

Full Company Report

Reason: Initiation of coverage

4 August 2020

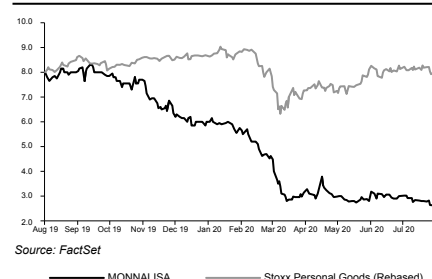
Neutral

Initiating Coverage
Share price: EUR 2.62
closing price as of 03/08/2020
Target price: EUR 3.60
Upside/Downside Potential 37.4%
Reuters/Bloomberg
MNL.MI/MNL.IM
Market capitalisation (EURm) 14
Current N° of shares (m) 5
Free float 26%
Daily avg. no. trad. sh. 12 mth 4
Daily avg. trad. vol. 12 mth (m) 3.34
Price high/low 12 months 8.30 / 2.56
Abs Perfs 1/3/12 mths (%) -12.67/-11.49/-67.25

Key financials (EUR)	12/19	12/20e	12/21e
Sales (m)	50	38	42
EBITDA (m)	(3)	(4)	(1)
EBITDA margin	nm	nm	nm
EBIT (m)	(8)	(7)	(4)
EBIT margin	nm	nm	nm
Net Profit (adj.)(m)	(3)	(8)	(5)
ROCE	-10.8%	-18.5%	-12.8%
Net debt/(cash) (m)	3	9	8
Net Debt Equity	0.1	0.3	0.3
Net Debt/EBITDA	-1.2	-2.4	-10.5
Int. cover(EBITDA/Fin.int)	(9.1)	(12.1)	(2.5)
EV/Sales	0.8	0.7	0.6
EV/EBITDA	nm	nm	nm
EV/EBITDA (adj.)	nm	nm	nm
EV/EBIT	nm	nm	nm
P/E (adj.)	nm	nm	nm
P/BV	0.8	0.4	0.5
OpFCF yield	-17.3%	-45.2%	4.6%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.48)	(1.49)	(0.97)
BVPS	7.43	5.94	4.97
DPS	0.00	0.00	0.00

Shareholders

Jafin 2 74%;



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A relatively young star in babies' firmament

Monnalisa was founded by Mr. Piero Iacomoni, currently Chairman of the company, in Arezzo in 1968. Monnalisa designs, produces and distributes 0-16-year-old high-end childrenswear under the proprietary brand Monnalisa. It is present in more than 60 countries through a number of different distribution channels. It has 48 shops spread almost worldwide and it is present in the most important department stores such as Harrods, La Rinascente, Galeries Lafayette, Saks Fifth Avenue, Harvey Nichols, Bloomingdales, Sogo, El Corte Ingles, SKP, TsUM. Moreover, it distributes in more than 700 multi-brand points of sale.

- ✓ Strong product distinction and brand identity differentiates Monnalisa from many other players in the sector. Though the company was founded 50 years ago, we think it is relatively young from certain aspects, such as the distribution development, especially the profitability from the shops network, product development and some business features, which have just undergone the necessary improvements. We outline that Monnalisa started developing real retail internationalisation only in 2016, when the company started a more structured and international business organisation and designed a precise strategy in order to grow organically over the years. Its process improvements are still ongoing in order to sustain sales and to return to a substantial profitability.
- ✓ The long-term targeted achievements for Monnalisa remain unchanged despite the unfavorable consumption environment caused by the COVID-19 pandemic. However, the company will make some changes in implementing its strategy and in assessing short-term goals. Consolidating the brand identity across the world remains a priority that can be reached through less new shop openings than previously projected, digital innovation and a different approach towards wholesale. We outline that the company plays particular attention to ESG matters, producing an integrated balance-sheet and being very active in this field with many initiatives.
- ✓ FY 19 revenues dropped 2.4% Y/Y, with the retail channel up 26.5% Y/Y, and the wholesale channel down 12% Y/Y. EBITDA adjusted was EUR 0.26m. Net loss adj. was EUR -2.5m. Average EBITDA margin adj. in past years was approx. 11.5%, (1998 – 2016 – in this timeframe sales CAGR was 9%, EBITDA CAGR 11%). Every fiscal year closed with a net profit.
- ✓ We have assumed the current year will be a very harsh one with H1 20 being particularly hit. In FY 21E, we assumed a recovery in premium/luxury sales, in line with the overall sector. Finally, we have assumed a cleaned and less unprofitable retail network for FY 22E to generate most of the top line growth. Going forward, we incorporate improving profitability thanks to network maturity, fewer and selected new openings. Compared with luxury companies included in our Italian coverage we have postponed the business normalization by 1 year to FY 23E from FY 22E.
- ✓ We rate the stock Neutral, TP EUR 3.6/sh with a DCF (WACC=8.8%, g=1.5%). Despite the huge potential implied in our TP, we believe that a sales recovery is the necessary trigger to invest.



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Monnalisa: a relatively young star in babies' firmament

Monnalisa was founded by Mr. Piero Iacomoni, currently Chairman of the company, in Arezzo in 1968. Monnalisa designs, produces and distributes 0-16-year-old high-end childrenswear under the proprietary brand Monnalisa. It is present in more than 60 countries through a number of different distribution channels (FY 19: 65% wholesale, 32% retail, 3% B2C – e-commerce). Monnalisa has 48 shops spread almost worldwide and it is present in the most important department stores such as Harrods, La Rinascente, Galeries Lafayette, Saks Fifth Avenue, Harvey Nichols, Bloomingdales, Sogo, El Corte Ingles, SKP, TsUM. Moreover, it distributes in more than 700 multi-brand points of sale. In FY 19, Monnalisa recorded EUR 47.9m (-2.4% Y/Y) in revenues (67% abroad) and EUR 0.26m EBITDA adj.; it closed the year with EUR 3.4m net debt (after cashing-in EUR 17m in IPO proceeds, raised through a capital increase in 2018) and EUR 3.7m capex. It has 357 staff, mostly in Italy.

In Monnalisa's development, the management has ridden the wave of the strong expansion of the broader sector, which has benefitted from the luxury appetite of Chinese consumers, tourism flows and the supportive macroeconomic environment. In the 2016 – 2019 timeframe Monnalisa's top line increased by 5.5% CAGR, with retail revenues up 32% CAGR in 2017-2019.

Thanks to its geographical expansion Monnalisa has consolidated its brand awareness and reputation in over 60 countries worldwide, thus laying the groundwork for the future, for a consolidation in the countries where it is present, independently from the distribution model.

Good profitability was reached in FY 17 (14% EBITDA margin) with a 17% top line increase, and 12 new shop openings. In FY 18, profitability dropped ahead of further costly shop openings. Starting from the beginning of 2019, the macroeconomic environment has been less supportive (in addition to social unrests in countries where the company had invested) to the detriment of, especially, the wholesale channel (a trend which was and is common with the broader sector).

The retail network is relatively young; 29% of the retail shops were opened 3 or more years ago, 44% 2 years ago and 27% less than 1 year ago. We estimate that at the end of FY 19 less than half of the retail shops had positive EBITDA. We now see the company fine-tuning its strategy to adapt to the new difficult scenario triggered by the pandemic.

We believe that Monnalisa is a unique story in the fragmented and crowded, and even difficult, childrenswear market; it has kept its DNA and strong product characterisation over the years. Strong product distinction and brand identity differentiate Monnalisa from many other players in the sector. In addition, unlike other competitors, it has never developed license agreements with external partners but has focused exclusively on its own brand (avoiding design/production for third parties and avoiding the risk of licence withdrawals).

The company has great potential to ride the wave of the pick-up in consumption given its strong brand, the product's uniqueness and the already established presence worldwide.

The company hasn't communicated yet any update of its business plan, as such, we have based our assumptions on the luxury sector expected evolutions.

We have assumed the current year will be a very harsh one with H1 20 being particularly hit. In FY 21E, we assumed a recovery in premium/luxury sales, in line with the overall sector. Finally, we have assumed a cleaned and less unprofitable retail network for FY 22E to generate most of the top line growth. Going forward, we incorporate improving profitability thanks to network maturity, fewer and selected new openings. Compared with luxury companies, included in our Italian coverage, we have postponed the business normalization by 1 year to FY 23E from FY 22E. Monnalisa needs to fine-tune its strategy in order to re-establish a decent profitability: we believe it will take time, given the difficult consumption environment.

We rate the stock Neutral, TP EUR 3.6/sh with a DCF (WACC=8.8%, g=1.5%). Despite the huge potential implied in our TP, we believe that a sales recovery is the necessary trigger to invest.



Valuation

In our DCF model we considered an explicit forecast period until FY 22E; we did not include FY 20E since it is not representative of the usual business. We also consider FY 21E as a transitional year, in which we expect a substantial recovery in the top line and an effort towards normalisation in profitability. Compared with the luxury companies included in our Italian coverage, we have postponed the business normalisation by 1 year, to FY 23E from FY 22E. Monnalisa needs to fine-tune its strategy in order to re-establish a decent profitability; we believe it will take time, given the difficult consumption environment. **The company is still in a sort of start-up phase and looking for the best and profitable retail network.**

However, given the company's already broad distribution, its brand awareness and reputation, we believe the company has enough room to grow further. We base our 6% 2019 – 2029 sales CAGR on the luxury goods sector past performance. According to Altagamma, the sector grew at a 6% CAGR in 1996-2019; expectations for 2020-2025 CAGR are for 10%. Following the top line growth, we estimate a gradual profitability improvement. We assume a lower level of capex than in the past 4 years following fewer new shop openings than in the past. The net working capital is assumed roughly constant along the years except for a substantial decrease in FY 21E (efficiencies and the results of the offline/online integration).

Cash flow estimates

CASH FLOW (EUR m)	FY 21E	FY 22E	FY 23E	FY 24E	FY 25E	FY 26E	FY 27E	FY 28E	FY 29E	Norm.year
Net Sales	42.1	49.2	57.1	64.0	70.3	76.0	80.9	85.0	89.2	90.5
% change	11.5%	16.8%	16.0%	12.0%	10.0%	8.0%	6.5%	5.0%	5.0%	1.5%
EBITDA	-0.8	4.8	6.0	7.4	8.1	9.1	9.7	10.2	10.7	9.1
% margin	-1.8%	9.8%	10.5%	11.5%	11.5%	12.0%	12.0%	12.0%	12.0%	10.0%
% change	-79.0%	-728.3%	24.8%	22.7%	10.0%	12.7%	6.5%	5.0%	5.0%	-15.4%
Depreciation, amort. and other prov.	3.5	3.7	3.8	3.8	3.9	3.9	3.9	3.5	3.5	2.0
% sales	8.3%	7.5%	6.7%	5.9%	5.5%	5.1%	4.8%	4.1%	3.9%	2.2%
EBIT	-4.3	1.1	2.2	3.6	4.2	5.2	5.8	6.7	7.2	7.1
% margin	-10.1%	2.2%	3.8%	5.6%	6.0%	6.9%	7.2%	7.9%	8.1%	7.8%
Taxes	-0.5	-0.3	-0.6	-0.9	-1.1	-1.4	-1.5	-1.7	-1.9	-1.8
Actual tax rate	-11.7%	23.6%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
NOPLAT	-4.8	0.8	1.6	2.6	3.1	3.9	4.3	5.0	5.3	5.2
Gross Operating Cash Flow	-1.3	4.5	5.4	6.4	7.0	7.8	8.2	8.5	8.8	7.2
Capex	-2.8	-2.8	-3.2	-3.8	-4.0	-4.0	-4.0	-3.5	-3.5	-2.0
% sales	6.6%	5.7%	5.7%	5.9%	5.7%	5.3%	4.9%	4.1%	3.9%	2.2%
Change in Net Working Capital	5.0	-0.7	-1.4	-1.8	-1.8	-1.6	-1.4	-1.4	-1.2	-0.8
Cash Flow to be discounted	0.9	1.1	0.7	0.8	1.2	2.2	2.8	3.6	4.2	4.5

Source: Banca Akros estimates

Monnalisa has quite a low debt level: we assumed 20% target gearing in our WACC calculations. We prudentially calculated 3% cost of debt. We included a higher company risk factor (beta 1.4) than the average of the luxury companies in our coverage (average beta 1.1) due to the relatively high back-end loaded DCF value.

We derive a fair value of EUR 4.2/sh, to which we apply a 15% discount due to the stock's low liquidity and high risk profile and obtain a target price of EUR 3.6/sh. This leaves a 35% upside potential, which could materialise once the top line restarts its growth path.



WACC and DCF analysis

Free Risk Rate	3.5%	Cumulated DCF (EUR m)	4.2	- Net Financial Debt FY 20E (EUR m)	(8.9)
Company Risk Factor or Beta	1.4	Perpetual Growth Rate (g)	1.5%	- Minorities (EUR m)	(0.0)
Mkt Risk Premium	5.0%	Normalised Annual CF (EUR m)	4.5	+ Associates (EUR m)	0.0
Cost of Equity (Ke)	10.5%	Terminal Value (EUR m)	61.8	- Pension underfunding (EUR m)	(1.5)
Cost of Debt (gross)	3.0%	Disc. Rate of Terminal Value	0.41	- Off-balance sheet commitments (EUR m)	0.0
Debt tax rate	26%	Discounted Terminal Value (EUR m)	25.5	- Tax shield present value (EUR m)	0.0
Cost of Debt net (Kd)	2.2%	Financial assets (EUR m)	2.9	Equity Market Value (EUR m)	22.1
Target gearing (D/E) or % Kd	20.0%	Enterprise Value (EUR m)	32.6	Number of shares (m)	5.2
% Ke	80.0%			Fair Value per share (EUR)	4.2
WACC	8.8%				

Source: Banca Akros estimates

Fair value sensitivity

WACC	Perpetual growth rate (g)						
	0.9%	1.1%	1.3%	1.5%	1.7%	1.9%	2.1%
7.3%	5.9	6.1	6.4	6.6	6.9	7.2	7.5
7.8%	5.1	5.3	5.5	5.7	5.9	6.1	6.4
8.3%	4.4	4.6	4.7	4.9	5.1	5.3	5.5
8.8%	3.8	4.0	4.1	4.2	4.4	4.5	4.7
9.3%	3.3	3.4	3.5	3.7	3.8	3.9	4.0
9.8%	2.9	3.0	3.1	3.2	3.3	3.4	3.5
10.3%	2.5	2.6	2.6	2.7	2.8	2.9	3.0

Source: Banca Akros estimates



Multiple comparison

For the sake of comparison, here below are the luxury peer trading multiples. It is not easy to assess a valuation based on these ratios given the huge difference in market capitalisations, in profitability, in the companies' life cycle (we consider Monnalisa is in the early development stage).

	EV/SALES 20E	EV/SALES 21E	EV/SALES 22E	EV/EBITDA 20E	EV/EBITDA 21E	EV/EBITDA 22E	P/E 20E	P/E 21E	P/E 22E
TOD'S SPA	1.8	1.6	1.5	26.4	12.5	9.7	NA	NA	NA
BRUNELLO CUCINELLI	4.0	3.5	3.2	34.1	15.6	13.4	NA	54.9	36.7
HERMES	11.7	10.0	9.0	32.8	25.7	22.7	61.6	46.5	40.5
SAFILO	0.3	0.3	0.3	NA	6.7	5.3	NA	NA	NA
SALVATORE FERRAGAMO	2.5	2.1	2.0	21.0	10.2	8.4	NA	59.9	32.7
MONCLER	6.4	5.4	4.9	17.7	13.4	11.7	39.1	26.9	22.9
PRADA	4.3	3.7	3.4	18.8	13.0	11.6	NA	50.9	35.8
SWATCH GROUP	1.5	1.2	1.2	15.0	7.8	6.5	137.6	20.3	14.9
CIE FINANCIERE RICHEMONT	2.2	2.5	2.2	11.4	14.7	10.9	24.5	44.3	24.4
LVMH	4.7	4.0	3.6	19.3	14.5	13.1	42.2	26.4	22.8
HUGO BOSS	1.2	1.1	1.1	8.2	5.6	5.0	400.9	13.5	9.5
BURBERRY GROUP	2.2	2.4	2.2	10.5	11.2	9.0	19.5	25.6	18.2
KERING	5.3	4.5	4.1	16.4	12.9	11.6	30.0	21.7	18.9
CAPRI HOLDINGS	1.1	1.5	1.3	4.2	10.3	5.0	4.0	23.3	5.0
RALPH LAUREN	1.0	1.2	1.0	4.8	8.9	5.0	10.2	33.1	11.3
MONNALISA	0.5	0.4	0.4	NA	6.5	3.0	NA	NA	7.2
avg. luxury europe	3.7	3.3	3.0	19.3	12.6	10.7	94.4	35.5	25.2
median luxury europe	2.5	2.5	2.2	18.2	12.9	10.9	40.7	26.9	22.9
avg. (Europe) selected peers	3.4	3.0	2.7	15.4	11.5	9.7	99.1	32.2	22.2
avg. luxury US	1.1	1.4	1.1	4.5	9.6	5.0	7.1	28.2	8.2

Source: Bloomberg as of 31 07/2020



Triggers & Swot Analysis

The stock's main trigger is a recovery in sales. The company has great potential to ride the wave of the pick-up in consumption given its strong brand, the product's uniqueness and the company's already established presence worldwide.

SWOT Analysis

Strengths

- Strong brand awareness around the world
- It operates only through its proprietary brand
- Optimal price positioning
- Strong creativity and product recognition

Opportunities

- Franchising channel has never been fully exploited
- Rethinking of the retail development
- Ultra HNW, HNW and affluent population is increasing worldwide
- Sector consolidation

Weaknesses

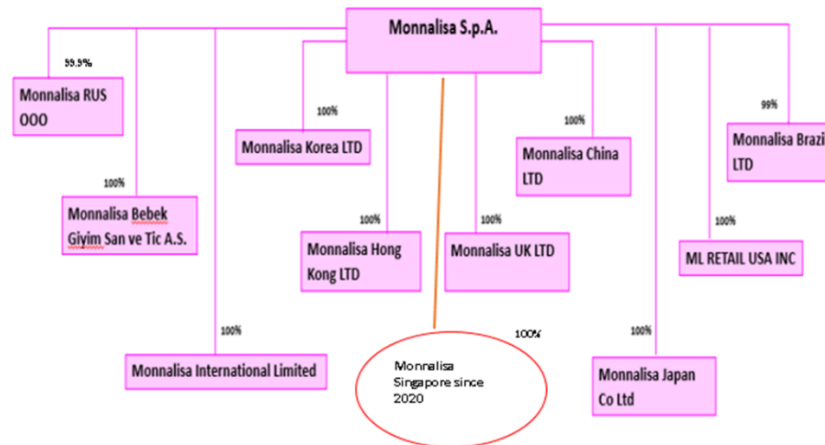
- Low exposure to male childrenswear
- Low margins vs. luxury peers
- The role of the founder's family is still strong

Threats

- Competition
- Low entry barriers for players already active in the apparel
- Inventory risk
- External shocks like the COVID-19 pandemic

Group structure and management

Group structure as of July 2020



Source: company data

The group is controlled (74.48%) by JAFIN DUE SpA, a holding company fully owned by the founding family; the group is composed of Monnalisa SpA, the controlling company, and 11 foreign subsidiaries located in key strategic countries in order to boost the company's internationalisation. In FY 20 Monnalisa established a subsidiary also in Singapore, one of the most appealing countries for luxury.

The Board of Directors

Piero Iacomoni: Chairman and the company's founder.

Christian Simoni: CEO since 2013.

Pierangelo Arcangioli: non Executive Director

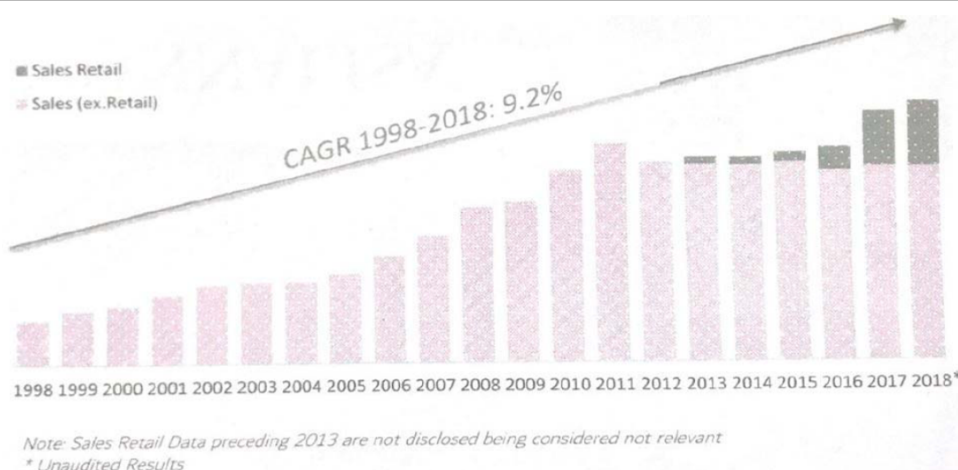
Matteo Tugliani: non Executive Director

Simone Pratesi: Independent Director.

Monnalisa: a snapshot

Monnalisa was founded by Mr Piero Iacomoni, currently Chairman of the company, in Arezzo in 1968. The company designs, produces and distributes 0-16-year-old high-end childrenswear under the proprietary brand Monnalisa. It is present in more than 60 countries through various distribution channels (FY 19: 65% wholesale, 32% retail, 3% B2C – e-commerce). Monnalisa has 48 shops spread almost worldwide and it is present in the most important department stores such as Harrods, La Rinascente, Galeries Lafayette, Saks Fifth Avenue, Harvey Nichols, Bloomingdales, Sogo, El Corte Ingles, SKP, TsUM. Moreover, it distributes in more than 700 multi-brand points of sale. In FY 19, Monnalisa recorded EUR 47.9m (-2.4% Y/Y) in revenues (67% abroad) and EUR 0.26m EBITDA adj.; it closed the year with EUR 3.4m net debt (after cashing-in EUR 17m in IPO proceeds, raised through a capital increase in 2018) and EUR 3.7m capex. It has 357 staff, mostly in Italy.

Monnalisa: sales CAGR 1998 - 2018



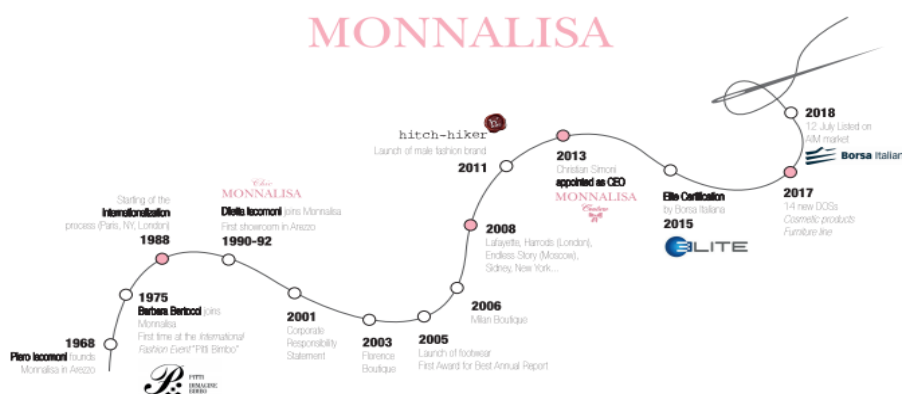
Source: company data

The main steps in Monnalisa's history:

- ✓ 1968: company was founded by Piero Iacomoni.
- ✓ 1975: Mrs Barbara Bertocci, currently creative director and Piero Iacomoni's wife, joined the company. In the same year, Monnalisa took part in the international Fashion Event Pitti Bimbo.
- ✓ 1988: start of the internationalisation process with 2 new openings: Paris and New York. We outline that in 1988 revenues were EUR 2.5m, o/w 20% abroad, and there weren't any DOS. Monnalisa only had 10 employees.
- ✓ 1990-92: Diletta Iacomoni (daughter of Piero Iacomoni and Barbara Bertocci) joined the company as a fashion director. The first show room in Arezzo was opened.
- ✓ 2001: Corporate Responsibility Statement.
- ✓ 2003: opening of the Florence boutique.
- ✓ 2005: launch of footwear products.
- ✓ 2006: opening of the Milan boutique.
- ✓ 2008: new openings in Galérie Lafayette, Harrods (London), Endless Story (Moscow), Sidney, New York. There were 3 DOS at the end of the year.

- ✓ 2013: Christian Simoni was appointed CEO. There were 6 DOS at the end of the year.
- ✓ 2017: launch of the cosmetic products and furniture lines.
- ✓ 2018: company's listing on the AIM market.

Monnalisa history: main steps



Source: company data

We believe that Monnalisa is a unique story in the fragmented and crowded childrenswear market: it has kept its DNA and strong product characterisation over the years. Strong product distinction and brand identity differentiates Monnalisa from many other players in the sector. In addition, unlike other competitors it has never developed license agreements with external partners, thus focusing exclusively on its own brand (avoiding design/production for third parties and avoiding the risk of licence withdrawals).

Though the company was founded 50 years ago, we think it is relatively young from certain aspects, such as the distribution development, especially the profitability from the shops network (29% of the network was built only 3 years ago), product development (underdeveloped child line, for example) and some business features, which have just undergone the necessary improvements. We outline that Monnalisa only started developing real retail internationalisation in 2016.

Indeed, big changes date back to 2016, when the company started a more structured and international business organisation and designed a precise strategy in order to grow organically over the years. Its process improvements are still ongoing in order to sustain sales and to return to a substantial profitability.

We cannot define it simply as a family-run business, but the presence of the family is very important. The company's governance is still in the hands of the family but 2 members of the BoD out of a maximum of 7 must be non-family members (the family signed a pact in 2008). Currently, 3 board members out of 5 are not part of the family.

A company that is being transformed: from a family run perspective, but foreign oriented, to a managerial company developing worldwide and making important business improvements: we believe that the company's listing was a step towards these changes.

Moreover, the company plays particular attention to ESG matters, producing an integrated balance-sheet and being very active in this field with many initiatives.

The product

Monnalisa operates in the high-end childrenswear market through its proprietary brand Monnalisa. Monnalisa's products are offered to both girls (0-16 y, 90% of revenues) and boys (0-14). Monnalisa offers a complete range of products, a complete look (it creates on average 250 outfits per season), in line with its lifestyle philosophy: from apparel to footwear, accessories and cosmetics; it only recently introduced the layette collection along with furniture. In particular, we estimate that the complementary shoe business has grown strongly in recent years, moving from approx. 1% of total sales 5 years ago to around 8% currently, with purchases of shoes made by most of Monnalisa's customers (in particular the shoe production jumped from 7,000 pairs to 70,000 since 2015).

The childrens' apparel segment is quite complex both because of the high quality standard required and the rather high number of sizes (25 on average).

The high end price segment, where Monnalisa operates, is a company strength since it is estimated it will probably grow more than other segments once the crisis is over. We outline that very high-end product quality is offered at premium prices and not luxury prices, and this is another strength of Monnalisa's offer. However, Monnalisa's main competitors by product quality and brand awareness are the main luxury goods companies (i.e. Gucci, Armani, Dolce & Gabbana, Moncler, Brunello Cucinelli...).

Monnalisa products



Source: company data

The average retail price for Monnalisa's products is in the range of EUR 100 per item.

Pricing policy: Monnalisa aligns the prices of the retail and wholesale channel in each geographical area. The company is reducing end of season retail sales through the DOO (directly operated outlet) channel, whose shops are located primarily in traditional luxury malls.

The price gap between European countries and Far East countries, such as China, is in the range of 20%, in line with the targets (desired or achieved) by the main European luxury companies.

In the wholesale channel, Monnalisa was positioned among the best performers in terms of sell-out from 2012 to 2017, according to Fashion magazine Survey, and it was among the top 3 sellers in the Italian department store La Rinascente in the same timeframe.

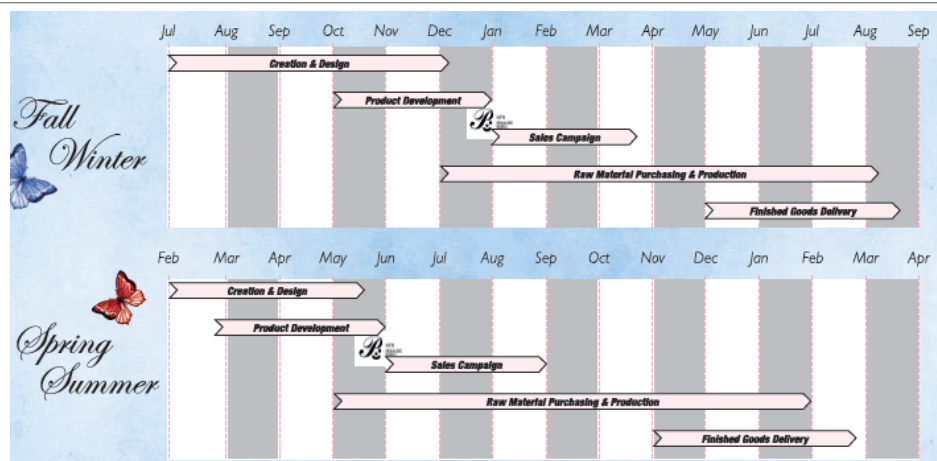
The business model

The collections: Monnalisa creates and launches 2 main collections (Fall/Winter and Spring/Summer) and 2 pre-collections per year (usually delivered 1 month before the main collection). On average, every main collection consists of 1,000 items; pre-collections usually consist of 300 items. At the end of March, the company has clear visibility on S/S collection revenues and on F/W collection wholesale orders and it has a definite budget on F/W for the retail channel.

The main F/W collection: the collections are created and conceived in July-November; in October-December the collections are developed and in January, at the same time as the Pitti fashion show, the sales campaign starts and it lasts until mid-March. Finished goods are delivered from May to August. The F/W pre-collection is usually delivered from mid-end April to June.

The main S/S collection: the collections are conceived and designed in mid-January; product development starts at the beginning of May, followed by the sales campaign in mid-May for top wholesalers and DOS. After Pitti, in June, the sales campaign goes ahead until September. Deliveries start in mid-November, and items must be delivered and accounted for as sales by the end of December (mid-January). The S/S pre-collection is delivered starting from mid-November.

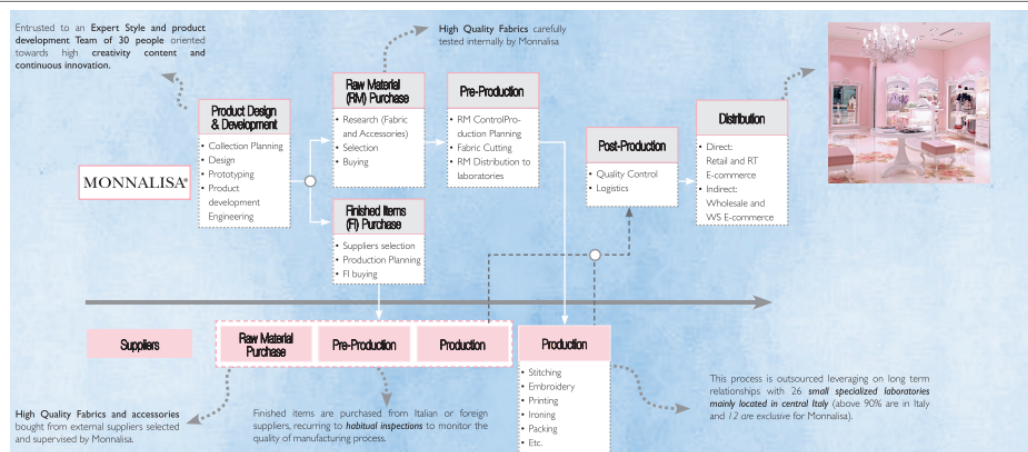
Monnalisa: collection development



Source: company's presentation

The gap between wholesale orders and sales is usually in the range of 5- 10% (of wholesale orders). Re-orders usually cover the gap almost entirely.

The business model: main steps



Source: company's presentation



The product design and creative activities are entirely insourced and done by a team of 30 people specialised in design and style. The Creative Direction is run by Barbara Bertocci, who has been responsible for the collections since 1975, and by Diletta Iacomoni, the Fashion Coordinator. The design process is done in cooperation with the commercial area. 82% of the patterns is usually commercialised.

The production structure is highly flexible: for industrialised products, all the transformation phases - after raw material purchase and control and the fabric cutting, which is made internally - are outsourced to small artisanal laboratories (*façon*) mainly located in central Italy. In detail, the company outsources the production of industrialised products to 26 small specialised workshops, mainly located in Italy, 12 of which only work for Monnalisa. The entire production process is closely monitored by Monnalisa.

Monnalisa also buys **finished products** from Italian or foreign suppliers (located in China, Turkey, Egypt) who are responsible for raw material purchase; even in this case, Monnalisa supervises the production process. Both for industrialised and finished products, the production process must pass Monnalisa's ethic and product safety characteristics. Almost 38% of the volumes, in terms of raw materials, industrialised products and finished products are purchased by Monnalisa in Tuscany. The relationship with suppliers is based on long term partnerships, but the company doesn't depend significantly on any particular provider. Monnalisa buys raw materials on the basis of the sales campaign projections then, on the basis of the real orders, it goes ahead with the production. Some raw material purchases (approx 30%) are done well in advance of the delivery, thus reducing the production times.

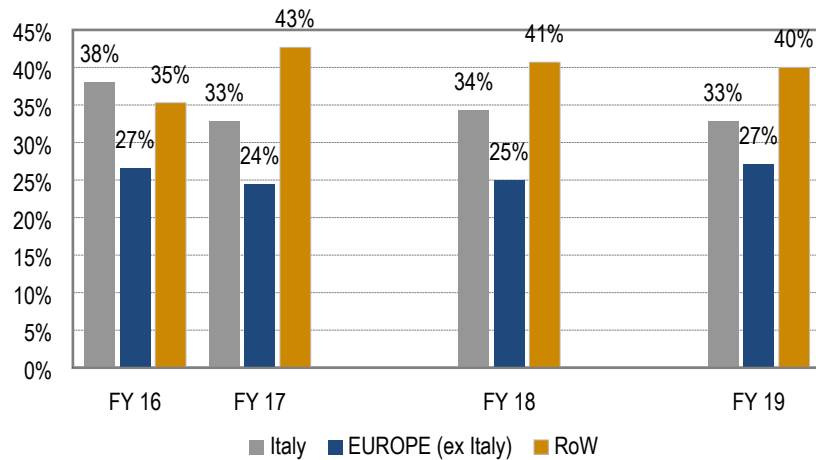
Recent innovations: Monnalisa has recently built a new advanced distribution centre with around 400,000 items average capacity, 2,200 sqm surface area, 12m high divided into 4 levels and customised software integrated with the company's ERP. Monnalisa invested EUR 8m, split over 3 years, for new buildings: one for offices, the other for offices and the new warehouse for finished products.

Innovations in progress:

- ✓ Adoption of PLM (Product Lifecycle Management), specific software that should allow reduced time-to-market, the introduction of higher margin products, lower overstock/stockouts and higher productivity.
- ✓ The introduction of RFID or QR-tex (textile labelling technologies).
- ✓ The delivery of products made in China, directly from China (i.e. to China, USA, Brazil, Hong Kong, Taiwan stores.)

Geo mix

Approx. 67% of Monnalisa's sales are abroad. Monnalisa has 11 subsidiaries (fully consolidated), most of them in Asia and Middle East. In line with its clear strategy, Monnalisa increased its revenues abroad from 62% of FY 16 to over 67% in FY 19. Revenues in Italy in FY 19 were 33% of the total; 27% were in Europe (16 countries); 40% were in Rest of the World area (Eastern Europe, Russia, Asia, Middle East and the Americas).

Monnalisa: geo mix 2016-2019


Source: company data

We estimate sales exposure to China in the range of 5.5% of total revenues and 8.8% the exposure to the Russian market.

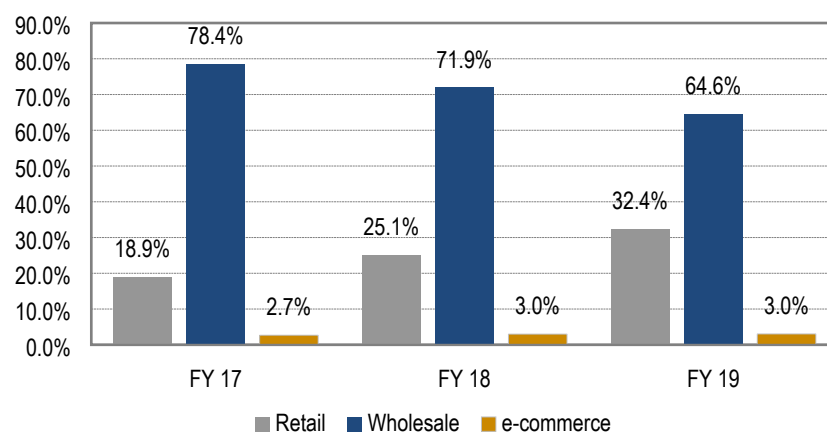
Revenues by area

EUR m	FY 16A	FY 17A	Y/Y Chg.	FY 18A	Y/Y Chg.	FY 19A	Y/Y Chg.
Italy	15.3	15.4	1.0%	16.9	9.3%	15.7	-6.7%
Europe (ex Italy)	10.7	11.5	7.9%	12.3	6.5%	13.0	6.2%
RoW	14.2	20.1	41.7%	20.0	-0.3%	19.2	-4.1%
Total revenues	40.1	47.0	17.2%	49.1	4.5%	47.9	-2.4%

Source: company data

Channel mix

Monnalisa has pursued a retail development strategy over the years, especially starting from FY 16. Revenues from the retail channel reached 32% in FY 19 from 19% in FY 17.

Monnalisa: channel mix 2016-2019


Source: company data

Revenues by channel

EUR m	FY 17A	FY 18A	Y/Y Chg.	FY 19A	Y/Y Chg.
Retail	8.9	12.3	38.6%	15.5	25.9%
Wholesale	36.9	35.3	-4.1%	31.0	-12.4%
e-commerce	1.3	1.5	16.7%	1.5	-0.7%
Total sales	47.0	49.1	4.5%	47.9	-2.4%

Source: company data

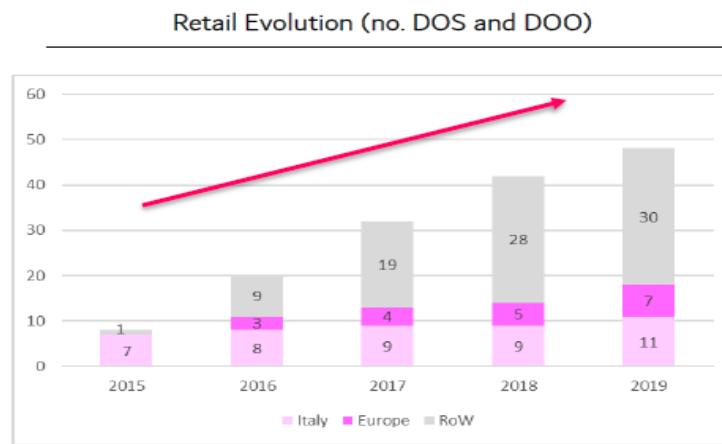
Wholesale (65% of revenues in FY 19): Monnalisa distributes its collections through more than 700 wholesale multi-brand stores and through wholesale mono-brand stores, both spread worldwide; after Italy, the main market is Russia, followed by the UK and Middle East. In detail, mono-brand stores are located in the main luxury department stores worldwide with TPOS formats (i.e. Monnalisa Kuwait City), shop in shop – TPSIS - (i.e. La Rinascente Milano) or corners (i.e. Bloomingdales Dubai).

We outline that post sales service is one of the strengths in Monnalisa's business model.

Retail: (32% of revenues in FY 19): Monnalisa had 48 directly operated points of sale in FY 19, including DOS and DOO (directly operated outlets), positioned in premium locations (i.e. flagship stores in New York Madison Avenue, in Roma Via del Babuino), in high traffic malls in primary cities worldwide.

The retail development boomed over the last 3 years:

Monnalisa: retail development



Source: company data

**Monnalisa: shops distribution by country 2019**

Country	n. of shops
USA	5
Hong Kong	3
China	10
Taiwan	1
Russia	6
Brazil	4
Turkey	1
Total Rest of the World area	30
UK	1
Belgium	1
Spain	5
Total European area (ex-Italy)	7
Italy	11
TOTAL STORES	48

Number of shop openings

DOS+DOO	FY 15	FY 16	FY 17	FY 18	FY 19
n. shops	8	20	32	42	48
net new openings		12	12	10	6

Source: company data

Over the last 3 years, Monnalisa has opened 28 directly operated shops. In FY 19, there were 14 new openings. In the same year, Monnalisa closed 8 shops: 5 of them were low traffic stores in China (MIXC Shenyang, Wuhan, Shanghai Babaiban, Hangzhou MIXC and SH IFC) and one in the USA - Philadelphia); the DOO in Bicester, a temporary store, was closed in January and reopened from June to September.

FY 19 new directly operated shop openings

Tipologia	Paese	Città	Location
DOO	Belgio	Maasmechelen	Mall
DOO	Italia	Fidenza	Mall
DOS	Spagna	Barcelona ECI	Dept Store
DOS	Turchia	Istanbul Airport	Travel Retail
DOO	UK	Bicester Village	Mall
DOS	UK	Harrods	Dept Store
DOO	USA	Sawgrass	Mall
DOS	USA	Guam	Mall
DOS	Italia	Roma	Strada
DOO	Brasile	São Roque	Mall
DOS	Brasile	Recife	Mall
DOS	Russia	Mosca	Mall
DOO	Russia	Mosca	Mall
DOO	Taiwan	Taipei	Mall

DOO = Directly Operated Outlet DOS = Directly Operated Store

Source: company data

Monobrand stores have an average surface area of 70 sqm, TPSIS have a minimum of 30 sqm and DOS in malls have a maximum of 150sqm. Directly operated stores normally reach break-even (in terms of EBITDA) in not less than 18 months, unprofitable stores are closed.

Every store format is consistent with the brand image: the visual merchandising team coordinates the store image and clothes exposure for all mono-brand stores worldwide.

e-commerce: (approx. 7% of total sales including e-tailers) the first Monnalisa online store was launched in 2006. In December 2019, a new e-commerce web site was launched, followed by 8 new local stores. We point out that Monnalisa was a pioneer of e-commerce in the childrenswear market; it was the first company worldwide to open a direct e-commerce store. Moreover, on the wholesale side, Monnalisa has various partnerships with the main e-commerce platforms like Childrensaloon, the leader in the e-commerce childrenswear market and Alibaba.

Monnalisa e-commerce: wholesale clients



Source: company data

Ongoing projects: the company is working on full online – offline integration. This should lead to a higher conversion rate through the new CRM and to better inventory visibility. Better efficiencies should be reached also thanks to the local customer care and the synergies with the brick and mortar retail, the use of local warehouses as well as of products from local DOS and DOO.

Click and collect and multi-shipping were expected to be active by March 2020.

Communication represents one of the core activities for Monnalisa, contributing to enhance the distinctiveness and identity of the brand. The company is active in the main social media, it promotes in store events and is very active in influencer marketing.

Social media are managed internally. Reach: 9 million people for a total of 32 million interactions, Instagram: +31% Y/Y, Facebook: +77% Y/Y. Monnalisa is known for being the brand of celebrities' kids.

The luxury sector – perspectives for 2020 and onwards

The product quality and recognition, the exclusive distribution, the strong and unique creativity of the collections as well as the brand equity and the product price positioning make Monnalisa a premium/luxury company. It is positioned in the high-end of the market with one of the best entry prices vs. its competitors. As such, it can be considered an “affordable luxury company”, whose target is “aspirational consumers”. The current macroeconomic environment, influenced by the effects of one of the most impacting pandemics ever, makes 2020 one of the toughest years for the overall sector and for the broader consumer sector.

ESN personal goods sector projections

Company name	Sales FY 19A	Sales FY 20E	Y/Y Chg.	Sales FY 21E	Y/Y Chg.	EBIT FY 19A	EBIT FY 20E	Y/Y Chg.	EBIT FY 21E	Y/Y Chg.	Net profit FY 19A	Net profit FY 20E	Y/Y Chg.	Net profit FY 21E	Y/Y Chg.
Brunello Cucinelli	608.6	545.8	-10.3%	619.3	13.5%	83.4	-2.4	nm	55.2	nm	52.4	-21.7	nm	29.2	nm
% on sales						13.7%	-0.4%		8.9%		8.6%	-4.0%		4.7%	
CIE FIN. Richemont	13,989.0	14,238.0	1.8%	12,784.8	-10.2%	1,943.0	1,518.0	-21.9%	955.3	-37%	2,791.0	928.0	-66.8%	566.9	-38.9%
% on sales						13.9%	10.7%		7.5%		20.0%	6.5%		4.4%	
GEOX	805.9	646.6	-19.8%	692.1	7.0%	-15.7	-73.0	nm	-23.9	nm	-24.8	-72.7	nm	-23.5	nm
% on sales						-2.0%	-11.3%		-3.5%		-3.1%	-11.2%		-3.4%	
Hermès	6,883.4	5,970.1	-13.3%	6,932.3	16.1%	2,338.8	1,641.7	-29.8%	2,183.4	33%	1,528.1	1,073.8	-29.7%	1,468.1	36.7%
% on sales						34.0%	27.5%		31.5%		22.2%	18.0%		21.2%	
Interparfums	484.3	300.0	-38.1%	400.3	33.5%	73.1	20.1	-72.5%	42.9	114%	52.1	14.3	-72.5%	30.9	115.3%
% on sales						15.1%	6.7%		10.7%		10.8%	4.8%		7.7%	
Kering	15,883.5	12,878.7	-18.9%	14,884.3	15.6%	4,609.8	2,589.0	-43.8%	3,942.6	52%	2,308.6	1,587.6	-31.2%	2,646.9	66.7%
% on sales						29.0%	20.1%		26.5%		14.5%	12.3%		17.8%	
L'Oréal	29,873.6	28,784.6	-3.6%	30,817.7	7.1%	5,111.0	4,633.3	-9.3%	5,520.4	19%	3,751.0	3,754.9	0.1%	4,435.1	18.1%
% on sales						17.1%	16.1%		17.9%		12.6%	13.0%		14.4%	
LVMH	53,670.0	44,540.3	-17.0%	50,591.0	13.6%	11,273.0	6,729.1	-40.3%	10,027.4	49%	7,171.0	3,800.8	-47.0%	6,630.8	74.5%
% on sales						21.0%	15.1%		19.8%		13.4%	8.5%		13.1%	
Moncler	1,627.7	1,400.2	-14.0%	1,636.8	16.9%	491.8	232.6	-52.7%	417.4	79%	359.9	152.0	-57.8%	283.8	86.7%
% on sales						30.2%	16.6%		25.5%		22.1%	10.9%		17.3%	
Safilo	939.0	835.0	-11.1%	843.4	1.0%	-44.6	-33.2	nm	-13.0	nm	-328.4	-52.3	nm	-24.9	nm
% on sales						-4.8%	-4.0%		-1.5%		-35.0%	-6.3%		-2.9%	
Ferragamo	1,377.3	1,035.5	-24.8%	1,200.2	15.9%	149.7	-27.6	nm	82.0	nm	105.2	-59.6	nm	37.3	nm
% on sales						10.9%	-2.7%		6.8%		7.6%	-5.8%		3.1%	
SMCP	1,131.9	898.9	-20.6%	1,002.2	11.5%	106.9	-46.5	nm	13.5	nm	43.7	-66.5	nm	-9.5	nm
% on sales						9.4%	-5.2%		1.4%		3.9%	-7.4%		-1.0%	
Swatch	7,664.5	5,487.2	-28.4%	6,467.2	17.9%	951.2	42.8	-95.5%	517.2	1107%	678.8	11.2	-98.3%	371.6	nm
% on sales						12.4%	0.8%		8.0%		8.9%	0.2%		5.7%	
Tod's	916.0	762.9	-16.7%	801.0	5.0%	101.1	-48.1	nm	-10.1	nm	46.3	-51.1	nm	-20.5	nm
% on sales						11.0%	-6.3%		-1.3%		5.1%	-6.7%		-2.6%	
Aggregated	135,855	118,324	-12.9%	129,672	9.6%	27,172	17,176	-36.8%	23,710	38%	18,535	10,999	-40.7%	16,422	49.3%
% on sales						20.0%	14.5%		18.3%		13.6%	9.3%		12.7%	

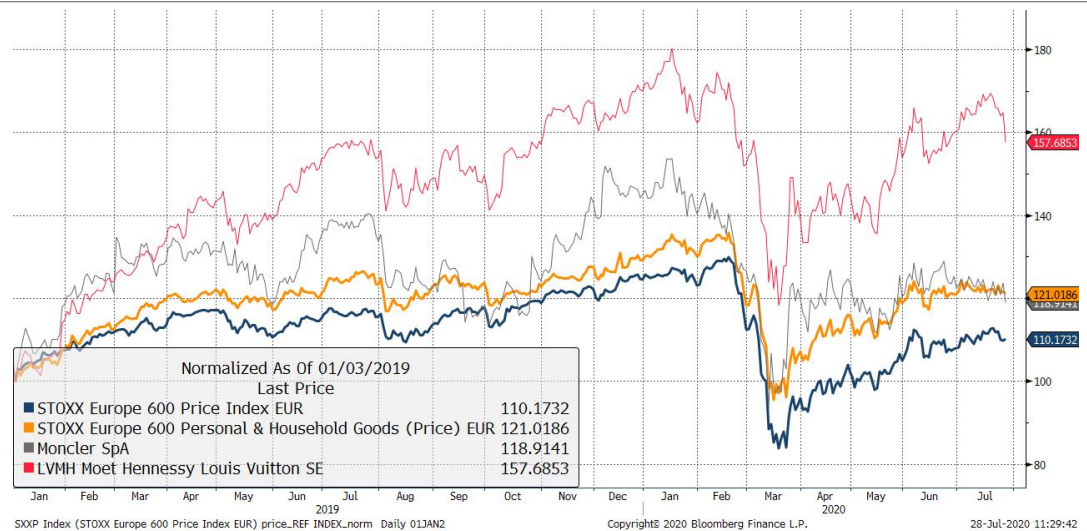
Source: ESN

According to our ESN cluster of luxury/premium companies, FY 20E aggregated revenues are expected to contract by 13%, EBIT by 37%, net profit by 41%. We remark that only Hermès, LVMH and Kering are assumed to come back to a level of profitability close to the one of FY 19 in FY 21E; L'Oréal, given its resilient product categories, is expected to show quite a resilient performance even in FY 20E, with increasing profitability. Overall, companies' profitability should be back to FY 19E only from FY 22E. H1 20E releases (now almost

completed) are expected to reflect the most challenging period of the year, notwithstanding the very low visibility over the last 2 quarters of the year (in the last 2 quarters, despite low visibility, an improvement is expected for the overall sector).

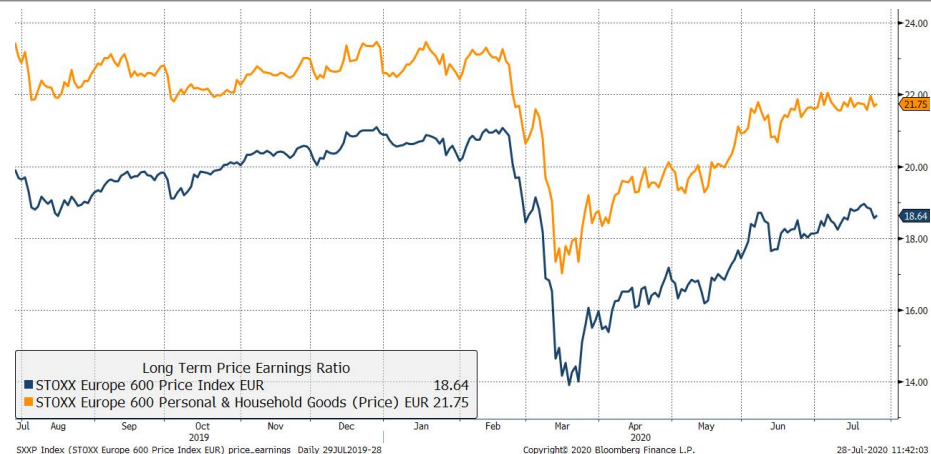
The Stoxx 600 Personal and Household Goods Sector Index trades @ 27x current P/E (source: Bloomberg); it has recovered 25% since the trough reached on 16 March.

Stoxx Europe 600, Stoxx Europe 600 Personale & Household Goods, LVMH, Moncler performance 2019 to date



Source: Bloomberg

Long term P/E ratios Stoxx Europe 600 and Stoxx Europe 600 Personale & Household Goods



Source: Bloomberg

Our estimates compare with the by far tougher scenarios forecast both by McKinsey and Company and by Bain and Co/Altagamma.

In detail, **McKinsey and Company**, in its "The State of Fashion 2020" – Coronavirus Update stated that industry was already "On High Alert" and executives expressed pessimism across all geographies and price points in our annual report, The State of Fashion 2020, released late last year. But fast forward a few months and fashion's outlook has got dramatically and suddenly bleaker. As an industry, we are now on red alert.....We estimate that revenues for the global fashion industry (apparel and footwear sectors) will contract by 27 to 30 per cent in 2020 year-on-year, although the industry could regain positive growth of 2 to 4 per cent in



2021. For the personal luxury goods industry (luxury fashion, luxury accessories, luxury watches, fine jewelry and high-end beauty), we estimate a global revenue contraction of 35 to 39 per cent in 2020 year-on-year, but positive growth of 1 to 4 percent in 2021.”

Bain and Co. sees a possible contraction in the overall sector between 20% and 35% for FY 20. Depending on the speed of recovery, the industry size could move from EUR 281bn in 2019 to EUR 220bn in the less negative scenario or to EUR 180bn in the more pessimistic hypothesis. Q2 20 is foreseen to have been the most penalised quarter of the year (-50 / 60% industry contraction) after an already difficult Q1 20 (-25%); the decrease should ease in H2 20. Bain also foresees that a recovery to 2019 levels will not happen until 2022 or 2023; the market is expected to grow to EUR 320 – 330bn by 2025 (2020-2025 10% CAGR).

We got some interesting points from Bain’s press release that could concern Monnalisa’s business more specifically:

- **China** is already leading the way towards a recovery and Chinese consumers are set to consolidate their role as crucial drivers for the sector. Half of the purchases in luxury goods worldwide will come from Chinese by 2025; as a region, Mainland China will account for 28% of the luxury sector by 2025.
- **Online:** this channel showed resiliency during the COVID-19 lockdown, while traditional distribution models such as DOS and department stores registered sharp weaknesses and travel retail was almost decimated by the shutdown of air travel. The online, according to Bain and Co., will reach around 30% of the overall market by 2025. This reflects the gaining importance of the young generations (Y and Z) which are set to become the major spenders in the luxury market.
- **Stores:** Bain stated that “In-store Safety will be mandatory, paired with the magic of the luxury experience: creative ways to attract customers into stores, or to get the product to the customer, will make the difference.”

Monnalisa's market positioning

Aggregated revenues of the Italian childrenswear market were EUR 2,180m in FY 19 (-1.1% Y/Y) (source: Cerved SMART Databank). There were 760 players in FY 19, 8 of them accounted for 50% of the aggregated revenues, 4 of them 41.4% of aggregated revenues.

The Italian childrenswear market can be divided into 3 segments: high-end, premium and low cost. Monnalisa is positioned in the high-end segment, which, in FY 19, registered 3.6% growth, to the detriment of the mid-price range. Also, the low cost segment showed growth in FY 19 (+0.7%) after a decline in FY 18.

Childrenswear domestic market: aggregated revenues 2018 – 2022E

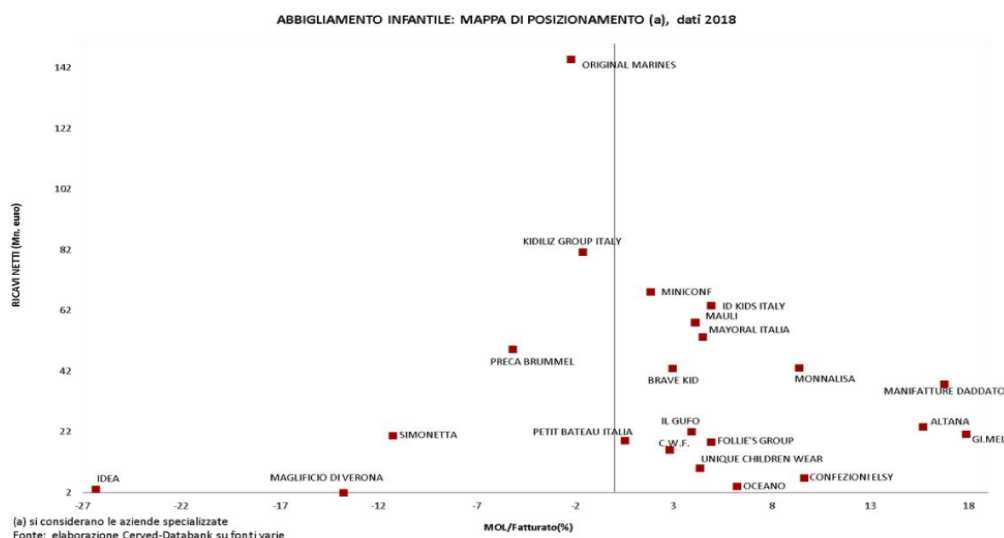
EUR m	FY 18A	FY 19A	Y/Y Chg.	FY 20E	Y/Y Chg.	FY 21E	Y/Y Chg.	FY 22E	Y/Y Chg.
Total domestic market	2,205	2,180	-1.1%	2,100	-3.7%	2,175	3.6%	2,260	3.9%
High-end	275.6	285.6	3.6%	283.5	-0.7%	295.8	4.3%	309.6	4.7%
% on total domestic market	12.5%	13.1%		13.5%		13.6%		13.7%	
Premium	145.5	139.5	-4.1%	134.4	-3.7%	137.0	2.0%	142.4	3.9%
% on total domestic market	6.6%	6.4%		6.4%		6.3%		6.3%	
Medium	617.4	582.1	-5.7%	541.8	-6.9%	559.0	3.2%	580.8	3.9%
% on total domestic market	28.0%	26.7%		25.8%		25.7%		25.7%	
Low cost	1,166.4	1,175.0	0.7%	1,140.3	-3.0%	1,181.0	3.6%	1,227.2	3.9%
% on total domestic market	52.9%	53.9%		54.3%		54.3%		54.3%	

Source: Cerved Databank

Based on Cerved projections, in FY 20E there should be a contraction in the Italian market of 3.7% with a 0.7% drop in the high-end market and more severe declines in the other price range segments; the market is expected to normalise in FY 21E with 3.6% growth. The high-end segment is forecast to outperform the other clusters. Overall, these estimates look quite optimistic, in our view, especially if compared with the overall luxury forecasts made by the leading international consultancy firms.

Below is a graph of the main market players in Italy by size (revenues) and profitability (EBITDA/Sales) in FY 18, including medium to low cost players.

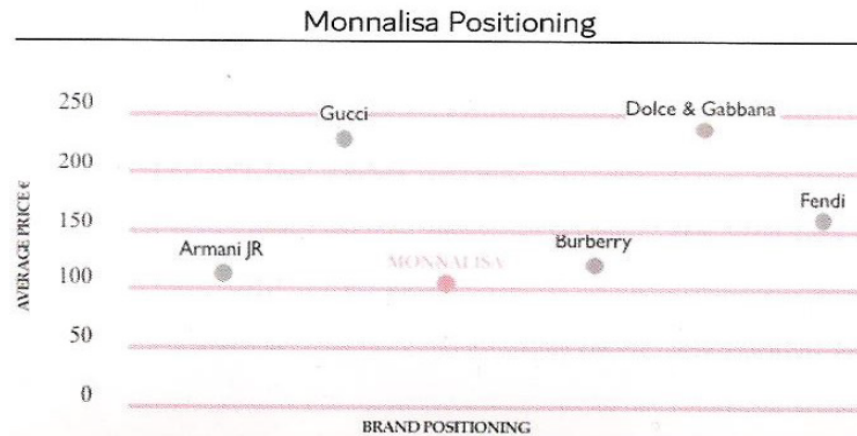
Childrenswear: main domestic players by size and profitability 2018



Source: Cerved Databank

Monnalisa is positioned in the high end range (below the main peers by brand positioning and average retail price point):

Monnalisa's main peers



Source: company data

In recent years, Monnalisa has overperformed, in terms of revenues growth, the overall domestic market and its reference segment. The overall domestic market 2016-2018 CAGR was -0.8%, the high-end segment 2016-2018 CAGR was +2.5%; in the same timeframe Monnalisa sales CAGR in Italy was +6.5%.

Below is a table of Monnalisa's main competitors and their market share in Italy.

The Italian childrenswear market – market share of Monnalisa and its main competitors

EUR m	Childrenswear sales			% Export			% Italy			% Market shares Italy		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Gimel	18	21	21	18.9%	9.0%	9.0%	81.1%	91.0%	91.0%	5.4%	7.0%	6.7%
Dolce e Gabbana	75	75	77	73.0%	77.2%	77.3%	27.0%	22.8%	22.7%	7.6%	6.2%	6.1%
Monnalisa	47	49	48	67.2%	65.6%	67.0%	32.8%	34.4%	33.0%	5.9%	6.2%	5.5%
Brave Kid	36	39	42	62.7%	58.3%	54.4%	37.3%	41.7%	45.6%	5.1%	6.0%	7.0%
CWF	15	16	16	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	5.8%	5.9%	5.7%
Armani	82	80	82	80.5%	80.0%	79.9%	19.5%	20.0%	20.1%	6.1%	5.8%	5.8%
Il Gufo	23	22	20	41.8%	43.9%	42.5%	58.2%	56.1%	57.5%	5.1%	4.5%	4.0%
Moncler	85	100	110	87.0%	86.0%	86.4%	13.0%	14.0%	13.6%	4.2%	4.4%	5.3%
Liu Jo	16	18	18	40.6%	40.4%	45.1%	59.4%	59.6%	54.9%	3.6%	3.6%	3.5%

Source: Cerved- Databank

The population aged 0-14 in Italy is in the range of 8m and it is expected to decrease (-1.5% FY 18 – FY 23E CAGR); however, the adverse demographic effects, in normal macroeconomic conditions, are due to be counterbalanced by an increase in average spending per child (on toys but we forecast also on childrenswear).

Moreover, Monnalisa looks quite resilient to the adverse demographics of some developed countries since it exports 66 / 67% of its sales. The global market, which is the end market for Monnalisa, is valued at EUR 163 bn (2018, source: Cerved- Databank).

Among the Italian players positioned in the global market Monnalisa ranks in the top 5 positions, in terms of revenues:

Main Italian players in the high-end global childrenswear market by size and export rate

	Childrenswear sales			% Export		
	2017	2018	2019	2017	2018	2019
EUR m						
Moncler	85.0	100.0	110.0	87%	86%	86%
Armani	82.0	80.0	82.0	81%	80%	80%
D & G	75.0	74.5	77.0	73%	77%	77%
Monnalisa	47.0	49.1	47.9	67%	66%	67%
Brave Kids	36.2	39.3	42.3	63%	58%	54%
Altana	18.9	23.6	25.0	72%	71%	72%
Simonetta	28.5	19.5	23.5	84%	77%	77%
Il Gufo	23.2	22.1	20.0	42%	44%	43%
Liu.Jo	16.0	18.0	18.2	41%	40%	45%
Fashion Box	11.6	12.0	12.2	60%	61%	62%

Source: Cerved- Databank



Strategy

The long-term targeted achievements for Monnalisa remain unchanged despite the unfavourable consumption environment caused by the COVID-19 pandemic. However, the company will make some changes in implementing its strategy and in assessing short-term goals.

Consolidating the brand identity across the world remains a priority that can be reached through less new shop openings than previously projected, the digital innovation and a different approach towards wholesale.

- **Retail and a lower number of expected new openings:** in FY 20, the company plans to close 10 shops (2 in China, the one in Turkey, 1 in Belgium, 4 in Brazil, o/w 2 will move to wholesale, 1 in Russia and 1 in Hong Kong); there will be 5 new openings (3 in France, 1 in Singapore and 1 will move from wholesale to retail at La Rinascente). Shop closures will be a costly process, to the advantage of future improvements in profitability.

China and part of Asia are still due to offer the most attractive growth and profitability profile around the world. As such, for FY 21 and FY 22E, 6 new openings per year are planned, mostly in Asia.

At the end of FY 20, Monnalisa is expected to have 43 shops, at the end of FY 21 49 shops and at the end of FY 22 55 shops.

- **Digital transformation:** both wholesale and direct retail e-commerce are expected to be boosted.

Many instruments targeted to the digital innovation are already in place or are work in progress (just to mention some of them: PLM, new e-commerce website, new CRM, marketing automation, inventory visibility tools, offline-online integration, Digital Product System; loyalty program - start-up in 2020; localised customer care through synergies with retail – start-up in 2020; - localised delivery points: warehouses, DOS and DOO - start-up in 2020; multi-shipping - 2020;- Click and Collect -2020; launch on Apple store and on Google Play of the first Monnalisa consumer App - June 2020). Last but not least, the creation of a new virtual showroom to accelerate the time to the wholesale market.

The company hasn't unveiled any targets on e-commerce but we expect this channel to grow double digits over the next years.

- **Expansion of product lines** and cross-selling in order to offer a complete total look (layette, furniture, male, accessories, cosmetics and footwear).
- Monnalisa has also set its strategic guidelines in terms of **Sustainability and Corporate Social Responsibility**.

FOCUS ON ESG

Monnalisa has always given great importance to the ESG themes (a sort of pioneer in a sector – particularly the childrenswear segment - where these themes are crucial).

Since 2001 Monnalisa has published the sustainability report and, starting from 2015, it has integrated the sustainability report into the financial report, thus giving a complete picture of the overall company's activities.

It presented its first Integrated Report based on the guidelines of the International Integrated Reporting Council (IIRC) in 2018. The "re-thinking" based on the SDGs (Sustainable Development Goals) principles involves and impacts on all aspects of the business.

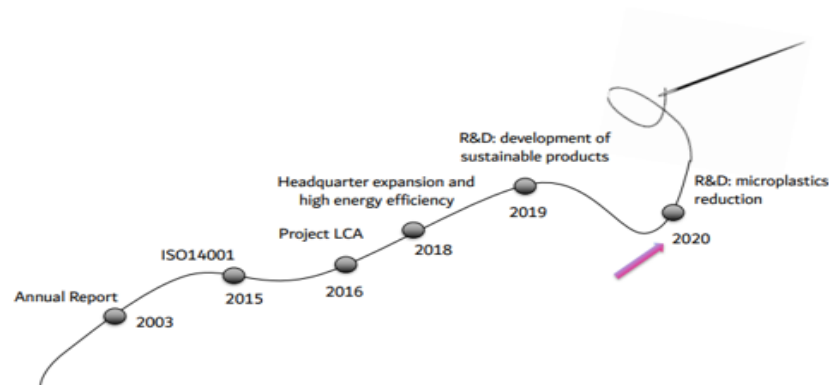
Monnalisa has identified 6 macro areas on which it analyzes its performances:

- Governance: Sustainability strategies; Values and Mission; Ethical Standards/Codes
- Social responsibility: Health and safety at work; Diversity management and equal opportunities, Human resource development and training; Respect for human rights; Working conditions; Policies work-life balance
- Environmental responsibility Sustainable: packaging; Use of raw materials; Energy efficiency; Sustainability of materials; Waste management
- Economic Responsibility Economic Performance; Supplier evaluation programs; Code of Conduct Eco-design product responsibilities and product innovation; Health and safety protection
- Collectivity: Innovative economic model development; Investment in research and development.

Monnalisa: ESG and Green attitude

ESG and Green attitude: our steps from 2003 to 2020

MONNALISA®



Source: company data

Currently, Monnalisa is conducting a research on eco-sustainable and recycled fabrics with the following features: thermal comfort, vapour transpiration barrier, thermoregulation mechanism. Moreover, it is also focusing on the research and development of a line of sustainable products with the aim of reducing and eliminating the release of microplastics from fabrics in washing: elimination of synthetic parts, resistance to high washing temperatures, resistance to the duration of the washing, to the friction of the centrifuge.



Financials

Average EBITDA margin adj. in past years was approx. 11.5%, (1998 – 2016 – in this timeframe sales CAGR was 9%, EBITDA CAGR 11%). Every fiscal year closed with a net profit. FY 19 gross profit mix by channel is as follows: 53% wholesale, 73% retail and 70% online.

Monnalisa profitability

EUR m	FY 16A	FY 17A	FY 18A	FY 19A
Sales	40.1	47.0	49.1	47.9
Gross profit	22.0	27.9	30.7	28.7
% on sales	54.9%	59.3%	62.4%	59.9%
EBITDA	4.2	6.6	5.2	-51.6
% on sales	10.4%	13.8%	10.3%	nm
EBITDA adj.	4.7	7.6	7.3	-0.1
% on sales	11.5%	15.9%	14.3%	nm

Source: company data and Banca Akros calculations

Monnalisa P&L

EUR m	FY 16A	FY 17A	Y/Y Chg.	FY 18A	Y/Y Chg.	FY 19A	Y/Y Chg.
Sales	40.1	47.0	17.2%	49.1	4.5%	47.9	-2.4%
Other income	1.9	4.4	137.2%	3.6	-18.1%	2.2	-40.0%
Total revenues	42.0	51.4	22.5%	52.7	2.6%	50.1	-5.0%
Raw mater. and finish goods	-13.4	-15.6	16.1%	-14.4	-7.5%	-13.9	-3.4%
Leases and rentals expenses	-2.3	-3.7	59.3%	-5.6	50.0%	-7.2	28.7%
Service costs	-14.1	-16.2	14.8%	-16.2	0.0%	-17.7	9.9%
Personnel costs	-7.2	-8.7	20.8%	-10.6	21.7%	-12.4	17.2%
Other costs	-0.7	-0.6	-8.4%	-0.7	15.0%	-1.7	133.2%
Total operating costs	-37.8	-44.8	18.8%	-47.5	5.9%	-53.0	11.6%
EBITDA	4.2	6.6	56.5%	5.2	-20.3%	-2.9	nm
% on total revenues	10.0%	12.8%		9.9%		-5.8%	
adjustments on EBITDA	0.5	1.0		2.1		3.2	53.3%
EBITDA adj.	4.7	7.6	62.0%	7.3	-3.5%	0.26	-96.4%
% on total revenues	11.1%	14.7%		13.8%		0.5%	
Depreciation & amortization	-1.5	-2.3	52.9%	-3.1	36.4%	-4.7	52.5%
EBIT	2.7	4.3	58.5%	2.2	-50.0%	-7.6	nm
adjustments on EBIT						4.7	
EBIT adj.						-2.9	
Net fin. inc. (charges)	-0.2	-1.2		-0.4	-62.2%	-0.3	-28.5%
Pre-tax profit	2.5	3.1	25.1%	1.7	-45.5%	-7.9	Nm
Taxes	-0.6	-0.9	55.7%	-0.4	-53.0%	-0.5	25.4%
Tax rate	23%	28%		24%		-7%	
Net profit	1.9	2.3	16.1%	1.3	-42.6%	-8.4	nm
Net profit adj.	1.9	3.0		2.8		-2.5	nm

Source: company data and Banca Akros calculations



FY 19 revenues: the retail channel grew 26.5%, driven by 6 net shop openings, to EUR 15.5m (EUR 12.3m in FY 18). However, the like-for-like retail performance was impacted by the Hong Kong protests. There were 14 new openings, out of which 10 in H2 19. There were 8 closures, out of which 6 in H2 19: some of these closures were done before the contractual end of the leases, thus affecting the company's P&L.

Revenues from the online channel were flat but we outline that a new website was launched in December and is already giving positive signs.

The wholesale channel revenues dropped 12% to EUR 30.9m (EUR 35.3m in FY 18). The interruption with the wholesale distributor in Japan (where Monnalisa has recently opened a subsidiary to distribute directly) weighed on this channel, as did the move from wholesale to retail (under concession) of Harrods UK. Moreover, revenues from Monnalisa's wholesale were not immune from the general weakness that affected the overall channel in H2 19, especially in the childrenswear segment, and they were particularly weak in Italy and Russia. In addition to this is the increase in returned goods from previous collections after a higher-than-usual portion of S/S collection was delivered in advance (in line with the sector practices) at the end of 2018.

By area, revenues in Italy were down 7% (good retail performance didn't offset the negative wholesale); in Europe sales were up 6%, thanks to the UK (Harrods) whereas in the Rest of World area they dropped 4% due to the already mentioned dynamics.

Following new openings, personnel costs increased 17% and rents 29%.

FY 19 EBITDA was negative at EUR 2.9m (EUR 5.2m in FY 18). FY 19 EBITDA adjusted was EUR 0.26m. Adjustments on EBITDA were EUR 3.16m, split as follows:

EUR m	FY 19A
EBITDA	-2.9
EBITDA adj.	0.26
adjustments	3.2
one- off costs	1.3
Negative EBITDA of shops closed in the year including way-out	0.95
Negative EBITDA of shops opened in the last 18 months	0.9

Source: company data and Banca Akros calculations

EBIT was negative at EUR 7.6m (EUR 2.2m in FY 18) after EUR 3.5m of depreciation and amortisation (EUR 3.1m in FY 18) and around EUR 1m goodwill devaluation for the American subsidiary. Adjustments on EBIT refer both to the goodwill devaluation of the American subsidiary and to elimination of the deferred tax assets of the Chinese and Brazilian subsidiaries, for a total amount of approx. EUR 2m. These prudential valuations were made by the company in order to incorporate the likely negative effects of the pandemic in Monnalisa's business for the current year and onwards.

Net financial charges were EUR -0.3m (-EUR 0.4m in FY 18). Monnalisa has a negligible amount of minorities in its P&L.

Net income was negative at EUR -8.4m (EUR 1.3m in FY 18). Net income adj. was negative at EUR -2.5m (EUR 2.8m in FY 18).

The company invested EUR 3.7m in FY 19 including EUR 2m for retail development and EUR 1.7m for completion of the new headquarters and for the new showroom in Arezzo.

EUR m	FY 16A	FY 17A	FY 18A	FY 19A
Capex	7.2	4.9	8.9	3.7
Capex on sales	18%	10%	18%	8%

Source: company data and Banca Akros calculations

The net financial position was negative at EUR 3.4m (in FY 18 it was positive at EUR 2.5m after cashing-in EUR 17m IPO proceeds). FY 19 net debt/equity (net of intangible assets) was 0.1x; net debt/sales was 0.01x.



Our estimates

While it is rather difficult to assess short-term estimates in the tough current trading environment, where the consequences of the pandemic are not predictable, we considered the current year a very harsh one with H1 20 being particularly hard hit. In FY 21E, we assumed a recovery in premium/luxury sales, in line with the overall sector; finally, in FY 22E, we assumed a cleaned and less unprofitable retail network to generate most of top line growth. Going forward, we incorporate improving profitability thanks to the network maturity, fewer and selected new openings.

Monnalisa FY 20E / FY 22E estimates

EUR m	FY 19A	FY 20E	Y/Y Chg.	FY 21E	Y/Y Chg.	FY 22E	Y/Y Chg.
Sales	47.9	36.4	-24.1%	40.7	11.9%	47.8	17.4%
Other income	2.2	1.4	-35.5%	1.4		1.4	
Total revenues	50.1	37.8	-24.6%	42.1	11.5%	49.2	16.8%
Raw materials and finished goods	-13.9	-11.0		-12.4		-14.4	
Leases and rentals expenses	-7.2	-6.0		-6.6		-6.8	
Services	-17.7	-12.0		-9.9		-9.2	
Personnel cost	-12.4	-10.5		-11.3		-11.4	
Other costs	-1.7	-1.8		-2.7		-2.7	
EBITDA	-2.9	-3.5		-0.8		4.7	
Non-recurring items	3.2						
EBITDA adj.	0.26						
% on sales	0.5%						
EBIT	(7.6)	(7.1)		(4.3)		1.1	
Net financial income (charges)	-0.3	-0.3		-0.3		-0.3	
Pre tax profit	-7.9	-7.4		-4.6		0.8	
Net profit	-8.4	-7.8		-5.1		0.5	

Source: Banca Akros estimates

In H1 20, we included some store closures due to the pandemic. We understand that a certain amount of the A/W collection orders were cancelled to reduce payment risks. **The order level of the S/S collection is crucial** (at the end of July there should be good visibility on the sell-out). Retail in China showed very good signs of recovery in May.

The company has put in place a cost control programme, postponing or cutting unnecessary opex and capex. We believe that some cuts will remain structural; as such, we estimate some cost item falling over the coming years.

We have not included in our estimates any non-recurring items related to store closures and to a lesser extent to new openings; we estimate a EUR 1.7m impact in FY 20E and EUR 0.4m in FY 21E.

Despite the substantial amount of losses in FY 20E (-EUR 7.8m from EUR -8.4m in FY 19) we expected Monnalisa to close the year with a negative net financial position of EUR 8.9m (from EUR3.4 net debt of FY 19); capex, indeed, is being reduced to EUR 2m (EUR 3.7m in FY 19E). We assume inventories up 11% in FY 20E, in line with the sector trend of increasing unsold items. We expect the NFP to improve gradually.



Monnalisa: Summary tables

PROFIT & LOSS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Sales	47.7	52.7	50.1	37.8	42.1	49.2
Cost of Sales & Operating Costs	-41.1	-47.5	-53.0	-41.4	-42.9	-44.4
Non Recurrent Expenses/Income	-1.0	-2.1	-3.2	0.0	0.0	0.0
EBITDA	6.6	5.2	-2.9	-3.6	-0.8	4.8
EBITDA (adj.)*	7.6	7.3	0.3	-3.6	-0.8	4.8
Depreciation	-2.3	-3.1	-4.7	-3.5	-3.5	-3.7
EBITA	4.3	2.2	-7.6	-7.1	-4.3	1.1
EBITA (adj)*	5.3	4.2	-4.4	-7.1	-4.3	1.1
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.3	2.2	-7.6	-7.1	-4.3	1.1
EBIT (adj.)*	5.3	4.2	-4.4	-7.1	-4.3	1.1
Net Financial Interest	-1.2	-0.4	-0.3	-0.3	-0.3	-0.3
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	3.1	1.7	-7.9	-7.4	-4.6	0.8
Tax	-0.9	-0.4	-0.5	-0.4	-0.5	-0.3
<i>Tax rate</i>	<i>28.4%</i>	<i>24.4%</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>32.3%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	-0.0	-0.0	0.0	0.0
Net Profit (reported)	2.2	1.3	-8.4	-7.8	-5.1	0.5
Net Profit (adj.)	3.0	2.8	-2.5	-7.8	-5.1	0.5
CASH FLOW (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Cash Flow from Operations before change in NWC	4.5	4.3	-3.7	-4.3	-1.6	4.2
Change in Net Working Capital	-5.1	-1.4	2.0	0.1	5.0	-0.7
Cash Flow from Operations	-0.6	2.9	-1.7	-4.2	3.4	3.6
Capex	-4.9	-8.9	-3.7	-2.0	-2.8	-2.8
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-5.5	-5.9	-5.4	-6.2	0.6	0.8
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-5.0	16.7	-0.5	0.8	0.2	0.1
Change in Net Debt	-10	11	-6	-5	1	1
NOPLAT	3.8	3.2	-4.7	-7.5	-4.7	0.7
BALANCE SHEET & OTHER ITEMS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Tangible Assets	15.4	18.1	18.3	14.7	14.0	13.1
Net Intangible Assets (incl. Goodwill)	3.2	7.6	5.1	5.1	5.1	5.1
Net Financial Assets & Other	1.5	2.2	2.9	2.9	2.9	2.9
Total Fixed Assets	20.0	27.9	26.3	22.7	22.0	21.1
Inventories	16.8	17.8	18.5	20.6	16.7	16.9
Trade receivables	11.1	11.3	9.6	9.0	8.1	9.4
Other current assets	5.4	4.1	3.2	3.0	1.3	1.5
Cash (-)	-4.2	-16.0	-11.3	-8.9	-9.2	-9.5
Total Current Assets	37.5	49.2	42.6	41.5	35.3	37.3
Total Assets	57.6	77.0	68.9	64.3	57.3	58.4
Shareholders Equity	29.2	47.4	38.9	31.1	26.0	26.6
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	29.2	47.4	38.9	31.1	26.0	26.6
Long term interest bearing debt	4.2	7.8	6.6	7.9	7.7	7.4
Provisions	1.4	1.6	1.8	1.5	1.6	1.7
Other long term liabilities	0.5	0.7	0.8	0.6	0.7	0.8
Total Long Term Liabilities	6.2	10.1	9.2	10.1	10.0	9.9
Short term interest bearing debt	8.3	5.7	8.1	9.8	9.5	9.2
Trade payables	9.5	7.8	7.9	9.1	7.1	7.3
Other current liabilities	3.7	3.9	3.9	4.2	4.6	5.4
Total Current Liabilities	21.5	17.4	19.9	23.1	21.2	21.9
Total Liabilities and Shareholders' Equity	56.9	74.9	68.0	64.3	57.3	58.4
Net Capital Employed	38.4	49.2	46.5	43.3	39.8	40.1
Net Working Capital	18.3	21.3	20.2	20.5	17.8	19.0
GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
<i>Sales growth</i>	<i>17.8%</i>	<i>10.6%</i>	<i>-5.0%</i>	<i>-24.6%</i>	<i>11.5%</i>	<i>16.8%</i>
EBITDA (adj.)* growth	102.3%	-3.5%	-96.4%	n.m.	n.m.	n.m.
EBITA (adj.)* growth	134.5%	-20.4%	n.m.	n.m.	n.m.	n.m.



Monnalisa: Summary tables

GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Profit growth	52.6%	-6.2%	n.m.	n.m.	n.m.	n.m.
EPS adj. growth	52.7%	-6.0%	n.m.	n.m.	n.m.	n.m.
DPS adj. growth						
EBITDA (adj)* margin	15.9%	13.8%	0.5%	n.m.	n.m.	9.8%
EBITA (adj)* margin	11.1%	8.0%	-8.9%	-18.8%	-10.1%	2.2%
EBIT (adj)* margin	11.1%	8.0%	n.m.	n.m.	n.m.	2.2%
RATIOS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Debt/Equity	0.3	-0.1	0.1	0.3	0.3	0.3
Net Debt/EBITDA	1.3	-0.5	-1.2	-2.4	-10.5	1.5
Interest cover (EBITDA/Fin.interest)	5.6	11.8	n.m.	n.m.	n.m.	16.0
Capex/D&A	215.9%	287.7%	79.1%	57.7%	80.0%	75.7%
Capex/Sales	10.2%	16.8%	7.4%	5.3%	6.6%	5.7%
NWC/Sales	38.4%	40.4%	40.3%	54.3%	42.2%	38.6%
ROE (average)	10.5%	7.3%	-5.8%	-22.3%	-17.7%	2.1%
ROCE (adj.)	10.3%	6.8%	-10.8%	-18.5%	-12.8%	2.0%
WACC	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
ROCE (adj.)/WACC	1.2	0.8	-1.2	-2.1	-1.5	0.2
PER SHARE DATA (EUR)***	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Average diluted number of shares	5.2	5.2	5.2	5.2	5.2	5.2
EPS (reported)	0.00	0.00	-1.61	-1.49	-0.97	0.10
EPS (adj.)	0.00	0.00	-0.48	-1.49	-0.97	0.10
BVPS	5.58	9.05	7.43	5.94	4.97	5.08
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
EV/Sales		0.9	0.8	0.7	0.6	0.5
EV/EBITDA		9.4	n.m.	n.m.	n.m.	5.0
EV/EBITDA (adj.)*		6.8	n.m.	n.m.	n.m.	5.0
EV/EBITA		22.9	-5.0	-3.6	-5.8	21.6
EV/EBITA (adj.)*		11.7	-8.5	-3.6	-5.8	21.6
EV/EBIT		22.9	n.m.	n.m.	n.m.	21.6
EV/EBIT (adj.)*		11.7	n.m.	n.m.	n.m.	21.6
P/E (adj.)		n.m.	n.m.	n.m.	n.m.	25.2
P/BV		1.0	0.8	0.4	0.5	0.5
Total Yield Ratio		0.0%	0.0%	0.0%	0.0%	
EV/CE		1.1	0.9	0.6	0.7	0.6
OpFCF yield		-11.9%	-17.3%	-45.2%	4.6%	5.6%
OpFCF/EV		-12.0%	-14.4%	-24.3%	2.6%	3.3%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)		0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Price** (EUR)		9.50	6.00	2.62	2.62	2.62
Outstanding number of shares for main stock	5.2	5.2	5.2	5.2	5.2	5.2
Total Market Cap		50	31	14	14	14
Net Debt	8	-3	3	9	8	7
<i>o/w Cash & Marketable Securities (-)</i>	<i>-4</i>	<i>-16</i>	<i>-11</i>	<i>-9</i>	<i>-9</i>	<i>-9</i>
<i>o/w Gross Financial Debt (+)</i>	<i>12</i>	<i>14</i>	<i>15</i>	<i>18</i>	<i>17</i>	<i>17</i>
<i>o/w Lease Liabilities (+)</i>						
Other EV components	1	2	3	3	3	3
Enterprise Value (EV adj.)		49	38	26	25	24

Source: Company, Banca Akros estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation



Sector: Personal Goods/Clothing & Accessories

Company Description: Monnalisa is a premium/luxury childrenswear company. It designs, produces and distributes 0-16 year high-end childrenswear, under the proprietary brand Monnalisa. It is present in more than 60 countries through different channels and in the most important department stores worldwide.



European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)	Tubacex	GVC	Marr	BAK	Industrial Transportation	Mem(*)
Airbus Se	CIC	Chemicals	Mem(*)	Sonae	CBI	Bollore	CIC
Dassault Aviation	CIC	Air Liquide	CIC	General Industrials	Mem(*)	Clasquin	IAC
Figeac Aero	CIC	Arkema	CIC	Adl Bionatur Solutions	GVC	Ctt	CBI
Latecoere	CIC	Plasticos Compuestos	GVC	Cembre	BAK	Insurance	Mem(*)
Leonardo	BAK	Electronic & Electrical Eq.	Mem(*)	Sergeferrari Group	CIC	Axa	CIC
Lisi	CIC	Rexel	CIC	General Retailers	Mem(*)	Catalana Occidente	GVC
Safran	CIC	Fin. Serv. Holdings	Mem(*)	Emova Group	IAC	Cattolica Assicurazioni	BAK
Thales	CIC	Cir	BAK	Fnac Darty	CIC	Generali	BAK
Alternative Energy	Mem(*)	Corp. Financiera Alba	GVC	Inditex	GVC	Mapfre	GVC
Encavis Ag	CIC	Digital Magics	BAK	Maisons Du Monde	CIC	Net Insurance	BAK
Plc	BAK	Eurazeo	CIC	Ovs	BAK	Unipolsai	BAK
Siemens Gamesa Re	GVC	Ffp	CIC	Unieuro	BAK	Materials, Construction	Mem(*)
Volitalia	CIC	Rallye	CIC	Healthcare	Mem(*)	Acs	GVC
Automobiles & Parts	Mem(*)	Tip Tamburi Investment Partners	BAK	Abionyx Pharma	CIC	Aena	GVC
Brembo	BAK	Wendel	CIC	Amplifon	BAK	Astaldi	BAK
Faurecia	CIC	Fin. Serv. Industrials	Mem(*)	Atrys Health	GVC	Atlantia	BAK
Ferrari	BAK	Bolsas Y Mercados Espanoles	GVC	Crossject	CIC	Buzzi Unicem	BAK
Fiat Chrysler Automobiles	BAK	Dovalue	BAK	Diasorin	BAK	Capelli	CIC
Gestamp	GVC	Nexi	BAK	El.En.	BAK	Clerhp Estructuras	GVC
Indelb	BAK	Tinexta	BAK	Fermentalg	CIC	Eiffage	CIC
Landi Renzo	BAK	Financial Services Banks	Mem(*)	Fine Foods	BAK	Ezentis	GVC
Piaggio	BAK	Amundi	CIC	Genfit	CIC	Fcc	GVC
Pininfarina	BAK	Anima	BAK	Guerbet	CIC	Ferrovial	GVC
Plastic Omnium	CIC	Azimut	BAK	Korian	CIC	Groupe Adp	CIC
Sogefi	BAK	Banca Farmafactoring	BAK	Oncodesign	CIC	Groupe Poujoulat	CIC
Banks	Mem(*)	Banca Generali	BAK	Orpea	CIC	Groupe Sfpi S.A.	CIC
Banca Mps	BAK	Banca Ifis	BAK	Recordati	BAK	Herige	CIC
Banco Sabadell	GVC	Banca Mediolanum	BAK	Shedir Pharma	BAK	Hexaom	CIC
Banco Santander	GVC	Banca Sistema	BAK	Theraclion	CIC	Imerys	CIC
Bankia	GVC	Finecobank	BAK	Household Goods	Mem(*)	Kaufman & Broad	IAC
Bankinter	GVC	Poste Italiane	BAK	Abeo	CIC	Lafargeholcim	CIC
Bbva	GVC	Food & Beverage	Mem(*)	De Longhi	BAK	Maire Tecnimont	BAK
Bcp	CBI	Advini	CIC	Fila	BAK	Mota Engil	CBI
Bnp Paribas	CIC	Bonduelle	CIC	Groupe Seb	CIC	Obrascon Huarte Lain	GVC
Bper	BAK	Campari	BAK	Industrial Engineering	Mem(*)	Sacyr	GVC
Caixabank	GVC	Danone	CIC	Alstom	CIC	Saint Gobain	CIC
Credem	BAK	Ebro Foods	GVC	Biesse	BAK	Salcef	BAK
Credit Agricole Sa	CIC	Enervit	BAK	Caf	GVC	Salini Impregilo	BAK
Creval	BAK	Fleury Michon	CIC	Carraro	BAK	Sias	BAK
Intesa Sanpaolo	BAK	Italian Wine Brands	BAK	Cnh Industrial	BAK	Sonae Industria	CBI
Liberbank	GVC	Lanson-Bcc	CIC	Danieli	BAK	Tarkett	CIC
Mediobanca	BAK	Laurent Perrier	CIC	Datalogic	BAK	Thermador Groupe	CIC
Natisis	CIC	Ldc	CIC	Exel Industries	CIC	Vicat	CIC
Rothschild & Co	CIC	Orsero	BAK	Fincantieri	BAK	Vinci	CIC
Societe Generale	CIC	Pernod Ricard	CIC	Groupe Gorge	CIC	Media	Mem(*)
Ubi Banca	BAK	Remy Cointreau	CIC	Haulotte Group	CIC	Arnoldo Mondadori Editore	BAK
Unicredit	BAK	Tipiak	CIC	Ima	BAK	Atresmedia	GVC
Basic Resources	Mem(*)	Vidrala	GVC	Interpump	BAK	Cairo Communication	BAK
Acerinox	GVC	Vilmorin	CIC	Manitou	CIC	Cofina	CBI
Altri	CBI	Viscofan	GVC	Prima Industrie	BAK	Digital Bros	BAK
Arcelormittal	GVC	Vranken Pommery Monopole	CIC	Prysmian	BAK	Digitouch	BAK
Corticeira Amorim	CBI	Food & Drug Retailers	Mem(*)	Talgo	GVC	Gedi Gruppo Editoriale	BAK
Ence	GVC	Carrefour	CIC	Zardoya Otis	GVC	GI Events	CIC
Semapa	CBI	Casino Guichard-Perrachon	CIC			Il Sole 24 Ore	BAK
The Navigator Company	CBI	Jeronimo Martins	CBI			Impresa	CBI



Ipsos	CIC	Quabit Immobiliaria	GVC	Telefonica	GVC
Jodecaux	CIC	Realia	GVC	Tiscali	BAK
Lagardere	CIC	Software & Computer Ser.	Mem(*)	Vodafone	BAK
M6-Metropole Television	CIC	Agile Content	GVC	Travel & Leisure	Mem(*)
Mediaset	BAK	Akka Technologies	CIC	Accor	CIC
Mediaset Espana	GVC	Alten	CIC	Autogrill	BAK
Nrj Group	CIC	Altran	CIC	Beneteau	CIC
Publicis	CIC	Amadeus	GVC	Compagnie Des Alpes	CIC
Rcs Mediagroup	BAK	Assystem	CIC	Elior	CIC
Solocal Group	CIC	Atos	CIC	Europcar	CIC
Teleperformance	CIC	Axway Software	CIC	Gamenet	BAK
Tf1	CIC	Capgemini	CIC	Groupe Partouche	IAC
Ubisoft	CIC	Cast	CIC	I Grandi Viaggi	BAK
Vivendi	CIC	Catenon	GVC	Ibersol	CBI
Vogo	CIC	Econocom	CIC	Int. Airlines Group	GVC
Oil & Gas Producers	Mem(*)	Esi Group	CIC	Melia Hotels International	GVC
Ecoslops	CIC	Exprivia	BAK	Nh Hotel Group	GVC
Enauta	CBI	Gigas Hosting	GVC	Pierre Et Vacances	CIC
Eni	BAK	Gpi	BAK	Sodexo	CIC
Galp Energia	CBI	Groupe Open	CIC	Sonae Capital	CBI
Gas Plus	BAK	Indra Sistemas	GVC	Trigano	CIC
Maurel Et Prom	CIC	Lleida.Net	GVC	Utilities	Mem(*)
Repsol	GVC	Neurones	CIC	A2A	BAK
Total	CIC	Reply	BAK	Acciona	GVC
Oil Services	Mem(*)	Sii	CIC	Acea	BAK
Bourbon	CIC	Sopra Steria Group	CIC	Albioma	CIC
Cgg	CIC	Visiativ	CIC	Derichebourg	CIC
Gtt	CIC	Worldline	CIC	Edp	CBI
Rubis	CIC	Support Services	Mem(*)	Edp Renováveis	CBI
Saipem	BAK	Bureau Veritas	CIC	Enagas	GVC
Technipfmc Plc	CIC	Cellnex Telecom	GVC	Endesa	GVC
Tecnicas Reunidas	GVC	Edenred	CIC	Enel	BAK
Tenaris	BAK	Enav	BAK	Erg	BAK
Vallourec	CIC	Fiera Milano	BAK	Falck Renewables	BAK
Personal Goods	Mem(*)	Inwit	BAK	Greenalia	GVC
Basicnet	BAK	Openjobmetis	BAK	Hera	BAK
Brunello Cucinelli	BAK	Prosegur Cash	GVC	Iberdrola	GVC
Cellularline	BAK	Rai Way	BAK	Iren	BAK
Cie Fin. Richemont	CIC	Technology Hardware & Eq.	Mem(*)	Italgas	BAK
Geox	BAK	Adeunis	CIC	Naturgy	GVC
Hermes Intl.	CIC	Evolis	CIC	Red Electrica Corporacion	GVC
Interparfums	CIC	Hf Company	CIC	Ren	CBI
Kering	CIC	Ingenico	CIC	Snam	BAK
L'Oreal	CIC	Memscap	IAC	Solaria	GVC
Lvmh	CIC	Osmosis	CIC	Terna	BAK
Moncler	BAK	Stmicroelectronics	BAK		
Safilo	BAK	Tier 1 Technology	GVC		
Salvatore Ferragamo	BAK	Telecommunications	Mem(*)		
Smcp	CIC	Altice Europe	CIC		
Swatch Group	CIC	Bouygues	CIC		
Technogym	BAK	Euskaltel	GVC		
Tod'S	BAK	Iliad	CIC		
Real Estate	Mem(*)	Masmovil	GVC		
Igd	BAK	Nos	CBI		
Lar España	GVC	Orange	CIC		
Merlin Properties	GVC	Telecom Italia	BAK		

LEGEND: BAK: Banca Akros; CIC: CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Beksa, SV, SA

as 1st January 2020



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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

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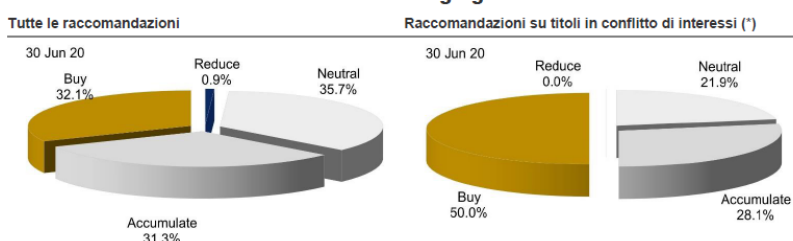
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(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 28.57% del totale degli emittenti oggetto di copertura



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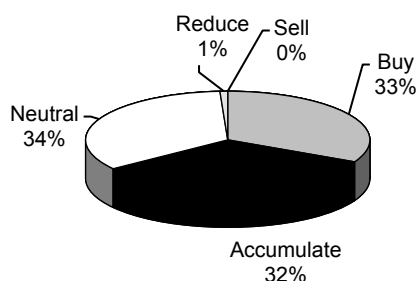
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Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



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