

Italy – Fashion

Tough market conditions still put a strain on results

27th October 2023

H1-23 RESULTS RELEASE

RIC: MONNA.MI
BBG: MNL IM

Monnalisa 2023 interim results were characterised by growing retail sales, whereas both the Wholesale and E-commerce channels were negatively impacted by geopolitical instability in key regions. The brand-new licence agreement signed with La Martina marks a further step towards the new business model aimed at improving the overall operating efficiency.

Rating:

Neutral

Price Target:

€ 2.50 (€ 3.10)

Upside/(Downside): 9.6%

Last Price: € 2.28

Market Cap.: € 11.9m

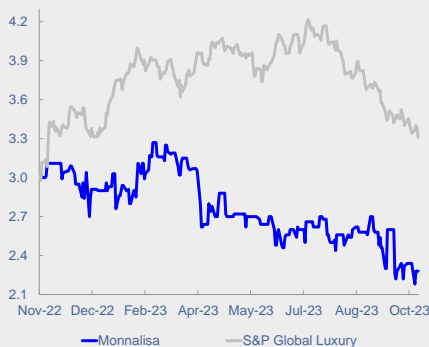
1Y High/Low: € 3.30 / € 2.18

Avg. Daily Turn. (3M, 6M): € 3k, € 3k

Free Float: 25.2%

Major shareholders:

Jafin Due 74.5%



Stock price performance

	1M	3M	12M
Absolute	-12.3%	-15.6%	-26.7%
Rel.to FTSE IT Growth	-4.5%	0.6%	-10.4%
Rel.to Sector	-7.4%	3.9%	-33.1%

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Estimates revised downwards: new DCF-based PT of € 2.50/s (€ 3.10). Neutral

The continuation of certain headwinds is still affecting Monnalisa's results. However, growth in the Retail channel sales and the new 5-year licence agreement signed with the iconic La Martina brand support the management's strategy. Following the 2023 interim results, we have updated our model by revising both our revenues and EBITDA estimates in order to reflect 1) lower sales in the Wholesale and E-commerce channels, and 2) higher-than-expected inflation on certain operating costs. Additionally, we have slightly adjusted interest expenses upward, due to the several rate hikes performed since the beginning of 2023. The combined results is an average decline of 8.4% and 29.3% in Net Revenues and EBITDA in 2023-25, respectively. Moreover, CFO has also updated the DCF valuation criteria, bringing the Free Risk Rate up to date. The combined result is a new DCF-based PT of € 2.50/s (€ 3.10). Neutral recommendation confirmed.

Revenues down by 3% to € 22m. Retail up by 5% corroborates the group's strategy

Net Revenues totalled € 21.9m, down by 3.1% YoY (2% at constant FX) as a result of a steady increase in the Retail channel more than offset by a slowdown in both the Wholesale and E-commerce channels, on the back of some headwinds affecting certain key markets for Monnalisa. Retail was up by 5.0% YoY to € 8.2m, accounting for 38% of total revenues compared to 35% in H1-22. This corroborates the group's strategy aimed at increasing the share of the direct-to-consumer sales channel. Wholesale declined by 6.3% YoY to € 12.4m (€ 13.2m in H1-22) due to decreasing sales in countries still impacted by the Russia-Ukraine conflict coupled with a more cautious approach adopted by wholesalers. E-commerce decreased by 16.4% to € 1.3m (€ 1.5m in H1-22) mainly because of a return to in-store than online shopping after the pandemic period as well as the discontinuation of direct sales in Russia, which was a strategic market for the company.

EBIT almost unchanged YoY while bottom line was impacted by a FX loss

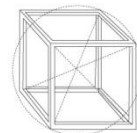
EBITDA was € 1.5m, 6.3% margin, compared to € 2.1m, 9.7% margin in H1-22, in light of the expected increase in marketing and communication costs, e.g. the strategic decision to participate in major fashion shows, such as the Pitti Bimbo fair at the beginning of the summer. Adjusted EBITDA reached € 2.0m, 8.6% margin compared to € 2.2m, 10.0% margin in H1-22. EBIT was negative by € 2.1m, broadly unchanged YoY, while Net Loss was € 3.6m compared to € 1.5m in H1-22, on the back of increased financial charges coupled with a FX loss of € 0.8m (FX profit of € 0.8m recorded in H1-22).

NFP reached € 29.4m following two new openings and refitting of the existing shops

NFP was € 29.4m compared to € 28.9m at year end 2022 after capex of € 1.1m primarily related to 1) two new openings (Paris Givenchy and Taiwan Taichung), 2) the refitting of the existing shops and 3) the purchase of a store in the centre of Florence, currently leased to third-parties. NFP, excluding the IFRS-16 effect, stood at € 11.4m (€ 9.4m at year-end 2022).

Monnalisa, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Net Revenues	43.6	46.4	43.8	49.1	53.0
Adjusted EBITDA	5.1	5.9	3.6	6.8	7.9
EBITDA	5.1	5.8	3.0	6.8	7.9
EBIT	(2.7)	(2.1)	(4.2)	(0.3)	1.0
Net profit	(2.1)	(3.2)	(5.7)	(1.9)	(0.5)
NFP (cash)/debt	29.4	28.9	31.7	34.4	35.0
EBITDA margin	11.7%	12.6%	7.1%	13.9%	15.0%
EPS adj. FD	(0.40)	(0.61)	(1.01)	(0.36)	(0.09)
EPS adj. FD growth	57.7%	-50.2%	-66.7%	64.6%	n.m.
ROCE	neg.	neg.	neg.	neg.	1.8%
NWC/Sales	35.6%	30.8%	26.3%	27.0%	27.0%
PER x	n.m.	n.m.	n.m.	n.m.	n.m.
EV/Sales x	1.13	1.00	1.02	0.95	0.89
EV/EBITDA x	9.7	8.0	14.4	6.8	5.9
EV/EBIT x	n.m.	n.m.	n.m.	n.m.	47.5

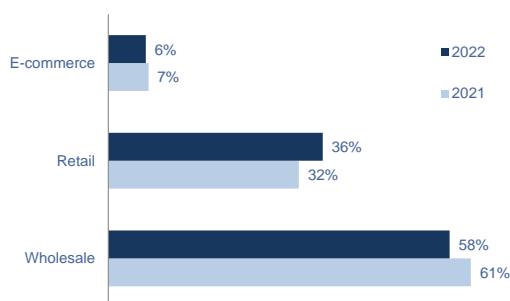


The company at a glance

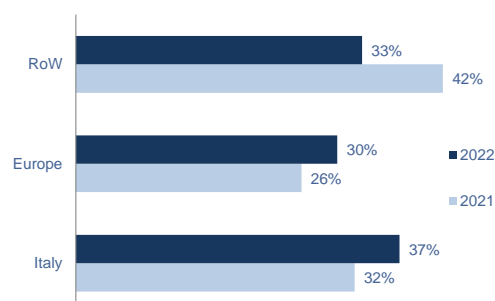
Founded in 1968 by Piero Iacomoni and Barbara Bertocci in the fashion and creative centre of Italy, Monnalisa is specialised in high-end childrenswear (0-16 years) through its own proprietary brands and licences. The philosophy of Monnalisa is the creation of a lifestyle identity, offering a complete range of products from apparel to footwear, from accessories to cosmetics and furniture. At the end of 2022, 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, 58% of top line in FY-22. Monnalisa conducts a strict selection of stores considering location, visibility and their consistency with the Monnalisa brand identity. This includes Wholesale retail, namely monobrand partnership stores (Third Party Operated Stores – TPOS) and those located in top department stores (Third Party Shop In Shop – TPSIS).
- Retail, 36% 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 at the end of June 2023.
- Direct e-commerce, 6% of top line. Monnalisa sells its products online through its own monobrand online boutique.

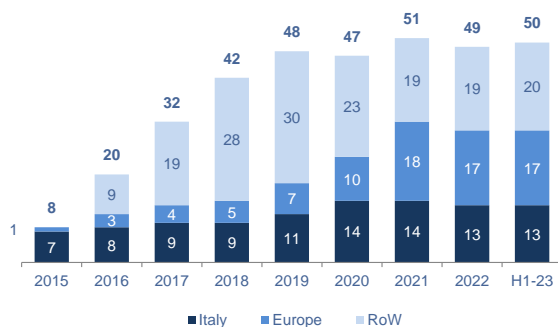
FY-22 vs FY-21 channel contribution...



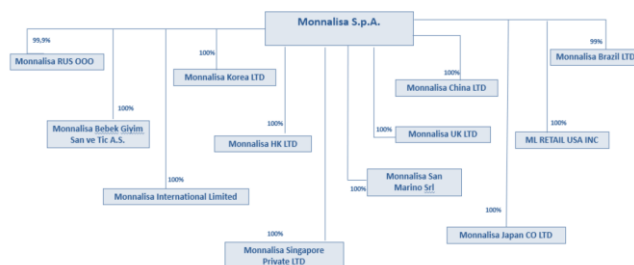
... and revenues by geography



FY-15/H1-23 retail evolution



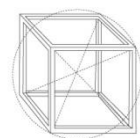
Group structure



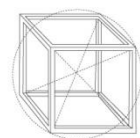
Peers group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Brunello Cucinelli SpA	4.98	4.60	4.14	17.5	16.2	14.6	30.9	28.1	24.9
Burberry Group PLC	1.75	1.61	1.49	6.0	5.4	4.9	9.1	8.1	7.3
Capri Holdings Ltd	1.41	1.27	1.20	7.7	6.7	6.0	9.5	8.2	7.5
Hugo Boss AG	1.13	0.81	0.74	6.1	4.2	3.6	11.2	7.3	6.1
Kering SA	2.69	2.51	2.27	8.0	7.4	6.6	10.5	9.8	8.6
Moncler SpA	4.56	4.03	3.56	11.5	10.2	8.9	15.2	13.4	11.7
Prada SpA	2.88	2.67	2.46	7.9	7.3	6.7	13.1	11.8	10.5
Ralph Lauren Corp	1.04	0.99	0.96	6.6	6.0	5.6	8.5	7.6	7.0
Salvatore Ferragamo SpA	1.95	1.80	1.66	9.5	8.1	7.0	31.8	22.2	16.7
Tod's SpA	1.31	1.19	1.11	6.0	5.3	4.8	16.0	12.9	10.8
Median	1.85	1.70	1.57	7.8	7.0	6.3	12.2	10.8	9.5
Monnalisa SpA	1.02	0.95	0.89	14.4	6.8	5.9	n.m.	n.m.	47.5

Sources: CFO Sim, Refinitiv Eikon



Income statement (€ m)	2021	2022	2023e	2024e	2025e
Net Revenues	43.6	46.4	43.8	49.1	53.0
Value of Production	43.9	45.7	42.6	48.9	52.8
Raw materials	(11.7)	(12.1)	(11.8)	(12.7)	(13.7)
Services	(15.4)	(15.3)	(14.9)	(16.0)	(17.3)
Use of third-party assets	0.0	0.0	0.0	0.0	0.0
Personnel expenses	(10.6)	(12.0)	(12.3)	(12.7)	(13.1)
Other opex	(1.1)	(0.7)	(0.6)	(0.7)	(0.8)
EBITDA	5.1	5.8	3.0	6.8	7.9
D&A	(7.9)	(7.8)	(7.2)	(7.1)	(6.9)
EBIT	(2.7)	(2.1)	(4.2)	(0.3)	1.0
Financials	(1.3)	(1.3)	(1.5)	(1.6)	(1.5)
Re/(Deval.) of fin. assets	0.0	0.0	0.0	0.0	0.0
FX profit/(loss)	0.7	(0.0)	0.0	0.0	0.0
Pre-Tax profit	(3.3)	(3.4)	(5.7)	(1.9)	(0.5)
Income taxes	1.2	0.1	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(2.1)	(3.2)	(5.7)	(1.9)	(0.5)
EBITDA Adjusted	5.1	5.9	3.6	6.8	7.9
Net Profit Adjusted	(2.1)	(3.2)	(5.3)	(1.9)	(0.5)
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	15.7	14.1	11.2	13.2	14.3
Net Fixed Assets	39.5	37.1	37.2	36.3	35.6
Equity Investments	0.8	0.8	0.8	0.8	0.8
Other M/L Term A/L	0.1	0.8	0.7	0.5	0.3
Net Invested Capital	56.0	52.9	49.9	50.8	51.0
Net Financial Debt	29.4	28.9	31.7	34.4	35.0
Minorities	(0.0)	0.0	0.0	0.0	0.0
Group's Shareholders Equity	26.6	24.0	18.3	16.4	16.0
Financial Liabilities & Equity	56.0	52.9	49.9	50.8	51.0
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	(2.1)	(3.2)	(5.7)	(1.9)	(0.5)
Depreciation	7.9	7.8	7.2	7.1	6.9
Other non-cash charges	(0.4)	0.8	0.1	0.2	0.2
Cash Flow from Oper. (CFO)	5.4	5.3	1.6	5.4	6.6
Change in NWC	1.1	1.6	2.9	(2.0)	(1.1)
FCF from Operations (FCFO)	6.5	6.9	4.5	3.4	5.6
Net Investments (CFI)	(1.0)	(0.7)	(1.8)	(0.7)	(0.7)
Free CF to the Firm (FCFF)	5.5	6.2	2.7	2.7	4.9
CF from financials (CFF)	(5.1)	(7.3)	(4.0)	(4.0)	(4.5)
Free Cash Flow to Equity (FCFE)	0.5	(1.2)	(1.3)	(1.3)	0.4
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	11.7%	12.6%	7.1%	13.9%	15.0%
EBITDA adj. margin	11.7%	12.8%	8.4%	13.9%	15.0%
EBIT margin	-6.3%	-4.5%	-9.8%	-0.6%	1.9%
Net profit margin	-4.8%	-7.1%	-13.4%	-3.8%	-0.9%
Net profit adj. margin	-4.8%	-6.9%	-12.4%	-3.8%	-0.9%
Tax rate	n.m.	n.m.	n.m.	n.m.	n.m.
Op NWC/Sales	35.6%	30.8%	26.3%	27.0%	27.0%
Interest coverage x	(0.46)	(0.63)	(0.36)	(5.82)	1.47
Net Debt/EBITDA x	5.74	5.01	10.45	5.07	4.43
Net Debt-to-Equity x	1.10	1.20	1.73	2.09	2.19
ROIC	neg.	neg.	neg.	neg.	1.9%
ROCE	neg.	neg.	neg.	neg.	1.8%
ROACE	neg.	neg.	neg.	neg.	1.8%
ROE	neg.	neg.	neg.	neg.	neg.
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2021	2022	2023e	2024e	2025e
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 €	(0.40)	(0.62)	(1.09)	(0.36)	(0.09)
EPS adjusted FD €	(0.40)	(0.61)	(1.01)	(0.36)	(0.09)
EBITDA €	0.98	1.10	0.58	1.30	1.51
EBIT €	(0.52)	(0.39)	(0.80)	(0.05)	0.19
BV €	5.08	4.59	3.49	3.14	3.05
FCFO €	1.24	1.32	0.85	0.65	1.06
FCFF €	1.06	1.18	0.52	0.52	0.93
FCFE €	0.09	(0.22)	(0.25)	(0.24)	0.07
Dividend €	0.00	0.00	0.00	0.00	0.00



H1-23 Results

Monnalisa reported 2023 interim results characterised by growing retail sales counterbalanced by declining sales in the Wholesale and E-commerce channels, mainly as a consequence of lower sales in countries that are still impacted by the Russia-Ukraine war. Margins were affected by the strategic decision to return to investing in Marketing and Communication, in particular fashion shows, after a three-year stop.

In Sep-23, **Monnalisa entered into a licence agreement with La Martina**, an iconic international brand, for the development and production of La Martina-branded clothing, shoes and accessories for children (0-16 years). The first collection will be Fall-Winter 2024/25. This agreement is added to that signed with the Chiara Ferragni brand and aims to increase Monnalisa's internal production in order to take full advantage of the group's production capacity and, consequently, improve its operating efficiency.

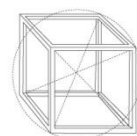
Table 1 – Monnalisa, H1-23 results

€ m	H1-23	H1-22	% YoY
<i>Retail</i>	8.2	7.8	5.0
<i>Wholesale</i>	12.4	13.2	(6.3)
<i>E-commerce</i>	1.3	1.5	(16.4)
Net Revenues	21.9	22.6	(3.1)
Increase in finished products	1.1	(1.0)	
Other revenues	0.4	0.4	
Value of Production	23.4	22.1	5.9
Raw materials	(6.6)	(5.8)	
Services	(8.9)	(7.7)	
Personnel expenses	(6.2)	(6.0)	
Other opex	(0.2)	(0.4)	
EBITDA	1.5	2.1	(30.5)
% margin	6.3	9.7	
D&A	(3.6)	(4.2)	
EBIT	(2.1)	(2.1)	(3.2)
% margin	(9.1)	(9.3)	
Financials	(0.8)	(0.6)	
Re/(Deval.) of fin. assets	0.0	0.0	
FX profit/(loss)	(0.8)	0.8	
Pre-Tax profit	(3.7)	(1.9)	n.m.
% margin	(15.8)	(8.7)	
Income taxes	0.0	0.4	
Tax rate	n.m.	n.m.	
Minorities	0.0	(0.0)	
Net Profit	(3.6)	(1.5)	n.m.
% margin	(15.6)	(7.0)	
Total adjustments	(0.5)	(0.1)	
Adjusted EBITDA	2.0	2.2	(9.1)
% margin	8.6	10.0	
NFP (cash)/debt *	29.4	28.9	1.9
NFP (cash)/debt excl. IFRS-16 *	11.4	9.4	21.8

Source: Company data * compared to FY-22

Net Revenues totalled € 21.9m, down by 3.1% YoY (2% at constant FX) as a result of a steady increase in the Retail channel, more than offset by a slowdown in both the Wholesale and E-commerce channels, on the back of some headwinds affecting certain key markets for Monnalisa coupled with a fall in consumer confidence. More in detail:

- **Retail was up by 5.0% YoY to € 8.2m** (7% at constant FX), accounting for 38% of total revenues compared to 35% in H1-22. This corroborates the group's strategy aimed at increasing the share of the direct-to-consumer sales channel, with a consequent improvement in profitability.



- **Wholesale declined by 6.3% YoY to € 12.4m** (€ 13.2m in H1-22) due to decreasing sales in countries still impacted by the Russia-Ukraine conflict coupled with the rising inflation which led wholesalers to purchase more cautiously. At constant FX, the channel went down by 6.0%.
- **E-commerce decreased by 16.4% to € 1.3m** (€ 1.5m in H1-22) mainly because of the return to in-store rather than online shopping after the pandemic period as well as the discontinuation of direct sales in Russia, which was a strategic market for the company. With regard to Russia, Monnalisa set up an online project aimed at returning to selling in the country to be implemented as of the end of H1-23. Therefore, the first results are expected to be visible already in the second part of the year.

Table 2 – Monnalisa, H1-23 Net Revenue breakdown by channel (Current FX)

€ m	H1-23	H1-22	% YoY	% on total H1-23	% on total H1-22
Retail	8.2	7.8	5.0	37.5	34.6
Wholesale	12.4	13.2	(6.3)	56.6	58.6
E-commerce	1.3	1.5	(16.4)	5.9	6.8
Total	21.9	22.6	(3.1)	100.0	100.0

Source: Company data

At a geographical level, **RoW rose by 12.4% YoY to € 8.4m, accounting for 38.4% of Net Revenues**, as a result of a favourable comparison with H1-22 when China's restrictions were still in place. Italy contributed € 8.2m (37.3% of total) and Europe € 5.3m, down 14.5% YoY on the back of the abovementioned reasons linked to tough business conditions in key markets.

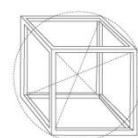
As of the end of June, Monnalisa had 50 retail stores, including both DOS and DOO, compared to 49 at year end 2022. During H1-23, the group opened two stores, one in Paris and the other in Taiwan, and closed one in Spain.

EBITDA was € 1.5m, 6.3% margin, compared to € 2.1m, 9.7% margin in H1-22, in light of **increased marketing and communication costs**, such as the strategic decision to participate in major fashion shows. During the Pitti Bimbo show at the beginning of the summer, **Monnalisa returned to the catwalk with the Fall-Winter collection after three years**.

Adjusted EBITDA reached € 2.0m, 8.6% margin compared to € 2.2m, 10.0% margin in H1-22. Non-recurring items refer to extraordinary costs and the negative EBITDA of the shops that have been open for less than one year.

EBIT was negative by € 2.1m, broadly unchanged YoY, whereas **Net Loss was € 3.6m** up from € 1.5m in H1-22, due to increased financial charges coupled with an FX loss equal to € 0.8m (a FX profit of € 0.8m was recorded in H1-22).

Net Financial Position was € 29.4m compared to € 28.9m at year end 2022 after capex of € 1.1m primarily related to 1) **two new openings** (Paris Givenchy and Taiwan Taichung), 2) the refitting of the existing shops and 3) the purchase of a store in the centre of Florence, currently leased to third-parties. Excluding the figurative debt related to the IFRS-16 accounting principle, NFP stood at € 11.4m compared to € 9.4m at year end 2022.



Estimates, Valuation & Risks

The continuation of certain headwinds, such as geopolitical instability sparked by the Russia-Ukraine conflict and decreasing consumer confidence, is still affecting Monnalisa's operations. In fact, 2023 interim results were characterised by growing retail sales, where management is placing major efforts, counterbalanced by declining sales with respect to both the Wholesale and E-commerce channels. Moreover, the decision to reinvest in Marketing and Communication and in new openings (Paris and Taiwan) affected both short-term margins and NFP. However, these investments are strategically critical in order to promote the Monnalisa brand and gain visibility with key buyers.

The 5-year licence agreement signed with the iconic La Martina brand marks a further step towards the new business model adopted by Monnalisa, aimed at leveraging on the current production capacity and, consequently, improving operating efficiency. The first tangible results of this new agreement are foreseen to occur in H2-24 with the 2024-25 Fall-Winter collection, which will also be distributed in some of Monnalisa's stores.

Following the 2023 interim results, **we have updated our model by revising both our revenues and EBITDA estimates** in order to reflect 1) lower sales in the Wholesale and E-commerce channels, and 2) higher-than-expected inflation on certain operating costs. Additionally, we have slightly adjusted interest expenses upward, due to the several rate hikes performed since the beginning of 2023. **The combined results is an average decline of 8.4% and 29.3% in Net Revenues and EBITDA in 2023-25, respectively.**

Table 3 – Monnalisa, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	43.8	48.5	(9.7)	(4.7)
EBITDA	3.0	6.8	(55.5)	(3.8)
% margin	6.9	14.0		
EBIT	(4.2)	(0.7)	n.m.	(3.5)
% margin	(9.6)	(1.5)		
Net Profit	(5.7)	(1.9)	n.m.	(3.8)
% margin	(13.1)	(3.9)		
Y/E net debt (net cash)	31.7	29.4	7.7	2.3

Source: CFO SIM

Table 4 – Monnalisa, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	49.1	53.6	(8.5)	(4.5)
EBITDA	6.8	8.3	(18.6)	(1.6)
% margin	13.8	15.5		
EBIT	(0.3)	1.0	n.m.	(1.3)
% margin	(0.6)	1.9		
Net Profit	(1.9)	(0.1)	n.m.	(1.7)
% margin	(3.8)	(0.2)		
Y/E net debt (net cash)	34.4	28.9	19.0	5.5

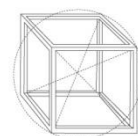
Source: CFO SIM

Table 5 – Monnalisa, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	53.0	56.9	(6.9)	(3.9)
EBITDA	7.9	9.2	(13.8)	(1.3)
% margin	14.9	16.1		
EBIT	1.0	2.1	(51.8)	(1.1)
% margin	1.9	3.6		
Net Profit	(0.5)	0.6	n.m.	(1.0)
% margin	(0.9)	1.0		
Y/E net debt (net cash)	35.0	28.2	24.3	6.8

Source: CFO SIM

Moreover, CFO has also updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date. The combined result is a **new DCF-based PT of € 2.50/s** (€ 3.10), 9.6% upside. **Neutral** recommendation confirmed.



DCF

In our DCF valuation, we determine the company's value by identifying an explicit forecast period until 2027 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	4.0%
Tax rate	26.0%
Int. costs, after taxes	3.0%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200gg mov. av.)	4.20%
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 is set at 1.00**. The WACC is computed by using a long-term 30/70% debt/equity balance-sheet structure.

Table 7 - Monnalisa, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	(4.2)	(0.3)	1.0	3.2	4.6	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
Operating profit (NOPAT)	(3.1)	(0.2)	0.7	2.4	3.4	
Change working capital	2.9	(2.0)	(1.1)	(0.6)	(0.1)	
Depreciation	7.2	7.1	6.9	3.8	0.7	
Investments	(1.8)	(0.7)	(0.7)	(0.7)	(0.7)	
Free Cash Flows	5.3	4.2	5.9	4.9	3.3	36.7
Present value	5.2	3.7	4.8	3.6	2.2	24.6
WACC	10.1%	10.1%	10.1%	10.1%	10.1%	
Long-term growth rate	1.0%					

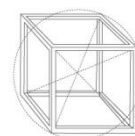
Source: CFO Sim

Table 8 – Monnalisa, DCF derived from:

€ m	
Total EV present value € m	44.1
	<i>thereof terminal value</i>
	55.7%
NFP last reported	(28.9)
Pension provision last reported	(2.3)
Equity value € m	12.9
#m shares	5.22
Equity value €/s	2.50
% upside/(downside)	9.6%

Source: CFO Sim

By applying our DCF model we attained an equity value of Monnalisa of € 12.9m, € 2.50/s (€ 3.10).



The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value/s of between € 2.08-2.93m (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 € 2.10-2.90m (free risk range of between 4.95% and 3.45%), and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of € 1.76-3.37m (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	19.5	19.5	19.5	19.5	19.5	19.5	19.5
PV of terminal value	22.5	23.2	23.8	24.6	25.3	26.1	26.9
Total value	42.0	42.7	43.4	44.1	44.8	45.6	46.5
NFP last reported	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	10.9	11.5	12.2	12.9	13.7	14.5	15.3
Equity value/share €	2.08	2.21	2.34	2.50	2.62	2.77	2.93

Source: CFO Sim

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

€ m	3.45%	3.70%	3.95%	4.20%	4.45%	4.70%	4.95%
Present value of CF	19.7	19.6	19.6	19.5	19.5	19.4	19.4
PV of terminal value	26.6	25.9	25.2	24.6	23.9	23.3	22.8
Total value	46.3	45.5	44.8	44.1	43.4	42.7	42.1
NFP last reported	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	15.1	14.3	13.6	12.9	12.2	11.6	10.9
Equity value/share €	2.90	2.75	2.61	2.50	2.34	2.22	2.10

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	19.9	19.8	19.6	19.5	19.4	19.3	19.2
PV of terminal value	28.9	27.3	25.9	24.6	23.3	22.2	21.2
Total value	48.8	47.1	45.5	44.1	42.7	41.5	40.3
NFP last reported	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)
Pension provision last reported	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Equity value	17.6	15.9	14.3	12.9	11.6	10.3	9.2
Equity value/share €	3.37	3.05	2.75	2.50	2.22	1.98	1.76

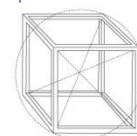
Source: CFO Sim

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.

Two French companies focus on childrenswear, like Monnalisa: **CWF** (€ 284m sales in 2022, mainly generated under licence as an outsourcer), has a presence in 80 countries and nearly 2,200 points of sale, including 350 department stores, 70 pure players and 65 'Kids around' boutiques; **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.

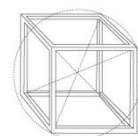


Table 12 - Monnalisa, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₂₂₋₂₅	EBITDA CAGR ₂₂₋₂₅	EBIT CAGR ₂₂₋₂₅	EPS CAGR ₂₃₋₂₅	NFP /EBITDA
Brunello Cucinelli SpA	IT	5,108	1,117	318	28.4%	14.3%	13.8%	19.6%	14.2%	1.4
Burberry Group PLC	UK	7,013	3,701	1,078	29.1%	5.6%	3.9%	5.2%	10.1%	(0.5)
Capri Holdings Ltd	USA	5,605	5,195	952	18.3%	2.4%	6.8%	6.2%	8.0%	1.8
Hugo Boss AG	DE	4,008	4,186	774	18.5%	11.1%	14.7%	20.6%	23.7%	0.9
Kering SA	FR	47,706	19,850	6,681	33.7%	3.6%	2.2%	2.2%	9.3%	0.9
Moncler SpA	IT	14,246	2,973	1,179	39.6%	12.0%	11.9%	12.8%	12.0%	(0.6)
Prada SpA	IT	14,267	4,685	1,706	36.4%	9.3%	10.4%	15.4%	12.9%	(0.5)
Ralph Lauren Corp	USA	7,001	6,215	982	15.8%	4.8%	8.8%	9.5%	8.9%	(0.6)
Salvatore Ferragamo SpA	IT	1,913	1,181	243	20.6%	2.2%	2.2%	0.1%	57.4%	1.6
Tod's SpA	IT	1,006	1,139	249	21.9%	7.9%	13.6%	33.5%	n.m.	1.9
Median		6,303	3,943	967	25.2%	6.7%	9.6%	11.2%	12.0%	0.9
Monnalisa SpA	IT	12	43	3	7.1%	4.9%	11.1%	n.m.	n.m.	10.5

Sources: CFO Sim, Refinitiv Eikon

Table 13 - Monnalisa, peer group EV multiple table

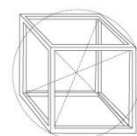
	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Brunello Cucinelli SpA	4.98	4.60	4.14	17.5	16.2	14.6
Burberry Group PLC	1.75	1.61	1.49	6.0	5.4	4.9
Capri Holdings Ltd	1.41	1.27	1.20	7.7	6.7	6.0
Hugo Boss AG	1.13	0.81	0.74	6.1	4.2	3.6
Kering SA	2.69	2.51	2.27	8.0	7.4	6.6
Moncler SpA	4.56	4.03	3.56	11.5	10.2	8.9
Prada SpA	2.88	2.67	2.46	7.9	7.3	6.7
Ralph Lauren Corp	1.04	0.99	0.96	6.6	6.0	5.6
Salvatore Ferragamo SpA	1.95	1.80	1.66	9.5	8.1	7.0
Tod's SpA	1.31	1.19	1.11	6.0	5.3	4.8
Median	1.85	1.70	1.57	7.8	7.0	6.3
Monnalisa SpA	1.02	0.95	0.89	14.4	6.8	5.9
% premium/(discount) to median	(44.6)	(44.3)	(43.5)	84.8	(2.4)	(6.3)

Sources: CFO Sim, Refinitiv 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	30.9	28.1	24.9	45.4	40.0	34.8
Burberry Group PLC	9.1	8.1	7.3	14.0	12.7	11.6
Capri Holdings Ltd	9.5	8.2	7.5	8.6	8.0	7.3
Hugo Boss AG	11.2	7.3	6.1	15.4	12.2	10.1
Kering SA	10.5	9.8	8.6	14.1	13.2	11.8
Moncler SpA	15.2	13.4	11.7	23.3	20.9	18.6
Prada SpA	13.1	11.8	10.5	21.9	19.4	17.1
Ralph Lauren Corp	8.5	7.6	7.0	11.8	10.9	10.0
Salvatore Ferragamo SpA	31.8	22.2	16.7	60.3	35.8	24.4
Tod's SpA	16.0	12.9	10.8	21.2	16.3	12.9
Median	12.2	10.8	9.5	18.3	14.7	12.4
Monnalisa SpA	n.m.	n.m.	47.5	n.m.	n.m.	n.m.
% premium/(discount) to median	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Sources: 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 15 - Monnalisa, peer group absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Brunello Cucinelli SpA	(4.9)	4.8	8.4	(1.2)	(15.2)	8.7	21.5
Burberry Group PLC	(1.4)	(1.5)	(11.2)	(24.5)	(34.8)	(16.4)	(9.8)
Capri Holdings Ltd	(0.6)	(0.5)	(3.3)	42.1	23.1	(11.1)	11.9
Hugo Boss AG	(2.0)	(2.5)	(4.5)	(22.9)	(16.2)	5.1	18.0
Kering SA	(2.3)	(6.4)	(10.5)	(28.5)	(33.7)	(19.2)	(19.4)
Moncler SpA	(2.7)	(2.4)	(4.9)	(21.3)	(23.5)	4.8	7.1
Prada SpA	0.1	0.2	3.6	(21.3)	(20.0)	4.4	21.5
Ralph Lauren Corp	(0.8)	(3.2)	(1.8)	(10.4)	(1.3)	7.2	21.1
Salvatore Ferragamo SpA	(3.1)	(4.9)	(8.3)	(22.9)	(27.8)	(31.3)	(26.0)
Tod's SpA	(2.4)	(4.7)	(8.8)	(26.9)	(20.3)	0.4	(4.7)
Median	(2.1)	(2.4)	(4.7)	(22.1)	(20.1)	2.4	9.5
Monnalisa SpA	0.0	(2.6)	(12.3)	(15.6)	(16.2)	(21.4)	(26.7)

Source: Refinitiv Eikon

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

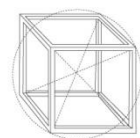
%	1D	1W	1M	3M	6M	YTD	1Y
Monnalisa peer group	(2.1)	(2.4)	(4.7)	(22.1)	(20.1)	2.4	9.5
S&P Global Luxury	(2.1)	(2.1)	(4.9)	(19.5)	(17.2)	(1.4)	6.4
MSCI World Index	(1.1)	(3.0)	(4.0)	(9.7)	(2.7)	5.3	8.1
EUROSTOXX	(0.5)	(1.2)	(3.5)	(9.9)	(8.0)	3.3	7.7
FTSE Italia All Share	0.2	(1.0)	(2.5)	(7.5)	(0.3)	13.7	20.1
FTSE Italia STAR	(0.3)	(2.8)	(5.0)	(15.4)	(17.9)	(14.8)	(11.6)
FTSE Italia Growth	(0.9)	(3.5)	(7.8)	(16.2)	(17.6)	(17.7)	(16.3)
Monnalisa SpA	0.0	(2.6)	(12.3)	(15.6)	(16.2)	(21.4)	(26.7)

Source: Refinitiv Eikon

Risks

The principal investment **risks** associated with Monnalisa include or may affect the following:

- 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 might put margins and/or top line development under pressure;
- impact on P&L account and balance sheet profiles triggered by a sharp decline in global economic growth;
- changing customer preferences and fashion trends;
- departure of one, or a few, of key people;
- proper management of possible additional licence agreements.



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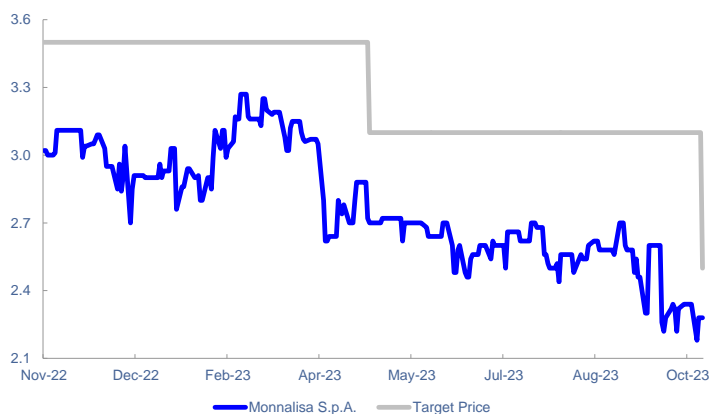
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DATE	TARGET PRICE	RATING
27/10/2023	€2.50	NEUTRAL
28/04/2023	€3.10	NEUTRAL
27/10/2022	€3.50	NEUTRAL

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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.

