

Company Flash Note

Neutral

Recommendation unchanged

Share price: EUR 2.28

closing price as of 29/10/2020

Target price: EUR 3.00

from Target Price: EUR 3.60

Upside/Downside Potential 31.6%

Reuters/Bloomberg MNL.MI/MNL.IM

Market capitalisation (EURm) 12

Current N° of shares (m) 5

Free float 26%

Daily avg. no. trad. sh. 12 mth (k) 4

Daily avg. trad. vol. 12 mth (k) 6.73

Price high/low 12 months 7.70 / 2.28

Abs Perfs 1/3/12 mths (%) -20.28/-19.15/-69.80

Key financials (EUR)	12/19	12/20e	12/21e
Sales (m)	50	35	40
EBITDA (m)	(3)	(8)	(1)
EBITDA margin	nm	nm	nm
EBIT (m)	(8)	(11)	(5)
EBIT margin	nm	nm	nm
Net Profit (adj.)(m)	(3)	(7)	(6)
ROCE	-10.8%	-20.1%	-15.1%
Net debt/(cash) (m)	3	10	10
Net Debt Equity	0.1	0.4	0.4
Net Debt/EBITDA	-1.2	-1.3	-6.8
Int. cover(EBITDA/Fin.int)	(9.1)	(25.1)	(4.7)
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	0.6
OpFCF yield	-17.3%	-58.3%	-1.2%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.71)	(1.33)	(1.09)
BVPS	7.43	5.20	4.10
DPS	0.00	0.00	0.00

Shareholders

Jafin 2.74%;



Source: FactSet

MONNALISA (solid line), Stoxx Personal Goods (Rebased) (dashed line)

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Reason: Company newsflow

30 October 2020

Uncertainty and volatility keep the investment case on hold

Monnalisa is a unique story in the fragmented and crowded, and even difficult, childrenswear market: Monnalisa has 47 shops 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 sells through more than 500 multi-brand points of sale.

- ✓ The sales drop in H1 20 (-38.5% Y/Y) was in line with the overall sector, which was impacted by the COVID-19 pandemic and the shutdown of commercial activities across the world and the fall in tourism flow, given the international traffic bans and restrictions. Based on our calculations, opex decreased 23% Y/Y excluding one-off costs. The cost reduction policy targeted non-strategic and deferrable costs: some unprofitable stores were closed, marketing expenses were cut and postponed, some shop rents were renegotiated, government subsidies and business support was used and some managers and the chairman voluntarily reduced their remuneration. EBITDA adj. was EUR -2.4m; EBITDA reported was EUR -6.2m. One-off costs (EUR 0.86m in H1 19) reached EUR 3.8m. The Net Financial Position was negative at EUR 9.5m (it was negative at EUR 3.4m YE 19).
- ✓ The company gave no outlook on FY 20. However, as in H1 20, cost revision along with the strengthening of the financial conditions are ongoing. Moreover, Monnalisa is already bearing the fruits of the investment made in digital. As far as the short-term trading conditions are concerned, we understand that the F/W 20 collection is benefitting from reorders, driven by good sell-out, especially in China and Russia. The S/S 21 collection could suffer from a reduction of approx. 15 / 20% in customer numbers vs. the S/S 20 collection; we understand that, as in the past, a small part of the collection will be delivered in advance, already in December 2020. The retail business is pretty positive only in some areas such as Russia and China and through outlets overall, whilst regions like Hong Kong and the US or Europe are suffering. The e-commerce in September was very strong. Overall, we understand that H2 20 sales are expected to be better than H1 20, though lower than in H2 19.
- ✓ Given the company's already broad distribution, its brand awareness and reputation, we believe Monnalisa has enough room to grow further. However, we expect the COVID-19 pandemic to slow down sales recovery for the overall sector. In this scenario, good companies, like Monnalisa, could gain market share in their respective markets. We rate the stock Neutral for the time being since we believe the scenario is still risky for the sector and the market is subject to high volatility. Our new DCF includes unchanged mid- and long-term growth rates vs. our previous valuation. WACC = 9% (higher beta than before), g= 1.5% (unchanged). FY 20E net debt EUR 9.7m. We have obtained a fair value of EUR 3.8/sh, to which we apply a 20% discount due to the stock's low liquidity and high risk profile and obtain a target price of EUR 3/sh vs. EUR 3.6/sh. This leaves a more than 30% upside potential, which could materialise once the top line restarts its growth path. The stock has reached its minimum ever and it discounts a scenario that does not incorporate any return to substantial top line growth.

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H1 20 results

Monnalisa: H1 20 sales and profitability

EUR m	H1 19	H1 20	Y/Y Chg.	H1 20E
Retail	7.1	4.2	-41.1%	4.0
% on sales	29%	28%		27%
Wholesale	16.7	10.3	-38.2%	10.0
% on sales	68%	68%		67%
B2C	0.8	0.6	-17.0%	0.9
% on sales	3%	4%		6%
Sales	24.6	15.1	-38.5%	14.9
EBITDA	1.9	-6.2	nm	-5.0
% on sales	7.9%			nm
EBITDA adj.	2.8	-2.4	nm	-5.0
% on sales	11.4%			nm
EBIT	0.3	-7.9	nm	-6.8
Net profit	-0.1	-6.8	nm	

Source: company data and Banca Akros estimates

Revenues

The sales drop in H1 20 (-38.5% Y/Y) was in line with the overall sector, which was impacted by the COVID-19 pandemic and the shutdown of commercial activities across the world and the fall in tourism flow, given the international traffic bans and restrictions.

In detail, the **retail** channel (-41% Y/Y) suffered from shop closures in Italy starting from mid-May and in the other European and non-European countries in the following weeks. The company stated in the press release that like-for-like retail sales growth was up double digits in Q1 20, until the lockdown.

Wholesale sales drop (-38.2% Y/Y) was driven by:

1. The S/S 20 season, which was delivered before the lockdown, suffered from a lack of reorders and a delay in deliveries in Russia (whose lockdown started just after Italy's).
2. Half of the sales drop (EUR 3m est.) was due to a F/W 20 pre-collection delay in deliveries after June (the F/W pre-collection is usually delivered from mid-end April to June); shipments in July, August and September fully made up the delivery delay; profitability was fully recovered as well.

The company confirmed that the percentage of returned S/S 20 products was lower than expected and that for H2 20E they do not expect a substantial increase (i.e. La Rinascente point of sale is now directly managed by Monnalisa - while under La Rinascente management, Monnalisa had to accept returned products).

Sales through **e-commerce** dropped in H1 20 (-17% Y/Y), though they grew substantially in Q2 20 (+20%) thanks to the new e-commerce platform. As a reminder, Monnalisa implemented a new e-commerce web site in December 2019, which was integrated into a new e-commerce ecosystem (in addition to the new e-comm. platform the company introduced the PIM-DAM systems, the CRM, marketing automation and the multi-channel system). The start-up of the new e-comm. system led to a 2-week delivery stop in Q1 20. We understand that digital investments are ongoing with a new innovative project for the online integration of the wholesale clientele.

Monnalisa is present on Tmall and the first results are very promising (though it has little exposure).

Recent project on the online business - a new APP: Monnalisa has just launched the first consumer APP, which will be available on the Apple store. The APP will be connected to the e-commerce platform and have a series of functionalities - viewing of the collections, photo booth, stickers with creative options of the Monnalisa collections; they will soon be extended to gaming also.

By area, sales in Italy (34% of sales) dropped 35%, in Europe 26% and the Rest of the World area 40%.

Monnalisa: H1 20 results – cost details

EUR m	H1 19	H1 20	Y/Y Chg.
Sales	24.6	15.1	-38.4%
Profit/(loss) non-core income	0.4	0.3	-40.2%
Total revenues	25.0	15.4	-38.4%
Costs for raw materials and finished products	-4.5	-6.4	42.0%
Costs for production services	-3.8	-2.0	-47.2%
Product manufacturing costs	-8.3	-8.4	1.1%
Gross profit	16.6	7.0	-58.2%
Costs for use of third-party assets	-3.1	-2.7	-12.5%
Marketing costs	-1.3	-1.0	-22.7%
Costs for other services	-4.2	-3.3	-21.6%
Personnel costs	-5.8	-4.8	-18.4%
Miscellaneous operating costs	-0.2	-0.9	364.1%
Provisions for bad and doubtful accounts	0.0	-0.5	844.8%
EBITDA	1.9	-6.2	nm
One-off costs	-0.9	-3.8	nm
EBITDA adj.	2.8	-2.4	nm
Depr. & amort.	-1.6	-1.7	4.0%
EBIT	0.3	-7.9	nm
Financials	-0.2	-0.2	-22.1%
PBT	0.1	-8.0	nm
Taxes	-0.2	1.2	nm
Consolidated net profit	-0.1	-6.8	nm

Source: company data

Costs

Based on our calculations, opex decreased 23% Y/Y excluding one-off costs. The cost reduction policy targeted non-strategic and deferrable costs: some unprofitable stores were closed, marketing expenses were cut and postponed, some shop rents were renegotiated, government subsidies and business support were used and some managers and the chairman voluntarily reduced their remuneration.

EBITDA adj. was EUR -2.4m; EBITDA reported was EUR -6.2m. One-off costs (EUR 0.86m in H1 19) reached EUR 3.8m. One off costs detail:

- EUR 2.1m attributable to inventory write downs both for raw materials and finished products (S/S 20 collection); they were included in costs for raw materials and finished products. These costs are not expected to occur in H2 20E.
- EUR 0.4m relates to some subsidiaries following the closure of their stores in the first half of the year and in July and August; they are included in other operating expenses.

- EUR 0.4m was due to provisions for doubtful debt in view of possible wholesale customer insolvencies.
- EUR 0.9m other one-off costs.

The amount of taxes was positive at EUR 1.241m, thanks to deferred tax assets.

The net loss in H1 20 was EUR 6.79m (vs. net loss of EUR 1.123m in H1 19).

Shop openings and closures in H1 20 and beyond

5 stores were closed in H1 20: 2 in China, 1 in Russia, 1 in Brazil and 1 in Turkey (in the Istanbul airport). The Korean subsidiary was also closed in H1 20.

In the following months (July and August), 1 store of the Brazilian subsidiary was closed, while the 2 remaining stores became TPOS (the one-offs related to this operation are accounted for in H1 20).

1 DOS in Hong Kong was definitively closed, upon expiry of the lease contract in H2 20.

In H1 20, Monnalisa opened 3 new stores under a concession agreement in the Lafayette department stores: 1 in Paris and 2 in Nice. In August they opened a new shop in Singapore.

Openings/closures

New openings	Time	Country	City	Location
DOS	H1 20	France	Paris	Galleries Lafayette
DOS	H1 20	France	Nice	Galleries Lafayette
DOS	H1 20	France	Nice	Galleries Lafayette
Total new openings in H1 20	3			
Openings in Q3 20				
DOS	August	Singapore	Singapore	Marina Bay Sands
DOS (from TPOS)	October	Italy	Milano	La Rinascente
DOO	October	Italy	Barberino del Mugello	Barberino Designer Outlet
Closures	Time	Country	City	Location
DOO	H1 20	China	Shenzen	MIXC
DOO	H1 20	China	Shanghai	Florentia Village
DOS	H1 20	Russia	Russia	European Center
DOS	H1 20	Brazil	Recife	
DOS	H1 20	Turkey	Istanbul	Istanbul airport
Total closures in H1 20	5			
Closures in Q3 20				
DOS	after June 2020	Hong Kong	Hong Kong	
DOS	after June 2020	Brazil		
DOS	after June 2020	Brazil	converted into TPOS	
DOS	after June 2020	Brazil	converted into TPOS	

Source: company data and Banca Akros elaborations

At the end of June 2020, Monnalisa had 47 direct points of sale vs. 48 at the end of 2019.

Planned retail evolution after H1 20: in October 2020, Monnalisa opened 1 DOO in Barberino del Mugello (in addition to the Singapore opening mentioned above) and in the same month it converted (under a concession) the TPOS in La Rinascente Milano into DOS. Expectations are for further shop openings by year end both DOO and DOS, in Asia and Italy. The goal is to reach 49 points of sale at the end of the year, thus at least 2 new openings should take place in the following months. This confirms the importance of the retail expansion

in Monnalisa's growth path and the consequent fine tuning of the plans as it pursues an opportunistic application of the strategy whenever interesting occasions arise - as a reminder, in July plans were to reach 43 retail stores at the end of FY 20E.

We point out that in mid-September Monnalisa announced the opening of its first POS in India. The POS is located in the "The Chanakya" luxury department store in New Dehli, it is a 80smq and is managed as a TPOS.

Net financial position & capex:

The Net Financial Position was negative (net debt) at EUR 9.5m (it was negative at EUR 3.4m YE 19), on the back of a temporary financial investment of approx. EUR 1m in January 2020, cashed-out in July, and to the deferred payment agreed with some customers from April to July (duly paid, we understand). Monnalisa obtained a EUR 1m unsecured loan in April (Liquidity Decree).

In Q3 20, under the Liquidity Decree, medium/long-term unsecured loans of over EUR 5m were sought and obtained, of which EUR 3.3m for new funding. In addition, a EUR 0.8m loan was obtained from Simest to finance the new opening in Singapore.

Capex in H1 20 was EUR 0.74m (FY 20E capex estimates EUR 2m).

Outlook

The company gave no outlook on FY 20. However, as in H1 20, cost revision, effective management of the commercial relations and the supply chain, along with the strengthening of the financial conditions, are ongoing.

Moreover, Monnalisa is already bearing the fruits of the investment made in digital, i.e. adopting a visual showroom platform which hosted the S/S 21 collection sales campaign just after the lockdown ended, thus strongly promoting the collection and beating some competitors, who were late due to their supply chain.

As far as the short-term trading conditions are concerned, we understand that the F/W 20 collection is benefitting from reorders, driven by good sell-out, especially in China and Russia. Moreover, the EUR 3m delivery shifts from Q2 20 to Q3 20 have already been recovered.

The S/S 21 collection could suffer from a reduction of approx. 15 / 20% in customer numbers vs. the S/S 20 collection; we understand that, as in the past, a small part of the collection will be delivered already in December 2020.

The retail business is pretty positive only in some areas such as Russia and China and through outlets overall, whilst regions like Hong Kong and the US or Europe are suffering. E-commerce in September was very strong.

Overall, we understand that H2 20 sales are expected to be better than H1 20 sales, though lower than in H2 19.

New estimates

As far as the current and following years' estimates are concerned, we have incorporated H1 20 numbers and fine-tuned our FY 20E and onward estimates:

Old vs. new estimates

EUR m	FY 20E			FY 21E			FY 22E		
	old	new	<i>new vs. old</i>	old	new	<i>new vs. old.</i>	old	new	<i>new vs. old.</i>
Total revenues	37.8	35.0	-7.5%	42.1	39.8	-5.4%	49.2	46.6	-5.3%
EBITDA	-3.5	-7.5	<i>nm</i>	-0.8	-1.4	77.2%	4.7	3.4	-27.5%
Non-recurr. items	0.0	-3.8			0.0		0.0	0.0	
EBITDA adj.	-3.5	-3.7	<i>nm</i>	-0.8	-1.4	77.2%	4.7	3.4	-27.5%
% on sales							9.6%	7.3%	
EBIT	-7.1	-11.0	<i>nm</i>	-4.3	-4.9	14.4%	1.1	-0.3	<i>nm</i>
Net profit	-7.8	-11.7	<i>nm</i>	-5.1	-5.7	12.1%	0.5	-0.9	<i>nm</i>
Net profit adj.	-7.8	-7.0	<i>nm</i>	-5.1	-5.7	12.1%	0.5	-0.9	<i>nm</i>

Source: Banca Akros estimates

Valuation

Our new DCF includes unchanged mid- and long-term growth rates vs. our previous valuation. WACC = 9% (higher beta than before, to 1.5), g= 1.5% (unchanged). FY 20E net debt is slightly higher than in our previous estimates (from EUR 8.9m to EUR 9.7m). We have obtained a fair value of EUR 3.8/sh, to which we apply a 20% discount due to the stock's low liquidity and high risk profile, and obtain a target price of EUR 3/sh vs. EUR 3.6/sh. This leaves a more than 30% upside potential, which could materialise once the top line restarts its growth path.

Given the company's already broad distribution, its brand awareness and reputation, we believe the company has enough room to grow further. However, we expect the COVID-19 pandemic to slow down sales recovery of the overall sector. In this scenario, good companies, like Monnalisa, could gain market share in their respective markets.

We rate the stock Neutral for the time being since we believe the scenario is still risky for the sector and the market is subject to high volatility. The stock has reached its minimum ever and it discounts a scenario that does not incorporate any return to substantial top line growth.

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	39.8	46.6	54.0	60.5	66.6	71.9	76.6	80.4	84.4	85.7
% change	14%	17%	16%	12%	10%	8%	7%	5%	5%	1.5%
EBITDA	-1.4	3.4	5.7	7.0	7.7	8.6	9.2	9.6	10.1	8.6
% margin	-4%	7%	11%	12%	12%	12%	12%	12%	12%	10%
% change	-81%	-340%	67%	23%	10%	13%	6%	5%	5%	-15%
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	9%	8%	7%	6%	6%	5%	5%	4%	4%	2%
EBIT	-4.9	-0.3	1.9	3.2	3.8	4.7	5.3	6.1	6.6	6.6
% margin	-12%	-1%	3%	5%	6%	7%	7%	8%	8%	8%
Taxes	-0.5	-0.3	-0.5	-0.8	-1.0	-1.2	-1.4	-1.6	-1.7	-1.7
Actual tax rate	-10%	-89%	26%	26%	26%	26%	26%	26%	26%	26%
NOPLAT	-5.4	-0.6	1.4	2.3	2.8	3.5	3.9	4.5	4.9	4.9
Gross Operating Cash Flow	-1.9	3.1	5.2	6.1	6.7	7.4	7.8	8.0	8.4	6.9
Capex	-2.8	-2.8	-3.1	-3.8	-3.8	-4.0	-4.0	-3.5	-3.5	-2.0
% sales	7.0%	6.0%	5.7%	6.3%	5.7%	5.6%	5.2%	4.4%	4.1%	2.3%
Change in Net Working Capital	4.9	1.7	-2.0	-1.7	-1.3	-1.2	-1.0	-0.4	-0.9	-1.6
Cash Flow to be discounted	0.2	2.0	0.1	0.6	1.5	2.2	2.8	4.1	4.0	3.3

Source: Banca Akros estimates

Appendix

Luxury company performances and multiples

ESN luxury: H1 20 sales, FY 20E, FY 21E sales estimates

EUR m	H1 19	H1 20	Y/Y Chg.	FY 19	FY 20E	Y/Y Chg.	FY 21E	Y/Y Chg.
BRUNELLO CUCINELLI	291	206	-29.4%	609	537	-11.7%	614	14.3%
CIE FIN. RICHEMONT (Q1 20 to end-June2020)	3740	1993	-46.7%	13,989	14,238	1.8%	12,785	-10.2%
GEOX	399	244	-39.0%	806	617	-23.5%	671	8.8%
HERMES INTL.	3284	2488	-24.2%	6,883	6,304	-8.4%	7,147	13.4%
INTERPARFUMS	238	139	-41.6%	484	300	-38.1%	400	33.5%
KERING	7638	5378	-29.6%	15,884	13,409	-15.6%	15,275	13.9%
L'OREAL	14606	13076	-10.5%	29,874	28,195	-5.6%	30,210	7.1%
LVMH	25082	18393	-26.7%	53,670	44,726	-16.7%	50,669	13.3%
MONCLER	570	403	-29.3%	1,628	1,369	-15.9%	1,618	18.2%
SAFILO	496	336	-32.3%	939	781	-16.8%	812	4.0%
SALVATORE FERRAGAMO	705	377	-46.6%	1,377	1,029	-25.3%	1,200	16.7%
SMCP	540	373	-31.0%	1,132	902	-20.3%	1,005	11.4%
SWATCH GROUP (CHF m)	4078	2197	-46.1%	8,243	5,901	-28.4%	6,487	9.9%
TOD'S	455	257	-43.5%	916	688	-24.9%	791	15.0%

Source: ESN

European luxury companies multiples

x	EV/SALES	EV/SALES	EV/SALES	EV/EBITDA	EV/EBITDA	EV/EBITDA	P/E 2020	P/E 2021	P/E 2022
	2020	2021	2022	2020	2021	2022			
Tod's	1.9	1.6	1.5	31.2	11.3	8.9	na	na	na
Brunello Cucinelli	4.4	3.9	3.5	29.4	15.0	13.5	na	63.8	40.5
Hermès	13.5	11.6	10.4	39.3	29.9	26.3	76.4	54.5	47.2
Safilo	0.5	0.5	0.4	na	15.4	7.2	na	na	na
Salvatore Ferragamo	2.6	2.2	2.0	24.8	11.3	8.9	na	104.5	41.3
Moncler	6.4	5.4	4.8	18.7	14.2	12.5	42.1	28.5	24.1
Prada	4.6	3.9	3.6	20.6	13.5	11.6	na	52.9	36.8
Swatch	1.5	1.3	1.2	15.8	8.2	6.8	334.4	22.2	15.7
Richemont	2.3	2.6	2.3	11.7	15.5	11.3	25.1	50.0	25.7
LVMH	5.0	4.3	3.9	20.9	15.8	14.4	49.1	29.1	25.4
Hugo Boss	1.2	1.1	1.0	10.6	5.7	4.9	na	13.0	9.1
Burberry	2.3	2.6	2.4	11.3	12.5	9.9	21.1	28.3	19.6
Kering	5.6	4.7	4.3	17.6	13.6	12.2	32.8	22.5	19.5
avg luxury Europe	4.0	3.5	3.2	21.0	14.0	11.4	83.0	42.7	27.7
median luxury Europe	2.6	2.6	2.4	19.6	13.6	11.3	42.1	29.1	25.4
avg (Europe) luxury ex BC SFL RMS	3.3	3.0	2.7	18.3	12.2	10.1	84.1	39.0	24.1

Source: Bloomberg

Monnalisa: Summary tables

	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
PROFIT & LOSS (EURm)						
Sales	47.7	52.7	50.1	35.0	39.8	46.6
Cost of Sales & Operating Costs	-41.1	-47.5	-53.0	-42.5	-41.3	-43.2
Non Recurrent Expenses/Income	-1.0	-2.1	-3.2	-3.8	0.0	0.0
EBITDA	6.6	5.2	-2.9	-7.5	-1.4	3.4
EBITDA (adj.)*	7.6	7.3	0.3	-3.7	-1.4	3.4
Depreciation	-2.3	-3.1	-4.7	-3.5	-3.5	-3.7
EBITA	4.3	2.2	-7.6	-11.0	-4.9	-0.3
EBITA (adj)*	5.3	4.2	-4.4	-7.2	-4.9	-0.3
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.3	2.2	-7.6	-11.0	-4.9	-0.3
EBIT (adj.)*	5.3	4.2	-4.4	-7.2	-4.9	-0.3
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	-11.3	-5.2	-0.6
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>n.m.</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	-11.7	-5.7	-0.9
Net Profit (adj.)	3.0	2.8	-2.5	-7.0	-5.7	-0.9
CASH FLOW (EURm)						
Cash Flow from Operations before change in NWC	4.5	4.3	-3.7	-8.2	-2.2	2.8
Change in Net Working Capital	-5.1	-1.4	2.0	3.3	4.9	1.7
Cash Flow from Operations	-0.6	2.9	-1.7	-5.0	2.7	4.5
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	-7.0	-0.1	1.7
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	0.7	0.2	0.1
Change in Net Debt	-10	11	-6	-6	0	2
NOPLAT	3.8	3.2	-4.7	-7.4	-5.4	-0.4
BALANCE SHEET & OTHER ITEMS (EURm)						
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	19.0	19.1	18.5
Trade receivables	11.1	11.3	9.6	7.7	7.6	7.9
Other current assets	5.4	4.1	3.2	2.8	0.8	0.9
Cash (-)	-4.2	-16.0	-11.3	-8.6	-8.6	-9.2
Total Current Assets	37.5	49.2	42.6	38.0	36.1	36.5
Total Assets	57.6	77.0	68.9	60.7	58.1	57.6
Shareholders Equity	29.2	47.4	38.9	27.2	21.5	20.6
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	29.2	47.4	38.9	27.2	21.5	20.6
Long term interest bearing debt	4.2	7.8	6.6	8.1	8.1	7.6
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	0.6	0.8
Total Long Term Liabilities	6.2	10.1	9.2	10.2	10.4	10.0
Short term interest bearing debt	8.3	5.7	8.1	10.1	10.1	9.4
Trade payables	9.5	7.8	7.9	9.3	10.2	10.6
Other current liabilities	3.7	3.9	3.9	3.8	6.0	7.0
Total Current Liabilities	21.5	17.4	19.9	23.2	26.2	27.0
Total Liabilities and Shareholders' Equity	56.9	74.9	68.0	60.7	58.1	57.6
Net Capital Employed	40.1	49.4	45.9	39.0	33.4	30.8
Net Working Capital	18.3	21.3	20.2	17.3	16.6	15.8
GROWTH & MARGINS						
<i>Sales growth</i>	<i>17.8%</i>	<i>10.6%</i>	<i>-5.0%</i>	<i>-30.2%</i>	<i>13.9%</i>	<i>16.9%</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.
EBIT (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.	7.3%
EBITA (adj)* margin	11.1%	8.0%	-8.9%	-20.6%	-12.3%	-0.6%
EBIT (adj)* margin	11.1%	8.0%	n.m.	n.m.	n.m.	n.m.
RATIOS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Debt/Equity	0.3	-0.1	0.1	0.4	0.4	0.4
Net Debt/EBITDA	1.3	-0.5	-1.2	-1.3	-6.8	2.3
Interest cover (EBITDA/Fin.interest)	5.6	11.8	n.m.	n.m.	n.m.	11.4
Capex/D&A	215.9%	287.7%	79.1%	57.7%	80.0%	75.7%
Capex/Sales	10.2%	16.8%	7.4%	5.7%	7.0%	6.0%
NWC/Sales	38.4%	40.4%	40.3%	49.5%	41.6%	33.9%
ROE (average)	10.5%	7.3%	-5.8%	-21.1%	-23.5%	-4.1%
ROCE (adj.)	10.3%	6.8%	-10.8%	-20.1%	-15.1%	-1.2%
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
ROCE (adj.)/WACC	1.1	0.7	-1.2	-2.2	-1.7	-0.1
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	-2.23	-1.09	-0.16
EPS (adj.)	0.00	0.00	-0.71	-1.33	-1.09	-0.16
BVPS	5.58	9.05	7.43	5.20	4.10	3.94
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.	6.6
EV/EBITDA (adj.)*		6.8	n.m.	n.m.	n.m.	6.6
EV/EBITA		22.9	-5.0	-2.2	-5.0	-77.3
EV/EBITA (adj.)*		11.7	-8.5	-3.4	-5.0	-77.3
EV/EBIT		22.9	n.m.	n.m.	n.m.	n.m.
EV/EBIT (adj.)*		11.7	n.m.	n.m.	n.m.	n.m.
P/E (adj.)		n.m.	n.m.	n.m.	n.m.	n.m.
P/BV		1.0	0.8	0.4	0.6	0.6
Total Yield Ratio		0.0%	0.0%	0.0%	0.0%	
EV/CE		1.1	0.9	0.7	0.7	0.7
OpFCF yield		-11.9%	-17.3%	-58.3%	-1.2%	14.3%
OpFCF/EV		-12.0%	-14.4%	-28.3%	-0.6%	7.6%
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	2.28	2.28	2.28
Outstanding number of shares for main stock	5.2	5.2	5.2	5.2	5.2	5.2
Total Market Cap		49.7	31.4	11.9	11.9	11.9
Gross Financial Debt (+)	12.5	13.5	14.7	18.2	18.2	16.9
Cash & Marketable Securities (-)	-4.2	-16.0	-11.3	-8.6	-8.6	-9.2
Net Financial Debt	8.3	-2.5	3.4	9.7	9.6	7.8
Lease Liabilities (+)						
Net Debt	8.3	-2.5	3.4	9.7	9.6	7.8
Other EV components	1.5	2.2	3.0	3.0	3.0	2.9
Enterprise Value (EV adj.)		49.4	37.8	24.6	24.5	22.6

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

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted = Net Profit (adj.) / Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported / Avg DIL. Ord. (+ Ord. equivalent) Shs.

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.

Il presente documento è stato redatto da Giada Cabrino (Socio AIAF) che svolge funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso. **Esso è prodotto e distribuito dal giorno 30 October 2020, ore 08:55 italiane.**

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Banca Akros, nell'ultimo anno, ha pubblicato sulla società oggetto di analisi tre studi in data 28 e 30 settembre e 1 ottobre 2020.

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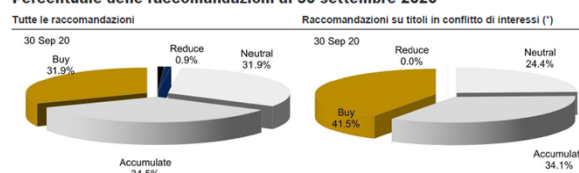
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Percentuale delle raccomandazioni al 30 settembre 2020



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 35.34% del totale degli emittenti oggetto di copertura

Recommendation history for MONNALISA

Date	Recommendation	Target price	Price at change date
29-Oct-20	Neutral	3.00	2.28
04-Aug-20	Neutral	3.60	2.64

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Giada Cabrino, CIIA (since 04/08/2020)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



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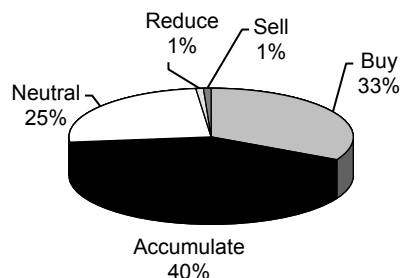
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- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12-month
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Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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