)	(4.8)	
Services	(6.4)	(6.0)	
Use of third-party assets	(3.3)	(2.9)	
Personnel expenses	(4.9)	(4.8)	
Other opex	(0.3)	(1.1)	
EBITDA	0.2	(5.9)	103.3
% margin	0.9	(43.4)	
D&A	(1.7)	(1.7)	
EBIT	(1.5)	(7.6)	80.8
% margin	(6.9)	(55.8)	
Financials	(0.2)	(0.2)	
Re/(Deval.) of fin. assets	(0.0)	(0.0)	
FX profit/(loss)	0.3	(0.3)	
Pre-Tax profit	(1.4)	(8.0)	82.6
% margin	(6.6)	(59.0)	
Income taxes	(0.0)	1.2	
Tax rate	-	-	
Minorities	(0.0)	0.0	
Net Profit	(1.4)	(6.8)	78.8
% margin	(6.8)	(49.9)	
Total adjustments	(0.2)	(3.8)	
EBITDA adj.	0.4	(2.1)	118.8
% margin	1.9	(15.5)	
NFP (cash)/debt *	9.3	8.0	

Sources: Company data, CFO SIM estimates *compared to FY-20 figure

Total revenues were € 20.3m, up by 34.0% YoY (up 36.8% at constant FX), driven by a strong business acceleration in Q2 (sales up by 184% YoY). It is worth noting that H1-20 was heavily impacted by the Covid-19 pandemic. However H1-21 was also characterised by several lockdown periods worldwide. Furthermore, almost 98% of H1-21 turnover derives from the Monnalisa brand, as sales related to the 'Chiara Ferragni' licence will be visible as from H2-21.

- **Retail sales grew by 41.3% YoY to € 5.9m** (29% of total revenues). During the first semester of 2021 two stores were opened, in Istanbul and San Marino. At the end of Jun-21, the group held 49 direct stores (vs 47 at end-20). Furthermore, in the first months of H2-21 Monnalisa opened a store in Nanjing (China), thus holding **50 direct stores at the end of Sep-21**.
- **Wholesale sales totalled € 12.8m, up by 24.5% YoY** (63% of total revenues). Unlike H1-20, in H1-21 the group was able to early start the delivery of the Fall-Winter collection, with a positive impact on both revenues and margin.



- The **E-commerce** channel more than doubled, generating sales to the tune of **€ 1.5m** (8% of total revenues). The sharp increase was achieved thanks to a marketing strategy focusing on the strengthening of the Monnalisa brand on digital channels.

EBITDA was € 0.2m, sharply improving from € -5.9m reported in H1-20. The strong recovery was mainly driven by the reduction of COGS and overheads. In particular, 1) the reduction and/or postponement of certain non-strategical marketing expenses, 2) the renegotiation of rent terms, 3) the use of government subsidies, and 4) the top management salary cuts on a voluntary basis. **Adjusted EBITDA for non-recurring costs related to store openings and closings stood at € 0.4m** (vs € -2.1m in H1-20).

EBIT was negative by € 1.5m (vs negative by € 7.6m in H1-20), after D&A, which remained broadly stable YoY. **Net loss was equal to € 1.4m** (vs € 6.8m in H1-20).

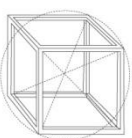
Net Financial Position was € 9.3m (debt), slightly higher compared to € 8.0m at end-20. Capex was € 320k, mainly related to leasehold improvements stemming from new openings and certain investments with regard the e-commerce platform.

Strong ESG profile: Integrated Report & Sustainability Plan

Monnalisa has always paid close attention to *Corporate Social Responsibility* principles. It has been voluntarily drawing up sustainability reports since 2001, and **Integrated Reports** since 2018. The reports are drafted according to the **GRI** (Global Reporting Initiative) **standards** and the **IIRC** (International Integrated Reported Council) **guidelines**. The *materiality analysis* applied to Monnalisa's business model allowed to identify some topics to focus on: **Human Resources** (health and safety, working conditions, work-life balance, development and training, respect for human rights, diversity and equal opportunities), **Environment** (material sustainability), **Governance** (sustainability strategies) and **Product & Consumer Responsibility** (protection, health and safety, eco-design and product innovation).

The company's solid ESG effort has also 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)**. In particular, Monnalisa intends to 1) reintroduce a corporate welfare system, 2) halt the use of unnecessary plastic for packaging, 3) increase the use of recycled materials, 4) map out all the raw materials used, 5) extend the 231 compliance principles to all the group companies. In order to reach the aforementioned goals and to respect the timeline, Monnalisa has set up a **dedicated team** composed of the CSR manager, the HR manager, the SA8000 manager, the special projects manager and the environmental certification manager.

Since the 2020 Integrated Report, the reporting scope has been extended to the whole group, providing greater transparency to the market. Furthermore, the Integrated Report was certified by BDO Italia SpA and **starting from 2021 Monnalisa also plans to draw up a Non-Financial Statement on a voluntary basis**.



Valuation & risks

Monnalisa reported H1-21 results showing growing revenues and the first signs of recovery in terms of EBITDA. **The ongoing strategy aimed at the reorganisation of the retail structure seems to be going in the right direction, focusing on fewer but more profitable shops.**

On the back of H1-21 results, we updated our model by factoring in 1) a slight increase in revenues related to the Wholesale channel, on the back of the positive performance recorded in H1-21, 2) a fine-tuning of the cost structure, lowering the incidence of services costs and personnel expenses, previously overestimated, 3) an update in the openings plan, now anticipating three openings and no closures for FY-21 (previously four openings and one closure). The combined result is **an average 4.4%, 27.1% and 40.6% increase in Net Sales, adjusted EBITDA and adjusted Net Profit, respectively, in 2021-23.**

Table 2 – Monnalisa, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	42.5	41.4	2.6	1.1
EBITDA	(1.0)	(2.1)	52.3	1.1
% margin	(2.3)	(5.0)		
EBIT	(4.2)	(5.3)	20.6	1.1
% margin	(9.8)	(12.7)		
Net Profit	(3.7)	(4.6)	18.9	0.9
% margin	(8.7)	(11.0)		
Y/E net debt (net cash)	9.2	9.6	(3.9)	(0.4)

Source: CFO Sim

Table 3 – Monnalisa, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	51.0	48.7	4.6	2.2
EBITDA	3.4	3.0	12.9	0.4
% margin	6.6	6.1		
EBIT	0.2	(0.2)	168.3	0.4
% margin	0.3	(0.5)		
Net Profit	(0.2)	(0.5)	57.1	0.3
% margin	(0.5)	(1.1)		
Y/E net debt (net cash)	9.0	9.6	(6.1)	(0.6)

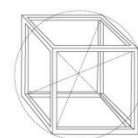
Source: CFO Sim

Table 4 – Monnalisa, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	55.0	51.8	6.1	3.2
EBITDA	4.6	4.0	13.6	0.5
% margin	8.3	7.7		
EBIT	2.2	1.6	33.8	0.6
% margin	4.0	3.2		
Net Profit	1.4	0.9	46.7	0.4
% margin	2.5	1.8		
Y/E net debt (net cash)	6.1	7.0	(13.1)	(0.9)

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 € 4.50/s** (€ 4.00), 14.2% upside to current price levels. The PT is broadly in line with the current price: **we maintain our Neutral stance** on the stock.



DCF

In our DCF valuation, we determine the company's value by identifying an explicit forecast period until 2025 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 according to the following parameters:

Table 5 - 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.)	0.74%
Beta levered (x)	1.00
Required ROE	9.7%

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 6 - Monnalisa, DCF model

€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	(4.2)	0.2	2.2	3.0	3.8	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
Operating profit (NOPAT)	(3.1)	0.1	1.6	2.2	2.8	
Change working capital	(0.7)	(3.1)	(0.9)	(0.5)	(0.1)	
Depreciation	3.2	3.2	2.4	1.4	0.5	
Investments	(1.0)	(0.5)	(0.5)	(0.5)	(0.5)	
Free Cash Flows	(1.6)	(0.2)	2.6	2.6	2.7	40.0
Present value	(1.5)	(0.2)	2.2	2.1	2.0	29.0
WACC	7.9%	7.9%	7.9%	7.9%	7.9%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 7 – Monnalisa, DCF derived from:

€ m	
Total EV present value € m	33.6
<i>thereof terminal value</i>	86.4%
NFP last reported	(8.0)
Pension provision last reported	(2.0)
Equity value € m	23.6
#m shares	5.24
Equity value €/s	4.50
<i>% upside/(downside)</i>	14.2%

Source: CFO Sim

By applying our DCF model we attained an equity value of Monnalisa of € 23.6m, € 4.50/s (€ 4.00).

The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value/s of between **€ 3.92-5.22m (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 **€ 3.92-5.18m (free risk range of between 1.49% and 0.00%)**, and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of **€ 3.43-6.02m (risk premium range of between 10.50% and 7.50%)**.

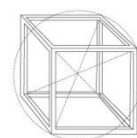


Table 8 – Monnalisa, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	4.6	4.6	4.6	4.6	4.6	4.6	4.6
PV of terminal value	26.0	26.9	28.0	29.0	30.2	31.4	32.8
Total value	30.6	31.5	32.5	33.6	34.8	36.0	37.4
NFP last reported	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Pension provision last reported	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value	20.5	21.5	22.5	23.6	24.7	26.0	27.3
Equity value/share €	3.92	4.10	4.29	4.50	4.72	4.96	5.22

Source: CFO Sim

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

€ m	0.00%	0.24%	0.49%	0.74%	0.99%	1.24%	1.49%
Present value of CF	4.7	4.6	4.6	4.6	4.5	4.5	4.5
PV of terminal value	32.5	31.3	30.1	29.0	28.0	27.0	26.1
Total value	37.2	35.9	34.7	33.6	32.5	31.5	30.6
NFP last reported	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Pension provision last reported	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value	27.1	25.9	24.7	23.6	22.5	21.5	20.5
Equity value/share €	5.18	4.94	4.72	4.50	4.30	4.10	3.92

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	4.8	4.7	4.6	4.6	4.5	4.4	4.4
PV of terminal value	36.8	33.9	31.3	29.0	27.0	25.2	23.6
Total value	41.6	38.6	35.9	33.6	31.5	29.7	28.0
NFP last reported	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Pension provision last reported	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value	31.5	28.5	25.9	23.6	21.5	19.6	18.0
Equity value/share €	6.02	5.45	4.94	4.50	4.10	3.75	3.43

Source: CFO Sim

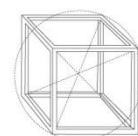
Market multiples

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.

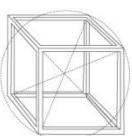


Table 11 - Monnalisa, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP /EBITDA
Brunello Cucinelli SpA	ITALY	3,494	672	174	25.8%	14.3%	36.5%	n.m.	30.3%	1.9
Burberry Group PLC	UK	9,065	3,264	842	25.8%	10.9%	9.5%	13.8%	10.5%	(1.5)
Capri Holdings Ltd	USA	6,954	4,592	936	20.4%	17.2%	34.6%	46.2%	15.3%	1.0
Hugo Boss AG	GERMANY	3,775	2,659	561	21.1%	18.6%	53.4%	n.m.	39.3%	1.3
Kering SA	FRANCE	80,294	16,924	6,165	36.4%	15.7%	15.4%	19.8%	14.2%	0.6
Moncler SpA	ITALY	16,781	1,965	777	39.5%	22.0%	23.1%	29.5%	20.0%	(0.6)
Prada SpA	ITALY	13,584	3,201	953	29.8%	18.6%	24.9%	176.2%	39.8%	0.2
Ralph Lauren Corp	USA	7,858	4,955	855	17.3%	13.2%	38.1%	65.6%	11.7%	(1.2)
Salvatore Ferragamo SpA	ITALY	3,111	1,117	289	25.8%	13.6%	29.8%	n.m.	31.7%	(0.2)
Tod's SpA	ITALY	1,579	823	133	16.2%	14.5%	56.6%	n.m.	n.m.	2.8
Median		7,406	2,930	809	25.8%	15.1%	32.2%	37.9%	20.0%	0.4
Monnalisa SpA	ITALY	21	42	(1)	-2.3%	17.8%	n.m.	n.m.	n.m.	n.m.

Sources: CFO Sim, Thomson Reuters Eikon

Table 12 - Monnalisa, peer group EV multiple table

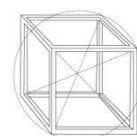
	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Brunello Cucinelli SpA	5.69	5.14	4.63	22.0	19.4	16.6
Burberry Group PLC	2.38	2.23	2.09	9.2	8.3	7.5
Capri Holdings Ltd	1.73	1.50	1.23	8.5	7.1	5.6
Hugo Boss AG	1.69	1.44	1.35	8.0	6.5	5.9
Kering SA	4.97	4.48	4.10	13.6	12.2	10.9
Moncler SpA	8.32	6.90	6.12	21.0	17.2	15.1
Prada SpA	4.31	3.81	3.43	14.5	12.3	10.5
Ralph Lauren Corp	1.37	1.35	1.29	7.9	7.5	7.0
Salvatore Ferragamo SpA	2.74	2.44	2.19	10.6	9.9	8.4
Tod's SpA	2.37	2.20	2.01	14.7	11.4	9.6
Median	2.56	2.34	2.14	12.1	10.6	9.0
Monnalisa SpA	0.70	0.58	0.49	neg.	8.8	5.9
% premium/(discount) to median	(72.5)	(75.1)	(77.3)	n.m.	(17.2)	(35.1)

Sources: CFO Sim, Thomson Reuters Eikon

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

	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Brunello Cucinelli SpA	60.8	42.6	35.8	n.m.	70.3	57.6
Burberry Group PLC	14.2	12.4	11.2	22.1	19.2	18.1
Capri Holdings Ltd	10.6	8.7	6.9	11.2	9.7	8.4
Hugo Boss AG	22.6	15.8	13.1	34.6	22.4	17.8
Kering SA	17.7	15.5	13.7	25.1	21.7	19.2
Moncler SpA	29.2	23.1	20.0	44.4	35.4	30.9
Prada SpA	36.1	25.4	20.0	n.m.	39.8	30.5
Ralph Lauren Corp	10.7	10.1	9.1	17.2	15.5	13.8
Salvatore Ferragamo SpA	27.9	23.2	18.1	n.m.	42.7	32.8
Tod's SpA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Median	22.6	15.8	13.7	23.6	22.4	19.2
Monnalisa SpA	neg.	n.m.	12.2	neg.	neg.	14.9
% premium/(discount) to median	n.m.	n.m.	(11.2)	n.m.	n.m.	(22.6)

Sources: 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 firms operating in the luxury and fashion arena.

Table 14 - Monnalisa, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Brunello Cucinelli SpA	(0.2)	5.3	5.4	(1.1)	16.4	43.4	87.1
Burberry Group PLC	(0.3)	2.9	3.2	(10.2)	(9.2)	5.6	27.0
Capri Holdings Ltd	1.1	1.5	0.2	3.9	0.5	26.4	135.7
Hugo Boss AG	1.4	2.6	2.7	4.8	40.2	95.8	130.7
Kering SA	(0.9)	(2.0)	2.8	(14.4)	(1.0)	7.7	15.1
Moncler SpA	0.1	4.8	13.5	1.9	18.6	21.9	56.9
Prada SpA	(1.3)	1.6	15.3	(8.9)	(2.7)	(6.4)	43.4
Ralph Lauren Corp	0.8	4.0	5.2	11.3	(1.4)	19.6	60.3
Salvatore Ferragamo SpA	1.3	2.9	2.9	5.9	0.3	15.8	46.7
Tod's SpA	1.5	2.3	2.3	(10.8)	19.2	67.1	120.8
Median	0.4	2.7	3.1	0.4	0.4	20.7	58.6
Monnalisa SpA	1.0	(0.5)	0.0	2.3	(4.8)	0.0	43.8

Source: Thomson Reuters Eikon

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

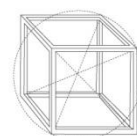
	1D	1W	1M	3M	6M	YTD	1Y
Monnalisa peer group	0.4	2.7	3.1	0.4	0.4	20.7	58.6
S&P Global Luxury	1.4	2.9	5.7	2.4	4.7	18.9	44.4
MSCI World Index	0.3	1.5	2.1	2.6	6.9	17.5	30.0
EUROSTOXX	0.0	1.1	0.7	2.0	5.5	17.7	31.0
FTSE Italia All Share	0.8	2.0	2.6	6.1	9.8	21.7	39.9
FTSE Italia STAR	0.2	2.0	3.5	11.2	23.7	42.8	64.0
FTSE Italia Growth	0.8	2.0	1.1	11.6	23.5	54.8	75.9
Monnalisa SpA	1.0	(0.5)	0.0	2.3	(4.8)	0.0	43.8

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 client preferences and fashion trends;
- departure of one, or a few, of key people;
- proper management of possible additional licence agreements.



ANALYST CERTIFICATION

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

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DATE	TARGET PRICE	RATING
26/10/2021	€4.50	NEUTRAL
31/05/2021	€4.00	NEUTRAL
30/10/2020	€2.50	NEUTRAL
22/05/2020	€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% bands identified using the preceding criteria.

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

