

Italy – Fashion

Retail shows robust growth despite the tough environment

27th October 2022

H1-22 RESULTS RELEASE

RIC: MONNA.MI
BBG: MNL IM

In this harsh macroeconomic and geopolitical environment, Monnalisa posted 2022 interim results characterised by double-digit top line growth. Retail sales soared by over 30%, despite the continuous lockdowns in China, Hong Kong and Taiwan. The meticulous focus on profitable and promising stores continues to produce tangible results.

Rating:

Neutral (Buy)

Price Target:

€ 3.50 (€ 5.00)

Upside/(Downside): 12.5%

Last Price: € 3.11

Market Cap.: € 16.1m

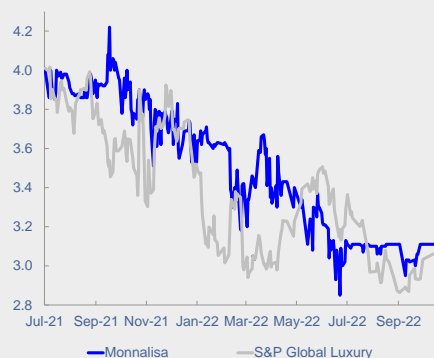
1Y High/Low: € 3.94 / € 2.76

Avg. Daily Turn. (3M, 6M): € 2k, € 3k

Free Float: 25.2%

Major shareholders:

Jafin Due 74.5%



Stock price performance

	1M	3M	12M
Absolute	3.0%	0.0%	-18.2%
Rel.to FTSE IT Growth	-0.2%	4.1%	1.0%
Rel.to Sector	1.4%	5.2%	9.8%

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New DCF-based PT at € 3.50/s (€ 5.00), 12.5% upside: Neutral (Buy)

In H1-22, Monnalisa reported double-digit sales growth driven by the Retail channel, showing that the group's strategy aimed at boosting direct to customers sales is going in the right direction. Following the H1-22 results release, we have updated our model to reflect the adoption of IAS/IFRS accounting standards, which caused a certain discontinuity with historical figures. We have also fine-tuned our top line assumptions, resulting in an average 3.6% reduction in sales in 2022-24. Moreover, we have updated the DCF valuation criteria and brought the Free Risk Rate up to date, which sharply increased from 1.24% to 2.99% since our last valuation update. The combined result is a new DCF-based PT of € 3.50/s (€ 5.00), 12.5% upside. The decline in PT is almost entirely due to the sharp increase in the free risk rate. As a consequence, the limited upside to current price levels led us to downgrade our recommendation to Neutral (Buy).

Double-digit sales growth driven by the retail channel's sharp increase

Sales grew by 11.8% YoY to € 22.6m, mainly driven by the retail channel, which soared by 33.8% YoY, totalling € 7.8m, 10% higher than H1-19 (pre-pandemic). The retail channel benefited from increasing sales volumes mainly in Italy and the EU while in mainland China, Hong Kong and Taiwan, were still deeply affected by lockdowns. Wholesale reached € 13.2m, up by 3.1% YoY. E-commerce was almost flat (+1.0% YoY) at € 1.5m, after the sharp increase reported in H1-21 (+139% YoY). Furthermore, the e-commerce channel was affected by the significant decrease in sales stemming from Russia and Ukraine, which had an important share of the channel's business. The group is implementing an online project with a direct presence in Russia, which will be rolled out in the next few months.

EBITDA totalled € 2.1m, 9.7% margin. Net loss was broadly stable at € 1.5m

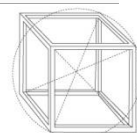
The new accounting in accordance with IAS/IFRS substantially modifies the representation of the group's figures, mainly with regard to rental contracts. IFRS16 requires the lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. This results in lower opex but higher D&A and interest expenses compared to ITA GAAP. EBITDA was € 2.1m, 9.7% margin (vs € 2.5m, 11.7% margin in H1-21). EBIT worsened to € 2.1m negative, from € 1.3m negative in H1-21 as a consequence of lower EBITDA coupled with higher D&A. After broadly-stable financial charges, Net loss totalled € 1.5m (net loss of € 1.6m in H1-21).

NFP excluding the IFRS16 effect was € 8.5m, compared to € 8.6m at year-end 2021

In accordance with the IFRS, Net Financial Position now includes the figurative debt stemming from the right-of-use of third-party assets. Thus, NFP was € 27.9m (€ 8.5m excl. IFRS16), compared to € 29.4m (€ 8.6m excl. IFRS16) at year-end 2021.

Monnalisa, key financials and ratios

€ m	2020 (OIC)	2021 (IFRS)	2022e	2023e	2024e
Sales	33.6	43.6	48.0	53.5	57.1
EBITDA adj.	(2.2)	5.3	5.8	7.6	8.3
EBITDA	(6.5)	5.3	5.8	7.6	8.3
EBIT	(7.4)	(2.7)	(2.6)	(0.3)	0.9
Net profit adj.	(4.3)	(2.1)	(3.0)	(1.2)	(0.2)
Net profit	(7.8)	(2.1)	(3.0)	(1.2)	(0.2)
NFP (cash)/debt	8.0	29.4	25.1	20.5	14.7
EBITDA margin	-19.8%	12.1%	12.0%	14.0%	14.5%
EPS adj.	(0.82)	(0.40)	(0.58)	(0.23)	(0.04)
EPS adj. growth	n.m.	-51.1%	n.m.	n.m.	-80.4%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
ROCE	n.m.	n.m.	n.m.	n.m.	1.4%
NWC/Sales	51.0%	36.3%	36.5%	36.5%	36.5%
Free Cash Flow Yield	-25.6%	38.9%	21.4%	27.7%	35.0%
PER x	neg.	neg.	neg.	neg.	neg.
EV/Sales x	1.45	1.14	0.86	0.68	0.54
EV/EBITDA x	neg.	9.4	7.1	4.8	3.7
EV/EBIT x	neg.	neg.	neg.	neg.	33.9

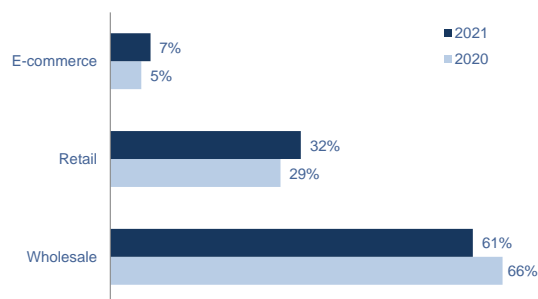


The company at a glance

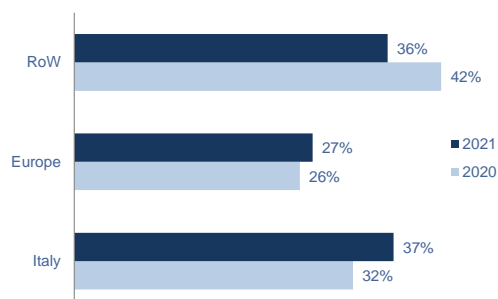
Founded in 1968 by Piero Iacomoni and Barbara Bertocci in the fashion and creative centre of Italy, Monnalisa is specialised in high-end childrenswear (0-16 years) through its own proprietary brands and licenses. The philosophy of Monnalisa is the creation of a lifestyle identity, offering a complete range of products from apparel to footwear, from accessories to cosmetics and furniture. At the end of 2021, Monnalisa operated worldwide in more than 50 countries through 50 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 those 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 50 stores as of Jun-22.
- Direct e-commerce, 7% of top line. Monnalisa sells its products online through its own monobrand online boutique.

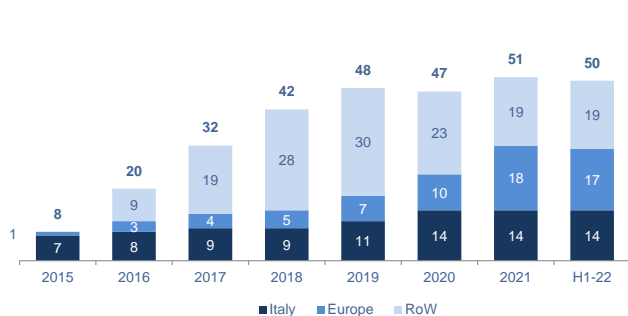
FY-21 vs FY-20 channel contribution...



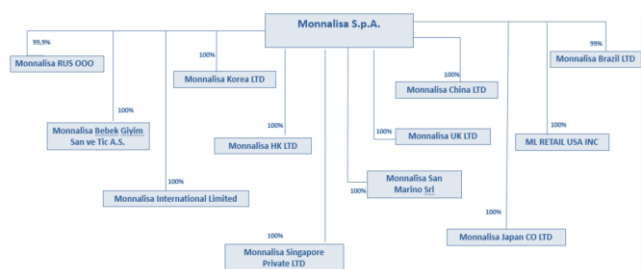
... and revenues by geography



2015-H1-22 retail evolution



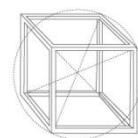
Group structure



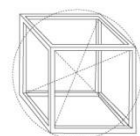
Peers group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Brunello Cucinelli SpA	5.29	4.89	4.49	18.6	17.4	16.0	38.3	34.8	31.5
Burberry Group PLC	2.09	1.95	1.74	7.2	6.7	6.0	10.7	9.9	8.7
Capri Holdings Ltd	1.26	1.02	0.86	5.9	4.7	3.9	7.0	5.6	4.6
Hugo Boss AG	1.08	1.05	0.75	5.4	5.3	3.7	11.8	10.9	7.1
Kering SA	2.95	2.55	2.32	8.3	7.2	6.5	10.3	8.9	8.0
Moncler SpA	4.84	4.25	3.73	12.2	10.7	9.4	16.2	14.0	12.1
Prada SpA	3.08	2.78	2.51	9.2	8.1	7.2	17.2	14.6	12.0
Ralph Lauren Corp	0.88	0.85	0.80	5.5	5.2	4.8	7.3	6.7	6.0
Salvatore Ferragamo SpA	2.13	1.99	1.90	9.0	10.0	8.5	21.9	31.1	21.6
Tod's SpA	1.52	1.41	1.24	7.7	6.6	5.5	31.6	19.8	13.9
Median	2.11	1.97	1.82	8.0	7.0	6.2	14.0	12.5	10.4
Monnalisa SpA	0.85	0.68	0.54	7.1	4.8	3.7	Neg.	Neg.	33.9

Source: CFO Sim, Thomson Reuters Eikon



Income statement (€ m)	2020 (OIC)	2021 (IFRS)	2022e	2023e	2024e
Sales	33.6	43.6	48.0	53.5	57.1
Value of Production	33.0	43.9	48.3	53.8	57.4
Raw materials	(10.9)	(11.7)	(12.6)	(14.0)	(14.9)
Services	(12.1)	(15.4)	(16.9)	(18.6)	(19.8)
Use of third-party assets	(5.7)	0.0	0.0	0.0	0.0
Personnel expenses	(9.5)	(10.6)	(12.1)	(12.6)	(13.2)
Other opex	(1.4)	(0.9)	(1.0)	(1.1)	(1.1)
EBITDA	(6.5)	5.3	5.8	7.6	8.3
D&A	(0.9)	(8.1)	(8.4)	(7.8)	(7.4)
EBIT	(7.4)	(2.7)	(2.6)	(0.3)	0.9
Financials	(0.4)	(1.3)	(1.2)	(1.2)	(1.2)
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)	(3.3)	(3.8)	(1.5)	(0.3)
Income taxes	0.9	1.2	0.8	0.3	0.1
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(7.8)	(2.1)	(3.0)	(1.2)	(0.2)
EBITDA adj.	(2.2)	5.3	5.8	7.6	8.3
Net Profit adj.	(4.3)	(2.1)	(3.0)	(1.2)	(0.2)
Balance sheet (€ m)	2020 (OIC)	2021 (IFRS)	2022e	2023e	2024e
Net Working Capital	16.8	16.0	17.6	19.6	20.9
Net Fixed Assets	22.3	40.9	32.9	25.6	18.7
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(0.6)	0.4	(0.7)	(1.2)	(1.5)
Net Invested Capital	38.6	57.2	49.9	44.1	38.1
Net Financial Debt	8.0	29.4	25.1	20.5	14.7
Minorities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Group's Shareholders Equity	30.5	27.8	24.8	23.6	23.4
Financial Liabilities & Equity	38.6	57.2	49.9	44.1	38.1
Cash Flow statement (€ m)	2020 (OIC)	2021 (IFRS)	2022e	2023e	2024e
Total net income	(7.8)	(2.1)	(3.0)	(1.2)	(0.2)
Depreciation	0.9	8.1	8.4	7.8	7.4
Other non-cash charges	0.8	(0.3)	0.3	0.3	0.3
Cash Flow from Oper. (CFO)	(6.1)	5.7	5.6	7.0	7.4
Change in NWC	3.3	0.8	(1.7)	(2.0)	(1.3)
FCF from Operations (FCFO)	(2.8)	6.5	3.9	5.0	6.1
Net Investments (CFI)	(1.4)	(0.2)	(0.5)	(0.5)	(0.5)
Free CF to the Firm (FCFF)	(4.1)	6.3	3.4	4.5	5.6
CF from financials (CFF)	(0.2)	(5.8)	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	(4.3)	0.5	3.4	4.5	5.6
Financial ratios	2020 (OIC)	2021 (IFRS)	2022e	2023e	2024e
EBITDA margin	-19.8%	12.1%	12.0%	14.0%	14.5%
EBITDA adj. margin	-6.7%	12.1%	12.0%	14.0%	14.5%
EBIT margin	-22.5%	-6.3%	-5.4%	-0.5%	1.6%
Net profit margin	-23.6%	-4.8%	-6.3%	-2.2%	-0.4%
Net profit adj. margin	-13.1%	-4.8%	-6.3%	-2.2%	-0.4%
Tax rate	10.7%	36.7%	20.0%	20.0%	20.0%
Op NWC/Sales	51.0%	36.3%	36.5%	36.5%	36.5%
Interest coverage x	(0.05)	(0.46)	(0.46)	(4.23)	1.32
Net Debt/EBITDA x	(1.23)	5.52	4.32	2.71	1.77
Debt-to-Equity x	0.26	1.06	1.01	0.87	0.63
ROIC	-20.2%	-3.7%	-6.1%	-2.7%	-0.6%
ROCE	n.m.	n.m.	n.m.	n.m.	1.4%
ROACE	-16.1%	-4.0%	-4.0%	-0.4%	1.4%
ROE	-25.5%	-7.6%	-12.3%	-5.0%	-1.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2020 (OIC)	2021 (IFRS)	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)	(0.40)	(0.58)	(0.23)	(0.04)
EPS adjusted FD €	(0.82)	(0.40)	(0.58)	(0.23)	(0.04)
EBITDA €	(1.25)	1.02	1.11	1.44	1.59
EBIT €	(1.42)	(0.52)	(0.50)	(0.05)	0.17
BV €	5.83	5.32	4.74	4.51	4.46
FCFO €	(0.53)	1.24	0.75	0.95	1.17
FCFF €	(0.79)	1.20	0.66	0.85	1.08
FCFE €	(0.82)	0.09	0.66	0.85	1.08
Dividend €	0.00	0.00	0.00	0.00	0.00



H1-22 results

Monnalisa reported 2022 interim results showing double-digit growth driven by the Retail channel, which outperformed the figure reported in H1-19, before the Covid-19 pandemic, by 10%. The good sales growth was achieved despite the tough macroeconomic environment and the continuous lockdowns in China, Hong Kong and Taiwan, where almost 20% of the group's retail stores are located.

It is worth noting that in H1-22 Monnalisa released figures for the first time in accordance with IFRS accounting standards. In particular, IFRS16 impacts the lessee's P&L as the lease expenses are recognised as depreciation of the right-of-use liabilities as well as interest expenses, instead of operating expenses. As a result, there is a positive impact on EBITDA, whereas D&A and interest expenses increased. 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, which negatively affect Net Financial Position.

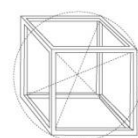
Table 1 – Monnalisa, H1-22 results

€ m	H1-22 (IFRS)	H1-21 (IFRS)	% YoY	H1-21 (OIC)
<i>Retail</i>	7.8	5.9	33.8	5.9
<i>Wholesale</i>	13.2	12.8	3.1	12.8
<i>E-commerce</i>	1.5	1.5	1.0	1.5
Net Revenues	22.6	20.2	11.8	20.3
Increase in finished products	(1.0)	(0.1)		(0.2)
Other revenues	0.4	0.9		1.0
Value of Production	22.1	21.0	5.3	21.1
Raw materials	(5.8)	(5.8)		(5.8)
Services	(7.7)	(7.6)		(9.8)
Personnel expenses	(6.0)	(4.9)		(4.9)
Other opex	(0.4)	(0.2)		(0.2)
EBITDA	2.1	2.5	(13.1)	0.3
% margin	9.7	11.7		1.4
D&A	(4.2)	(3.8)		(1.7)
EBIT	(2.1)	(1.3)	(53.0)	(1.5)
% margin	(9.3)	(6.4)		(6.9)
Financials	(0.6)	(0.6)		(0.2)
Re/(Deval.) of fin. assets	0.0	0.0		0.0
FX profit/(loss)	0.8	0.3		0.3
Pre-Tax profit	(1.9)	(1.7)	(15.0)	(1.4)
% margin	(8.7)	(8.0)		(6.6)
Income taxes	0.4	0.0		0.0
Tax rate	-	-		-
Minorities	(0.0)	(0.0)		(0.0)
Net Profit	(1.5)	(1.6)	5.7	(1.4)
% margin	(7.0)	(7.8)		(6.4)
NFP (cash)/debt *	27.9	29.4	(5.1)	7.8
NFP (cash)/debt excl. IFRS16 *	8.5	8.6	(1.3)	7.8

Source: Company data * compared to FY-21

Net revenues grew by 11.8% YoY to € 22.6m (+11.2% at constant FX), mainly driven by the retail channel. In particular:

- **Retail soared by 33.8% YoY** (+32.9% at constant FX), totalling € 7.8m, 10% higher than H1-19 (pre-pandemic), thanks to increasing sales volumes mainly in Italy and the EU, despite the fact that some important geographical areas for the group, such as mainland China, Hong Kong and Taiwan, are still deeply affected by the Covid-19 restrictions. The Retail channel accounted for **35% of total revenues**, compared to 29% in H1-21, in line with the group's strategy aimed at boosting direct to customers sales. As of the end of June, Monnalisa had **50 retail stores**, including both DOS and DOO, compared to 51 as of the end of 2021.
- **Wholesale reached € 13.2m, up by 3.1% YoY.**



- **E-commerce was almost flat (+1.0% YoY) to € 1.5m**, after the sharp increase reported in H1-21 (+139% YoY). Furthermore, the e-commerce channel was affected by the significant decrease in sales stemming from Russia and Ukraine, which had an important share of the channel's business. The group is implementing an online project with a direct presence in Russia, which will be rolled out in the next few months.

EBITDA was € 2.1m, 9.7% margin (vs € 2.5m, 11.7% margin in H1-21).

EBIT worsened to € 2.1m negative, from € 1.3m negative in H1-21 as a consequence of lower EBITDA coupled with higher D&A. After broadly stable financial charges, **net loss totalled € 1.5m** (net loss of € 1.6m in H1-21).

In accordance with the IFRS accounting principles, NFP now includes the figurative debt stemming from the "right-of-use" of third-party assets. Thus, **Net Financial Position totalled € 27.9m, or € 8.5m excluding the IFRS16 effect**.

FY-21 results in accordance with IAS/IFRS

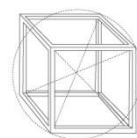
In order to provide stakeholders with a clear overview of the group's key figures following the transition to IAS/IFRS, Monnalisa prepared a useful comparison between FY-21 results in accordance with ITA GAAP (OIC) and IAS/IFRS.

As mentioned above, the main differences stem from the application of IFRS16 with regard to the right-of-use liabilities on third-party assets, namely leases and rentals. This has a positive impact on EBITDA but negatively affects Net Financial Position.

Table 2 – Monnalisa, FY-21 results in accordance with IAS/IFRS

€ m	FY-21 (IFRS)	FY-21 (OIC)
Net Revenues	43.6	43.7
Increase in finished products	(1.1)	(1.2)
Other revenues	1.4	1.6
Value of Production	43.9	44.1
Raw materials	(11.7)	(12.1)
Services	(15.4)	(13.2)
Use of third-party assets	-	(6.7)
Personnel expenses	(10.6)	(10.8)
Other opex	(0.9)	(1.1)
EBITDA	5.3	0.2
% margin	12.1	0.4
D&A	(8.1)	(3.4)
EBIT	(2.7)	(3.2)
% margin	(6.3)	(7.3)
Financials	(1.3)	(0.4)
FX profit/(loss)	0.7	0.7
Pre-Tax profit	(3.3)	(3.0)
% margin	(7.6)	(6.8)
Income taxes	1.2	1.1
Tax rate	<i>n.m.</i>	<i>n.m.</i>
Minorities	0.0	0.0
Net Profit	(2.1)	(1.9)
% margin	(4.8)	(4.3)
NFP (cash)/debt *	29.4	7.8
NFP (cash)/debt excl. IFRS16 *	8.6	7.8

Source: Company data



Valuation & risks

Despite the difficult macroeconomic scenario characterised by the outbreak of the Russia-Ukraine conflict coupled with surging inflation, Monnalisa reported double-digit sales growth driven by the Retail channel, whose weight compared to total revenues reached 35% (29% in H1-21). It shows that the group's strategy aimed at boosting direct to customers sales is going in the right direction. Furthermore, the good sales growth was achieved despite the continuous lockdowns in China, Hong Kong and Taiwan, where almost 20% of the group's retail stores are located.

The adoption of IAS/IFRS prompted us to update our model in order to reflect the new accounting standards. The main difference involves the accounting of rental contracts, mainly related to the group's retail stores. IFRS16 requires the lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. This results in lower operating expenses but higher D&A, interest expenses and NFP compared to ITA GAAP. Furthermore, on the back of H1-22 results, **we have fine-tuned our top line assumptions**, resulting in an average 3.6% decrease in sales in 2022-24.

Table 3 – Monnalisa, 2022e new/old estimates

€ m	New (IFRS)	Old (OIC)	% Diff.	€ m Diff.
Net Sales	48.0	51.0	(5.9)	(3.0)
EBITDA	5.8	3.0	93.2	2.8
% margin	12.1	5.9		
EBIT	(2.6)	(0.2)	n.m.	(2.4)
% margin	(5.4)	(0.3)		
Net Profit	(3.0)	(0.5)	n.m.	(2.6)
% margin	(6.3)	(0.9)		
Y/E net debt (net cash)	25.1	7.4	n.m.	17.7

Source: CFO SIM

Table 4 – Monnalisa, 2023e new/old estimates

€ m	New (IFRS)	Old (OIC)	% Diff.	€ m Diff.
Net Sales	53.5	55.1	(2.9)	(1.6)
EBITDA	7.6	4.0	87.3	3.5
% margin	14.1	7.3		
EBIT	(0.3)	1.7	n.m.	(2.0)
% margin	(0.5)	3.0		
Net Profit	(1.2)	1.0	n.m.	(2.2)
% margin	(2.2)	1.8		
Y/E net debt (net cash)	20.5	5.4	n.m.	15.1

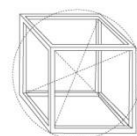
Source: CFO SIM

Table 5 – Monnalisa, 2024e new/old estimates

€ m	New (IFRS)	Old (OIC)	% Diff.	€ m Diff.
Net Sales	57.1	58.2	(1.9)	(1.1)
EBITDA	8.3	5.0	67.3	3.4
% margin	14.6	8.6		
EBIT	0.9	2.9	(69.0)	(2.0)
% margin	1.6	5.0		
Net Profit	(0.2)	2.0	n.m.	(2.2)
% margin	(0.4)	3.5		
Y/E net debt (net cash)	14.7	2.6	n.m.	12.2

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 € 3.50/s** (€ 5.00), 12.5% upside to current price levels. The decline in PT is almost entirely due to the **sharp increase in the free risk rate**. As a consequence, the limited upside to current price levels led us to **downgrade our recommendation to Neutral (Buy)**.



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 6 - 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.)	2.99%
Beta levered (x)	1.00
Required ROE	12.0%

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 7 - Monnalisa, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	(2.6)	(0.3)	0.9	2.3	5.3	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
Operating profit (NOPAT)	(1.9)	(0.2)	0.7	1.7	4.0	
Change working capital	(1.7)	(2.0)	(1.3)	(0.7)	(0.1)	
Depreciation	8.4	7.8	7.4	4.0	0.5	
Investments	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	
Free Cash Flows	4.3	5.1	6.3	4.4	3.9	44.6
Present value	4.2	4.6	5.1	3.3	2.6	30.2
WACC	9.7%	9.7%	9.7%	9.7%	9.7%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 8 – Monnalisa, DCF derived from:

€ m	
Total EV present value € m	50.1
	<i>thereof terminal value</i>
	60.3%
NFP last reported	(29.4)
Pension provision last reported	(2.6)
Equity value € m	18.2
#m shares	5.24
Equity value €/s	3.50
<i>% upside/(downside)</i>	<i>12.5%</i>

Source: CFO Sim

By applying our DCF model we attained an equity value of Monnalisa of € 18.2m, € 3.50/s (€ 5.00).

The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value/s of between **€ 2.97-4.06m (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 **€ 2.93-4.08m (free risk range of between 3.74% and 2.24%)**, and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of **€ 2.47-4.78m (risk premium range of between 10.50% and 7.50%)**.

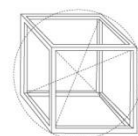


Table 9 – Monnalisa, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	19.9	19.9	19.9	19.9	19.9	19.9	19.9
PV of terminal value	27.6	28.5	29.3	30.2	31.2	32.2	33.3
Total value	47.5	48.3	49.2	50.1	51.1	52.1	53.2
NFP last reported	(29.4)	(29.4)	(29.4)	(29.4)	(29.4)	(29.4)	(29.4)
Pension provision last reported	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Equity value	15.6	16.4	17.2	18.2	19.1	20.1	21.2
Equity value/share €	2.97	3.13	3.29	3.50	3.65	3.85	4.06

Source: CFO Sim

Table 10 – Monnalisa, equity value sensitivity to changes in free risk rate

€ m	2.24%	2.49%	2.74%	2.99%	3.24%	3.49%	3.74%
Present value of CF	20.1	20.0	19.9	19.9	19.8	19.7	19.7
PV of terminal value	33.2	32.2	31.2	30.2	29.3	28.5	27.7
Total value	53.3	52.2	51.1	50.1	49.1	48.2	47.3
NFP last reported	(29.4)	(29.4)	(29.4)	(29.4)	(29.4)	(29.4)	(29.4)
Pension provision last reported	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Equity value	21.3	20.2	19.2	18.2	17.2	16.3	15.4
Equity value/share €	4.08	3.86	3.66	3.50	3.28	3.10	2.93

Source: CFO Sim

Table 11 – 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	20.3	20.2	20.0	19.9	19.7	19.6	19.5
PV of terminal value	36.7	34.3	32.2	30.2	28.5	26.9	25.4
Total value	57.0	54.5	52.2	50.1	48.2	46.5	44.9
NFP last reported	(29.4)	(29.4)	(29.4)	(29.4)	(29.4)	(29.4)	(29.4)
Pension provision last reported	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Equity value	25.0	22.5	20.2	18.2	16.3	14.5	12.9
Equity value/share €	4.78	4.30	3.86	3.50	3.10	2.77	2.47

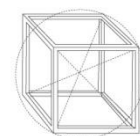
Source: CFO Sim

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.

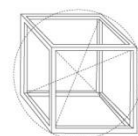
Prada SpA: PRADA SpA is an Italian fashion company that designs, manufactures and sells high-end leather goods, ready-to-wear and footwear through various brands. Brand names include Prada, Miu Miu, Church's, Car Shoe and Pasticceria Marchesi. Prada SpA serves customers worldwide in particular in APAC (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 12 - 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	4,155	883	251	28.4%	14.4%	15.7%	25.4%	11.5%	2.0
Burberry Group PLC	UK	8,310	3,551	1,035	29.1%	5.8%	5.4%	8.4%	4.8%	(0.9)
Capri Holdings Ltd	USA	6,237	5,926	1,267	21.4%	8.7%	10.1%	10.8%	4.4%	1.0
Hugo Boss AG	GERMANY	3,357	3,496	692	19.8%	12.1%	11.1%	14.9%	16.1%	0.6
Kering SA	FRANCE	58,885	20,866	7,430	35.6%	10.8%	9.9%	11.4%	8.0%	0.4
Moncler SpA	ITALY	13,098	2,539	1,007	39.7%	15.5%	9.2%	18.8%	8.3%	(0.8)
Prada SpA	ITALY	12,261	3,986	1,333	33.5%	12.2%	13.8%	26.1%	20.0%	0.0
Ralph Lauren Corp	USA	6,290	6,418	1,021	15.9%	8.0%	7.2%	8.2%	11.5%	(0.6)
Salvatore Ferragamo SpA	ITALY	2,555	1,273	300	23.6%	9.3%	2.8%	-3.9%	2.3%	0.5
Tod's SpA	ITALY	1,044	982	194	19.7%	7.1%	18.2%	73.8%	n.m.	2.3
Median		6,263	3,524	1,014	26.0%	10.0%	10.0%	13.1%	8.3%	0.4
Monnalisa SpA	ITALY	16	48	6	12.0%	9.3%	n.m.	n.m.	n.m.	n.m.

Source: CFO Sim, Thomson Reuters Eikon

Table 13 - Monnalisa, peer group EV multiple table

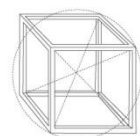
	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Brunello Cucinelli SpA	5.29	4.89	4.49	18.6	17.4	16.0
Burberry Group PLC	2.09	1.95	1.74	7.2	6.7	6.0
Capri Holdings Ltd	1.26	1.02	0.86	5.9	4.7	3.9
Hugo Boss AG	1.08	1.05	0.75	5.4	5.3	3.7
Kering SA	2.95	2.55	2.32	8.3	7.2	6.5
Moncler SpA	4.84	4.25	3.73	12.2	10.7	9.4
Prada SpA	3.08	2.78	2.51	9.2	8.1	7.2
Ralph Lauren Corp	0.88	0.85	0.80	5.5	5.2	4.8
Salvatore Ferragamo SpA	2.13	1.99	1.90	9.0	10.0	8.5
Tod's SpA	1.52	1.41	1.24	7.7	6.6	5.5
Median	2.11	1.97	1.82	8.0	7.0	6.2
Monnalisa SpA	0.85	0.68	0.54	7.1	4.8	3.7
% premium/(discount) to median	(59.6)	(65.5)	(70.4)	(11.3)	(30.7)	(40.4)

Source: CFO Sim, Thomson Reuters Eikon

Table 14 - Monnalisa, peer group EV & price multiple table

	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Brunello Cucinelli SpA	38.3	34.8	31.5	54.2	48.9	43.6
Burberry Group PLC	10.7	9.9	8.7	16.0	15.8	14.6
Capri Holdings Ltd	7.0	5.6	4.6	6.5	6.2	6.0
Hugo Boss AG	11.8	10.9	7.1	16.7	14.7	12.4
Kering SA	10.3	8.9	8.0	14.4	13.4	12.4
Moncler SpA	16.2	14.0	12.1	23.0	22.1	19.6
Prada SpA	17.2	14.6	12.0	27.4	22.9	19.0
Ralph Lauren Corp	7.3	6.7	6.0	11.4	10.3	9.2
Salvatore Ferragamo SpA	21.9	31.1	21.6	36.6	56.8	35.0
Tod's SpA	31.6	19.8	13.9	56.4	27.5	18.8
Median	14.0	12.5	10.4	19.9	19.0	16.7
Monnalisa SpA	Neg.	Neg.	33.9	Neg.	Neg.	Neg.
% premium/(discount) to median	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

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 15 - Monnalisa, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Brunello Cucinelli SpA	1.3	18.4	25.9	16.8	31.0	1.8	20.2
Burberry Group PLC	0.2	1.1	5.9	9.3	22.9	3.5	(1.0)
Capri Holdings Ltd	(0.1)	6.5	14.5	(5.8)	(4.0)	(29.9)	(16.4)
Hugo Boss AG	0.4	3.3	0.3	(15.1)	(6.8)	(9.9)	(10.1)
Kering SA	1.0	4.0	3.1	(9.6)	(5.9)	(32.5)	(26.4)
Moncler SpA	(1.1)	4.5	11.2	12.1	(0.9)	(24.4)	(20.2)
Prada SpA	3.6	(1.0)	6.8	(13.5)	(18.8)	(24.0)	(21.3)
Ralph Lauren Corp	(0.3)	1.9	5.1	(1.8)	(9.5)	(21.3)	(24.8)
Salvatore Ferragamo SpA	(0.3)	0.5	6.7	(6.3)	(2.2)	(32.0)	(15.9)
Tod's SpA	(19.4)	(21.4)	(23.5)	(0.9)	(13.1)	(35.3)	(32.4)
Median	0.0	2.6	6.3	(3.8)	(5.0)	(24.2)	(18.3)
Monnalisa SpA	0.0	0.0	3.0	0.0	(9.3)	(15.7)	(18.2)

Source: Thomson Reuters Eikon

Table 16 - Monnalisa, peer group and key indexes absolute performance

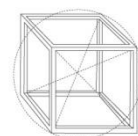
	1D	1W	1M	3M	6M	YTD	1Y
Monnalisa peer group	0.0	2.6	6.3	(3.8)	(5.0)	(24.2)	(18.3)
S&P Global Luxury	0.9	4.4	1.6	(5.2)	(11.6)	(29.8)	(27.9)
MSCI World Index	(0.1)	4.0	4.0	(5.2)	(9.7)	(21.5)	(19.9)
EUROSTOXX	0.6	3.9	7.3	(1.5)	(6.2)	(17.9)	(16.5)
FTSE Italia All Share	0.4	4.4	7.5	3.4	(6.5)	(18.7)	(17.8)
FTSE Italia STAR	0.0	5.0	8.1	(6.6)	(12.3)	(30.9)	(30.3)
FTSE Italia Growth	0.0	1.9	3.1	(4.1)	(9.7)	(20.8)	(19.2)
Monnalisa SpA	0.0	0.0	3.0	0.0	(9.3)	(15.7)	(18.2)

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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DATE	TARGET PRICE	RATING
27/10/2022	€3.50	NEUTRAL
28/04/2022	€5.00	BUY
11/03/2022	€4.50	NEUTRAL
26/10/2021	€4.50	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.

