

Italy – Fashion

The new strategy goes in the right direction

31st May 2021

FY-20 RESULTS RELEASE

RIC: MONNA.MI
BBG: MNL IM

Monnalisa's FY-20 reported results were heavily hit by the pandemic but slightly better than our projections at a profitability level. The second part of the year showed a recovery of the business as well as some cash flow generation. Monnalisa is going in the right direction via the reorganisation of the retail structure and the exploitation of licensing agreements.

Rating:

Neutral

Price Target:

€ 4.00 (€ 2.50)

Upside/(Downside): -3.6%

Last Price: € 4.15

Market Cap.: € 21.7m

1Y High/Low: € 6.20 / € 2.16

Free Float: 25.2%

Major shareholders:

Jafin Due 74.5%



Stock price performance

	1M	3M	12M
Absolute	-0.5%	7.0%	40.2%
Rel.to AIM Italia	-4.7%	-12.0%	1.8%
Rel.to Sector	-3.7%	-5.2%	-43.4%

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On the right path: resize the retail structure and exploit new license agreements

We revised our model by factoring in the impact of the license agreement with Chiara Ferragni and a slightly improved WC management. Monnalisa has a strong balance sheet that allows the required financial flexibility to weather and overtake the COVID-19 turmoil. The brand recognition and global reputation have put Monnalisa in a position to leverage its structure and expertise by potentially adding another selective couple of license agreements in this changed operative scenario. As the case of the recent license agreement signed with Chiara Ferragni Kids, this will allow to 1) better exploit the current unexpressed capacity and resources (design, development, production, international distribution network, retailing and logistics), 2) increase turnover and profitability, 3) have access to a new customer cluster and 4) exploit and leverage their brand notoriety. However, this potential upside and impact cannot be reflected in our projections at this stage. We have updated our DCF based PT to € 4.00 (€ 2.50). The PT is broadly in line with the current price: we maintain our Neutral stance on the shares.

Turnover dropped by 30%, broadly in line with our forecast

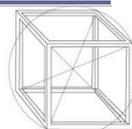
Total revenues declined by 30% to € 33.6m, broadly in line with our forecast of € 34.5m, consistently with the performance of the luxury sector. Italy dropped by 32% YoY, Europe by 33% and RoW by 26%, where the economies started to recover in the second half of 2020. Retail sales decreased by 38% to € 9.6m. In the second half of the year revenues were 30.0% higher than those recorded in the first half. Retail revenues were 29% of total vs. 32% in 2019. In 2020, Monnalisa opened 8 stores and closed 9 low-traffic, scarcely profitable shops. Wholesale sales declined by 28% to € 22.3m. E-commerce rose by 21% YoY thanks to the significant investments in the group's new digital platform. The growth achieved in H2 (+45%) more than compensated the 17% decline in the first half of the year.

Adjusted EBITDA was negative by € 2.4m, group's equity stands at € 30.5m

Reported EBITDA was negative by € 6.5m vs. € 2.9m in FY-19. In the second part of 2020, Monnalisa almost reached break-even at the EBITDA level. Adjusted EBITDA was negative by € 2.2m. EBIT was € 7.4m negative vs. our € 11.7m loss also as a result of FY-20 D&A being partially suspended by Italian law No. 126 of 13-Oct-20 issued to sustain firms impacted by the pandemic. Bottom line reached € 7.8m net loss. NFP was € 8m negative, was € 9.5m at end Jun-20 and € 3.4m at end-19, as a result of some cash flow generation in the second part of the year. Shareholders' equity was € 30.5m from almost € 40m at end-19. After June 30th Monnalisa obtained € 5.0m in new medium-long term financing, o/w € 3.3m are fresh resources.

Monnalisa, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	47.9	33.6	41.4	48.7	51.8
EBITDA adj.	0.3	(2.2)	(1.8)	3.0	4.0
EBITDA	(3.0)	(6.5)	(2.1)	3.0	4.0
EBIT	(7.6)	(7.4)	(5.3)	(0.2)	1.6
Net profit adj.	(2.5)	(4.3)	(4.3)	(0.5)	0.9
Net profit	(8.4)	(7.8)	(4.6)	(0.5)	0.9
NFP (cash)/debt	3.4	8.0	9.6	9.6	7.0
EBITDA margin	-6.0%	-19.8%	-4.8%	6.1%	7.7%
EPS adj.	(0.48)	(0.82)	(0.83)	(0.10)	0.18
EPS adj. growth	-189.3%	n.m.	0.7%	n.m.	n.m.
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
ROCE	n.m.	n.m.	n.m.	n.m.	n.m.
NWC/Sales	40.3%	51.0%	39.7%	40.2%	39.1%
Free Cash Flow Yield	-28.7%	-18.1%	-10.2%	-2.2%	10.9%
PER x	neg.	neg.	neg.	neg.	22.9
EV/Sales x	0.95	0.78	0.76	0.64	0.55
EV/EBITDA x	neg.	neg.	neg.	10.5	7.2
EV/EBIT x	neg.	neg.	neg.	neg.	17.5



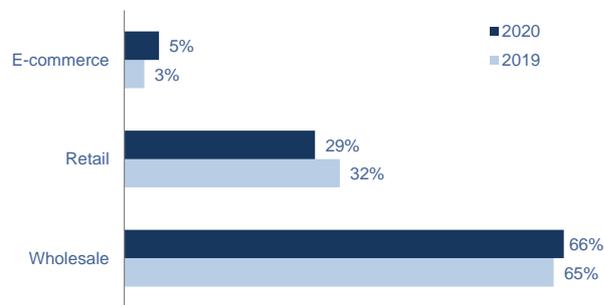


The company at a glance

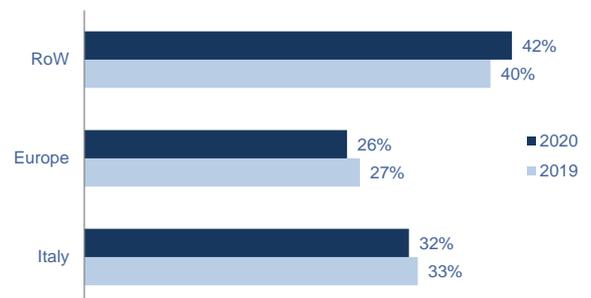
Founded in 1968 by Piero Iacomoni and Barbara Bertocci in the fashion and creative centre of Italy, Monnalisa is specialised in high-end childrenswear (0-16 years) through its own proprietary brands and licenses. The philosophy of Monnalisa is the creation of a lifestyle identity, offering a complete range of products from apparel to footwear, from accessories to cosmetics and furniture. At the end of 2020, Monnalisa operated worldwide in more than 60 countries through 47 direct stores and almost 500 multibrand stores. The company sells via three distribution channels:

- Wholesale, 66% of top line in FY-20. Monnalisa conducts a strict selection of stores considering location, visibility and their consistency with the Monnalisa brand identity. This includes Wholesale retail, namely monobrand stores in partnership (Third Party Operated Stores – TPOS) and located in top department stores (Third Party Shop In Shop – TPSIS).
- Retail, 29% of top line. Monnalisa sells directly to the final customer through its directly owned stores: Directly Operated Stores (DOS) and Directly Operated Outlets (DOO), totalling 47 stores at end-20.
- Direct e-commerce, 5% of top line. Monnalisa sells its products online through its own monobrand online boutique.

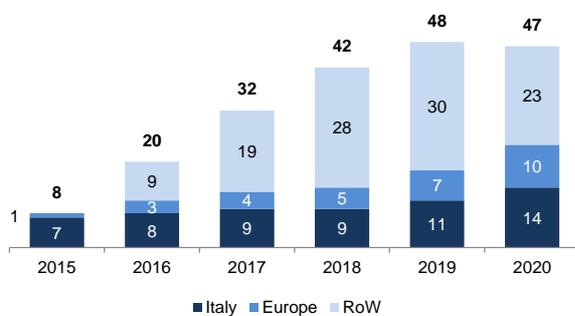
FY-20 vs FY-19 channel contribution...



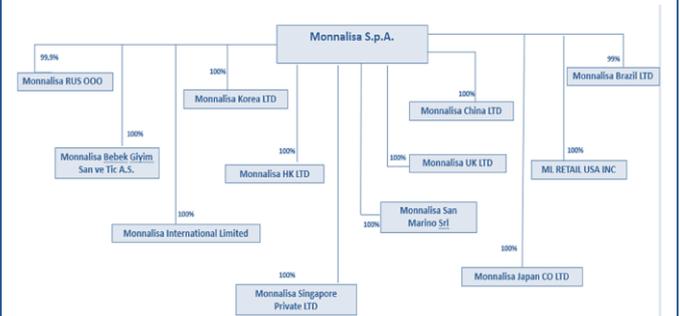
... and revenues by geography



2015-2020 retail evolution



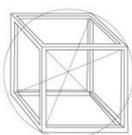
Group structure



Peers group multiples table

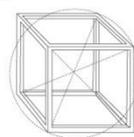
EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Brunello Cucinelli SpA	5.69	5.16	4.77	22.5	19.0	16.5	58.8	41.9	35.8
Burberry Group PLC	2.80	2.59	2.44	10.9	9.5	8.5	16.8	14.6	13.4
Capri Holdings Ltd	1.88	1.71	1.57	10.0	8.4	7.8	13.1	10.5	9.5
Hugo Boss AG	1.77	1.48	1.38	9.2	6.7	6.0	29.3	16.0	13.6
Kering SA	5.93	5.36	5.02	16.8	14.8	13.4	21.7	18.7	17.1
Moncler SpA	8.05	6.70	5.92	20.6	17.0	14.9	28.4	22.5	19.3
Prada SpA	4.75	4.23	3.85	15.6	12.6	11.2	42.8	28.7	22.0
Ralph Lauren Corp	1.43	1.34	1.21	8.8	7.7	6.8	12.6	10.6	9.1
Salvatore Ferragamo SpA	2.68	2.42	2.21	13.2	10.9	8.8	57.9	29.2	20.3
Tod's SpA	2.53	2.31	2.19	15.2	11.7	10.2	n.m.	n.m.	n.m.
Median	2.74	2.50	2.32	14.2	11.3	9.5	28.4	18.7	17.1
Monnalisa SpA	0.76	0.64	0.55	Neg.	10.5	7.2	Neg.	Neg.	17.5

Source: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Sales	47.9	33.6	41.4	48.7	51.8
Value of Production	50.1	33.0	42.4	49.0	52.1
Raw materials	(14.6)	(10.9)	(12.1)	(13.0)	(13.5)
Services	(17.7)	(12.1)	(13.8)	(14.2)	(15.1)
Use of third-party assets	(7.2)	(5.7)	(6.8)	(6.9)	(7.3)
Personnel expenses	(12.4)	(9.5)	(11.0)	(11.1)	(11.2)
Other opex	(1.1)	(1.4)	(0.8)	(0.9)	(0.9)
EBITDA	(3.0)	(6.5)	(2.1)	3.0	4.0
D&A	(4.5)	(0.9)	(3.2)	(3.2)	(2.4)
EBIT	(7.6)	(7.4)	(5.3)	(0.2)	1.6
Financials	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Re/(Deval.) of fin. assets	(0.0)	0.0	0.0	0.0	0.0
FX profit/(loss)	0.1	(0.9)	0.0	0.0	0.0
Pre-Tax profit	(7.9)	(8.7)	(5.6)	(0.6)	1.3
Income taxes	(0.5)	0.9	1.1	0.0	(0.3)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	(8.4)	(7.8)	(4.6)	(0.5)	0.9
EBITDA adj.	0.3	(2.2)	(1.8)	3.0	4.0
Net Profit adj.	(2.5)	(4.3)	(4.3)	(0.5)	0.9
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	20.2	16.8	16.8	19.7	20.4
Net Fixed Assets	22.5	22.3	20.2	17.4	15.6
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(0.4)	(0.6)	(1.5)	(2.2)	(2.7)
Net Invested Capital	42.3	38.5	35.5	34.9	33.3
Net Financial Debt	3.4	8.0	9.6	9.6	7.0
Minorities	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Group's Shareholders Equity	38.9	30.5	25.9	25.4	26.3
Financial Liabilities & Equity	42.3	38.5	35.5	34.9	33.3
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	(8.4)	(7.8)	(4.6)	(0.5)	0.9
Depreciation	4.5	0.9	3.2	3.2	2.4
Other non-cash charges	0.2	1.0	0.2	0.2	0.2
Cash Flow from Oper. (CFO)	(3.7)	(5.9)	(1.1)	2.9	3.5
Change in NWC	1.1	3.3	0.0	(2.9)	(0.7)
FCF from Operations (FCFO)	(2.5)	(2.6)	(1.1)	0.0	2.9
Net Investments (CFI)	(3.7)	(1.4)	(1.1)	(0.5)	(0.5)
Free CF to the Firm (FCFF)	(6.2)	(3.9)	(2.2)	(0.5)	2.4
CF from financials (CFF)	1.0	(0.3)	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	(5.2)	(4.3)	(2.2)	(0.5)	2.4
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	-6.0%	-19.8%	-4.8%	6.1%	7.7%
EBITDA adj. margin	0.5%	-6.7%	-4.2%	6.1%	7.7%
EBIT margin	-15.1%	-22.5%	-12.4%	-0.5%	3.1%
Net profit margin	-16.8%	-23.6%	-10.8%	-1.1%	1.8%
Net profit adj. margin	-5.0%	-13.1%	-10.2%	-1.1%	1.8%
Tax rate	-6.7%	10.7%	18.7%	7.8%	25.7%
Op NWC/Sales	40.3%	51.0%	39.7%	40.2%	39.1%
Interest coverage x	(0.05)	(0.05)	(0.07)	(1.56)	0.22
Net Debt/EBITDA x	(1.13)	(1.23)	(4.65)	3.20	1.74
Debt-to-Equity x	0.09	0.26	0.37	0.38	0.26
ROIC	-19.9%	-20.2%	-12.9%	-1.6%	2.8%
ROCE	n.m.	n.m.	n.m.	n.m.	n.m.
ROACE	-12.6%	-14.0%	-11.2%	-0.5%	3.6%
ROE	-21.6%	-25.5%	-17.6%	-2.2%	3.6%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	5.24	5.24	5.24	5.24	5.24
Number of shares Fully Diluted # m	5.24	5.24	5.24	5.24	5.24
Average Number of shares Fully Diluted # m	5.24	5.24	5.24	5.24	5.24
EPS stated FD €	(1.61)	(1.49)	(0.87)	(0.10)	0.18
EPS adjusted FD €	(0.48)	(0.82)	(0.83)	(0.10)	0.18
EBITDA €	(0.58)	(1.25)	(0.39)	0.57	0.77
EBIT €	(1.45)	(1.42)	(1.00)	(0.04)	0.31
BV €	7.43	5.83	4.95	4.85	5.03
FCFO €	(0.48)	(0.49)	(0.21)	0.00	0.55
FCFF €	(1.19)	(0.75)	(0.42)	(0.09)	0.45
FCFE €	(1.00)	(0.82)	(0.42)	(0.09)	0.45
Dividend €	0.00	0.00	0.00	0.00	0.00



Monnalisa in a nutshell

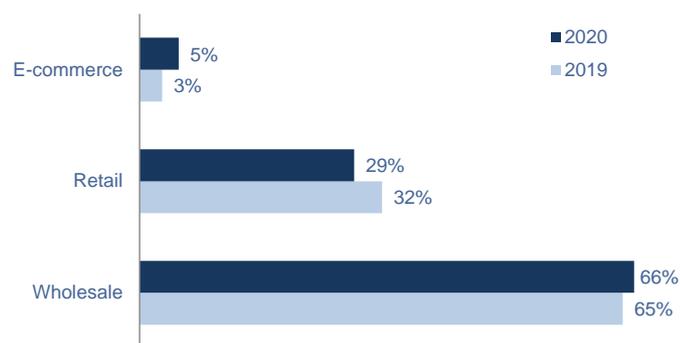
Founded in 1968 by **Piero Iacomoni** and **Barbara Bertocci** in the fashion and creative centre of Italy, **Monnalisa is specialised in high-end childrenswear (0-16 years) through its own proprietary brands and licenses.** The philosophy of Monnalisa is the creation of a lifestyle identity, offering a complete range of products from apparel to footwear, from accessories to cosmetics and furniture.

The core competence of Monnalisa is its proven ability to provide quality, fashionable and highly identifiable products to consumers looking for luxury clothes. Monnalisa presents rich and innovative collections every season which are the result of continuous product innovation, excelling in terms of creativity and style content. **Monnalisa has completely insourced every strategic activity**, from design to prototype creation and **outsourced every low value-added non-strategic phase of the production process.** Moreover, in order to guarantee high-quality finished products, Monnalisa pays particular attention to quality control of raw materials and fabric cutting.

Monnalisa operates worldwide in more than 60 countries through 47 direct stores and almost 500 multibrand stores (figures at end-2020). With net revenues at € 33.6m in 2020, **Monnalisa is the fifth Italian childrenswear player operating worldwide in the high-end segment of the market.** The company sells via three distribution channels:

- **Wholesale, 66% of top line.** Monnalisa sells to almost 500 independent multibrand stores worldwide in the most important shopping streets. Monnalisa conducts a strict selection of the stores considering location, visibility and their consistency with the Monnalisa brand identity. Monnalisa keeps control of merchandising while store management is entrusted to third parties.
- **Retail, 29% of top line.** Monnalisa sells directly to final customers through its directly owned stores: Directly Operated Stores (DOS) and Directly Operated Outlets (DOO), totalling 47 stores at end-20.
- **Direct e-commerce, 5% of top line.** Monnalisa sells its products online through its own monobrand online boutique.

Chart 1 – Monnalisa, 2019-20 channel contribution



Source: Company data

The significantly higher returns of Directly Operated Stores prompted Monnalisa to progressively continue increasing the number of DOS and DOO as in recent years.

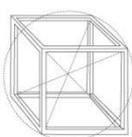
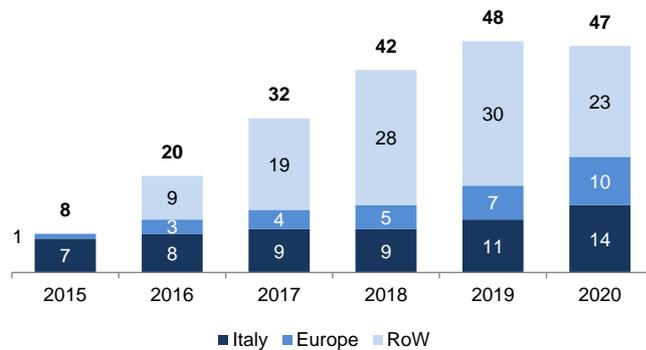


Chart 2 – Monnalisa, recent evolution in retail number of DOS and DOO



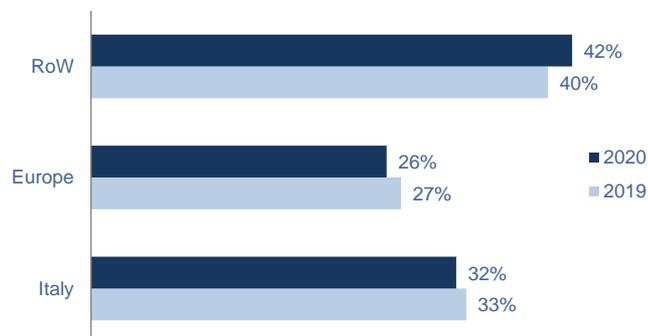
Source: Company data

In terms of products, revenues have definitely shifted to apparel, accounting for almost the totality of last year's total.

Almost 68% of revenues are generated outside Italy, the aim being to increase the company's international presence by entering new markets (in particular Asia) and increasing direct retail presence abroad.

The company has a wide **global presence**: **Italy** accounts for **32%** of **top line**, **Domestic Europe** almost **26%** and **Rest of the World** **42%** of total revenues.

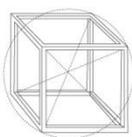
Chart 3 – Monnalisa, 2019-20 revenue breakdown by geography



Source: Company data

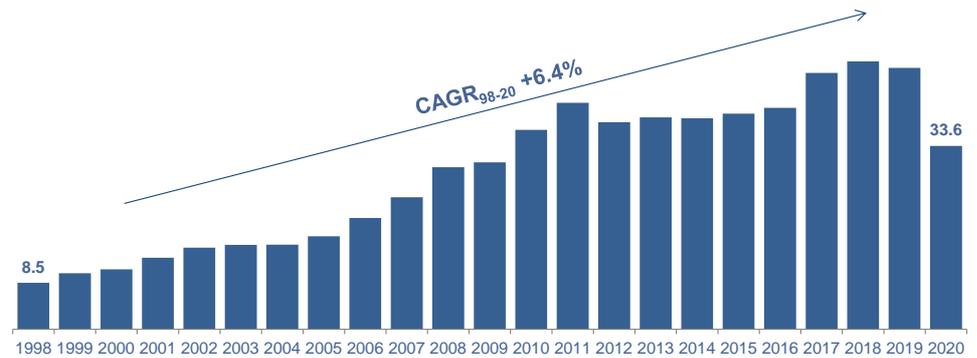
Monnalisa operates in over 60 countries and generates 68% of its revenues outside Italy. In particular, in order to boost its internationalisation, **Monnalisa controls 12 foreign subsidiaries in key strategic countries** such as Hong Kong, Russia, USA, Turkey, China, Singapore, Korea, United Kingdom and Taiwan. The company sells mainly in **three reference markets**:

- **Italy**: Monnalisa products are available throughout Italy, in particular thanks to a large number of DOS and Wholesales stores.
- **Europe**: Monnalisa has a strong presence in the European area. The company sells its clothing in some 'domestic' countries such as: Austria, Belgium, Cyprus, Finland, France, Germany, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.
- **Rest of the World**: the rest of the world is divided into 4 strategic areas: Eastern Europe, Asia Pacific, Middle East & Africa and America.



The company has been growing significantly since its establishment: Monnalisa has shown **significant stable growth over the last 20 years**, with a **CAGR₉₈₋₂₀ of 6.4%**.

Chart 4 – Monnalisa, 1998-2020 top line evolution



Source: Company data

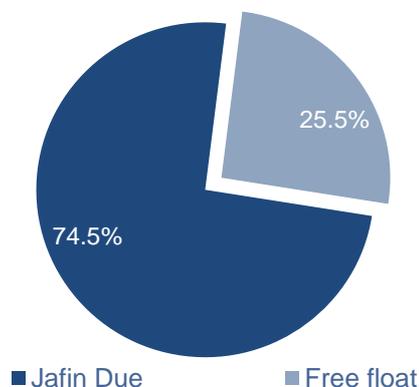
Shareholding structure

A successful IPO was completed in July 2018, which mainly consisted of a primary offering to professional investors, for some 95% of the total. **At the IPO price of € 13.75, almost none of the existing controlling shareholders were willing to sell stocks.**

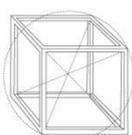
Jafin Due, a holding company fully owned by the founding family, currently owns 74.5% of Monnalisa. Pre-IPO shareholders had at least a 12-month lock-up.

The company already has one independent BoD member, selected by Jafin Due.

Chart 5 – Monnalisa, shareholder structure



Source: Company data



The reference market & competitive environment

Monnalisa operates in the children's clothing sector and is positioned in the high-end segment of the market. In this context, the company has the best entry price, thus being considered as affordable luxury. Its target clients are 'aspirational consumers'.

The childrenswear market can be divided into four segments: high-end, premium, medium and low cost. Their contribution to growth on the overall market is different based on the type of segment: 2020 was characterised by a strong performance of high-end and a slowdown of premium, medium and low cost.

The underlying positive trend of the fashion industry is also confirmed by the performance of the **luxury market index (+83%)** which was much higher than the **global market (+39%)** over the last year, thanks to consumer orientation towards luxury goods even in such difficult scenario. This trend can be explained by a faster-than-average expected recovery to pre-Covid levels of the luxury segment. The over-performance of the luxury segment is evident even considering a 2Y time horizon too.

Chart 6 – Monnalisa, luxury market index versus MSCI World 2 and 1 year



Source: Thomson Reuters Eikon

In the last twenty-five years, the global personal luxury goods market recorded a mid-single digit growth, showing a **CAGR_{9%-20e} of +4.5%**. The value of the global luxury goods market is anticipated at **€ 217bn in 2020, down 23% YoY** due to the COVID-19 pandemic, which led to the first decrease in more than ten years. According to Bain – Altagamma, **2021 will be a year of partial recovery**, driven by positive retrieval of macroeconomic fundamentals differentiated by area: APAC, led by China, with highest real GDP growth, and EMEA bouncing back at a higher growth rate (but hit harder in 2020) vs. North America. Furthermore, considering a paced recovery scenario with only 30-45% of 2019 tourist spend, **the global luxury goods market is expected to grow between 13% and 15% in 2021.**

Market recovery to pre-COVID-19 levels is likely to happen between 2022 and 2023, depending on: 1) real economy trends, 2) consumer confidence in response to the sanitary crisis, recession, socio-political turmoil and 3) tourism flows. In the coming years, the global luxury goods market is expected to grow at a **CAGR_{20e-25f} between 9% and 11%, reaching € 330-370bn by 2025.**

Nevertheless, the forced lockdown has highlighted the relevance of digital channels worldwide: **the digitalisation of the entire value chain has become an urgent priority in the global fashion industry.** Several new innovative technologies, not necessarily used before the spread of coronavirus, are now adopted to set up virtual fashion shows and digital show rooms, sample sign-offs in sourcing offices, livestream commerce and design activities using the latest 3D design tools.

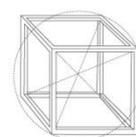
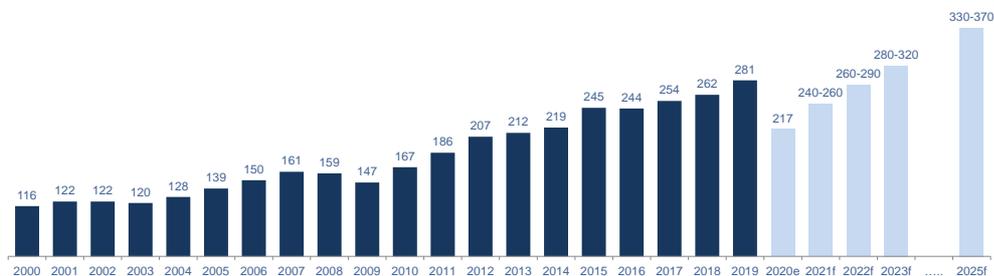


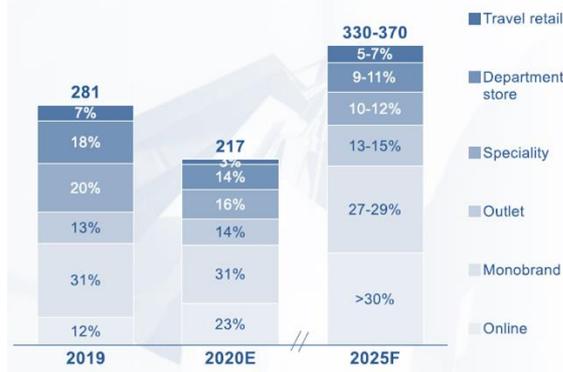
Chart 7 – Monnalisa, global personal luxury goods (€ bn)



Source: Bain & Company – Altgamma 2020

In **2020**, brick & mortar channels were dramatically hit, with **wholesale and retail down by 40%** and 21% YoY, respectively. According to Bain & Company, DOS networks will need to be reengineered around customers, redesigning the customer journey to satisfy, stupefy and engage clients. On the other hand, the wholesale channel is facing opposing forces: the contraction in perimeter, the polarization in performance and the fiercer competition will lead luxury brands to increase control over the channel. The **online channel skyrocketed in 2020 (up 50% YoY)**, growing at a pace equivalent to five years of growth in a single year and reaching **23% of the global personal luxury goods market**. In 2020, the online personal luxury goods market totalled € 49bn and is anticipated to rise up to € 105-115bn by 2025 (CAGR₂₀₋₂₅ of 18%), accounting for over 30% of the market.

Chart 8 – Monnalisa, global personal luxury goods by channel (€ bn)

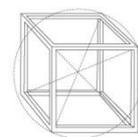


Source: Bain & Company – Altgamma 2020

It is possible to distinguish three macro trends in the global high-end childrenswear market:

- **Demographics** are a key driver of growth and represent a market opportunity especially in developing countries which are characterised by a high birth rate.
- In Europe and America, where birth rate is very low, **consumers are moving towards the high-end market**. In particular, fashion trends play an ever-greater role in influencing what and how often they purchase.
- Fashion luxury brands increased the investments in their own **e-commerce platforms**, thanks to the relevant growth perspectives of the global e-commerce retail market which is anticipated to increase by 50% in 2020.

Monnalisa operates as a leading player within the high-end childrenswear arena. Via its four channels (wholesale, corporate retail, wholesale retail and e-commerce), the company has a solid position in the Italian market as well as globally: Monnalisa products are available worldwide thanks to the group's DOS network and a strong wholesale channel. Monnalisa operates worldwide in over 60 countries and 68% of its revenues are generated outside Italy.



Italian Childrenswear Market

The Italian childrenswear market is highly concentrated with the first eight players accounting for 50% of the total. The remainder is represented by a very fragmented plethora of 800 small actors. The Italian market was worth € 1.78bn in 2020, after a decrease of 17.6% YoY because of the COVID-19 pandemic. The CAGR of the last four years (2016-2020) was -5.5% but the market is expected to rise by 3.9% in 2021, reaching € 1.85bn. Overall, the Italian childrenswear market is anticipated to grow at a 6.4% CAGR₂₀₋₂₃. The high-end Italian childrenswear market was worth € 218m in 2020 (-22.1% YoY).

The market in Italy is characterized by the presence of well-known luxury brands (Giorgio Armani, Dolce and Gabbana, Moncler, Guess) operating via the kids business line, and specialised players such as Monnalisa.

Table 1 – Monnalisa, 2018-20 high-end childrenswear ranking by market share in Italy

#	Company	2018	2019	2020	Var. bps 18-20
1	Brave Kid	6.10%	7.10%	8.50%	240
2	CWF Italia	6.00%	6.50%	7.30%	130
3	Moncler	7.10%	7.10%	6.90%	-20
4	Armani	5.90%	5.90%	6.40%	50
5	Monnalisa	5.90%	5.60%	6.20%	30
6	Dolce e Gabbana	6.30%	6.40%	6.00%	-30
7	Il Gufo	4.60%	4.20%	4.60%	0
8	Gimel	7.10%	3.70%	4.20%	-290
9	Liu Jo	3.70%	3.60%	3.80%	10

Source: Childrenswear Databank 2021

Table 2 – Monnalisa, 2019-23e Italian childrenswear sector by market segments

€ m	2019	2020	2021e	2022e	2023e	CAGR ₂₀₋₂₃
Domestic market	2,167	1,785	1,855	2,000	2,150	6.4%
yoy		-17.6%	3.9%	7.8%	7.5%	
High-End	280	218	232	252	270	7.4%
% Domestic market	12.9%	12.2%	12.5%	12.6%	12.6%	
Premium	136	108	112	120	131	6.6%
% Domestic market	6.3%	6.1%	6.0%	6.0%	6.1%	
Medium	581	485	496	533	575	5.8%
% Domestic market	26.8%	27.2%	26.7%	26.7%	26.7%	
Low cost	1,170	974	1,015	1,095	1,174	6.4%
% Domestic market	54.0%	54.6%	54.7%	54.8%	54.6%	

Source: Childrenswear Databank 2021

Monnalisa is focusing on the luxury part of the market as the group operates as a leading player within the high-end childrenswear segment in Italy. Thanks to its solid growth, **Monnalisa increased its market share from 5.9% to 6.2% in 2018-20** and is now **the fifth player in the Italian market**.

Monnalisa was deeply affected by the pandemic in 2020, reporting domestic revenues to the tune of € 10.8m, down 31.7% YoY. The Italian high-end childrenswear market experienced a 17.6% decrease in 2020.

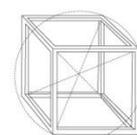
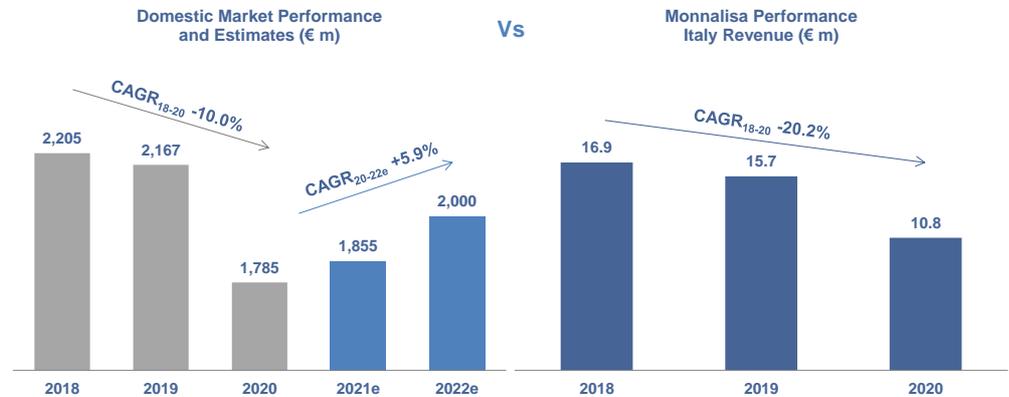


Chart 8 – Monnalisa, Italian market and company performance



Source: Childrenswear Databank 2021

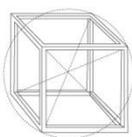
Since the beginning, Monnalisa has operated exclusively in the high-end childrenswear market. In particular, having the best entry price in the high-end market, Monnalisa can be considered as “**affordable Luxury**”. The average price of Monnalisa’s clothes is just over € 100. Monnalisa’s target clients are “aspirational consumers”,e always looking for innovative luxury products with high creativity and style.

Chart 9 – Monnalisa, pricing and brand positioning



Source: Company data

Monnalisa’s policy is to optimally **align the** retail and wholesale pricing in each geographical area. In the retail business (namely DOS), the company is progressively **reducing fire sales**, improving both its operating margins and brand image. Inventories are managed through Direct Operated Outlets strategically located in high traffic places.



Global Childrenswear Market

Revenues in the Children's Apparel segment are anticipated to reach € 240.0bn in 2021. The market is projected to grow annually by 7.0% (CAGR 2021-2025). In global comparison, the bulk of revenues is generated in the United States, i.e. € 43.8bn in 2021. In relation to total population figures, per person revenues of € 31.94 are generated in 2021. In the Children's Apparel segment, volume is expected to amount to 68,1bn pcs. by 2025.

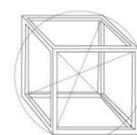
The Children's Apparel segment is expected to show a volume growth of 6.7% in 2022. The average volume per person in the Children's Apparel segment is expected to amount to 7.7 pieces in 2021.

In 1988, Monnalisa started an internalisation process by selling its products to Paris, New York and London. Monnalisa operates worldwide thanks to almost 500 multibrand stores and 47 direct stores (data at end-2020). With consolidated net revenues of € 33.6m in 2020, Monnalisa is the **5th Italian player operating worldwide**, in the high-end childrenswear market. Monnalisa generates 68% of its revenues outside Italy (€ 22.9m in 2020).

Table 3 – Monnalisa, Italian company global rankings

Ranking	Company Name	Revenues		Delta %
		2019	2020	
1	Moncler (Cons.)	80.0	75.0	-6.3%
2	Giorgio Armani (Cons.)	82.0	69.0	-15.9%
3	D&G (Cons.)	77.0	67.0	-13.0%
4	Brave Kid	42.3	42.9	1.4%
5	Monnalisa (Cons.)	47.9	33.6	-29.9%
6	Altana	33.1	29.0	-12.4%
7	Simonetta	23.5	21.0	-10.6%
8	Follie's Group	20.0	19.7	-1.5%
9	Il Gufo	20.9	18.0	-13.9%
10	Liu.Jo	18.2	17.5	-3.8%

Source: Childrenswear Databank 2021, data provided directly by the companies to Databank

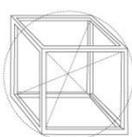


Strategy

In recent years, Monnalisa has started an expansion of its international presence and consolidation of its core business. This strategy set the grounds for a continuous growth phase of the company, which operates in a market characterised by high competition and continuous style innovation.

Consistently with its growth path, Monnalisa's strategy is chiefly focused on:

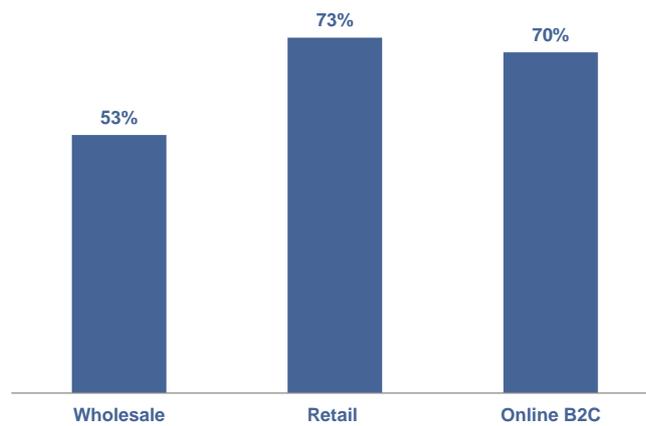
- **Increasing international positioning:** Monnalisa has been increasing its international presence by entering new strategic markets such as Taiwan and Singapore, whilst further penetrating already covered areas such as Russia and China, characterised by high growth potential.
- **Boost Corporate Retail sales (from 29% in 2020 to around 39% in 2023e):** over the last few years the company has invested € 8m in new buildings, including an automated warehouse, and reached 47 Direct Stores at the end of 2020 (8 new openings in 2020, 6 DOSs and 2 DOOs, in addition to 9 closures). In the medium term the Retail channel will generate an improvement in the group's EBITDA margin. Monnalisa is going to continue with this policy, although during 2021 the company plans to slow down the openings strategy, on the back of the COVID-19 pandemic: the group has announced to open 5 new direct stores but to close 10. The main strategic area will be Asia.
- **E-commerce development:** Monnalisa is going to expand online retail e-commerce with a focus on specific boutiques for strategic countries (China and the Far East). Furthermore, the company is implementing an Enterprise solution-based platform to better manage merchandising, new collections and semantic research tools. Monnalisa will also invest in technology for data integration and strengthen commercial relationships, especially with 'e-tailers', enhancing inventory management. The company is planning to integrate the online and offline selling process through investment in social platforms and dedicated Shop Assistant Apps in order to increase client entrenchment and up-selling potential ("showrooming concept").
- **Product portfolio and brand awareness:** through optimised investment in communication, Monnalisa aims to boost brand recognition worldwide and strengthen the company's brand awareness. In particular the company aims to increase cross-selling opportunities thanks to investments directed at strengthening the product portfolio (*Monnalisa total look* expanding existing lines such as layette, furniture, accessories, cosmetics and footwear). The company is increasing communication effectiveness thanks to the brand portfolio rationalisation, already effective with the merger of all the product lines into 'Monnalisa', exploiting its visibility and awareness.
- **Selective licensing:** as the case of the recent license agreement signed with Chiara Ferragni Kids, the company aims to add at most two other reasonably big brands to its business portfolio. This will allow to 1) better exploit the current unexpressed capacity and resources (design, development, production, international distribution network, retailing and logistics), 2) increase turnover and profitability, 3) have access to a new customer cluster and 4) exploit and leverage their brand notoriety.



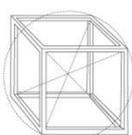
As highlighted before, the **Retail business is the channel with the highest profitability** (gross margin of roughly 73%), confirming the potential of the strategy pursued by Monnalisa, which is shifting its business towards directly operated stores (DOS and DOO).

Online B2C shows a gross margin of 70%, just slightly lower than Retail's. Wholesale has a gross margin of about 53%.

Chart 11 – Monnalisa, 2020 gross margin by channel



Source: Company data



SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60s/70ss using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS

- ❑ Among the few companies **specialising in the high-end childrenswear** niche
- ❑ **Complete strategic autonomy** thanks to the use of proprietary brands and selective licenses
- ❑ Monnalisa operates in the high-end segment being the company with the **best entry price among competitors**

WEAKNESSES

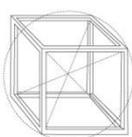
- ❑ **Limited size** in the international competitive arena
- ❑ **Decisions are made by** few key figures
- ❑ Its growth strategy is based on **increasing the retail distribution**, an area where Monnalisa is only gradually gaining experience

OPPORTUNITIES

- ❑ **Consolidation opportunities** in the domestic market and abroad
- ❑ **Foreign market** expansion
- ❑ **E-commerce** development and online-offline integration

THREATS

- ❑ **Aggressive expansion of new DOS** may be difficult/delayed
- ❑ **Change** in client preferences and **fashion trends**
- ❑ Significant slowdown in fashion & luxury consumption generated by the COVID-19 pandemic



FY-20 results

Monnalisa's FY-20 reported results were heavily hit by the pandemic but slightly better than our projections at a profitability level. H2-20 showed a recovery of the business compared to H1-20 as well as some cash flow generation. Effective cost control contributed to containing losses in a year characterised by a drop in demand.

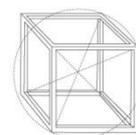
Table 4 – Monnalisa, FY-20 results

€ m	2020	2019	% YoY	2020e	% Diff.
Retail	9.6	15.5	(38.0)	10.2	(5.2)
Wholesale	22.2	31.0	(28.2)	22.7	(1.9)
E-commerce	1.8	1.5	21.0	1.7	6.0
Net Revenues	33.6	47.9	(29.9)	34.5	(2.5)
Increase in finished products	(1.4)	0.6		(2.0)	
Other revenues	0.8	1.6		1.0	
Value of Production	33.0	50.1	(34.1)	33.5	(1.3)
Raw materials	(10.9)	(14.6)		(11.0)	
Services	(12.1)	(17.7)		(13.0)	
Use of third-party assets	(5.7)	(7.2)		(6.4)	
Personnel expenses	(9.5)	(12.4)		(9.8)	
Other opex	(1.4)	(1.0)		(1.7)	
EBITDA	(6.5)	(2.9)	n.m.	(8.5)	22.7
% margin	(48.0)	(10.8)		(42.6)	
D&A	(0.9)	(4.5)		(3.2)	
EBIT	(7.4)	(7.5)	0.8	(11.7)	36.5
% margin	(54.5)	(27.5)		(58.9)	
Financials	(1.3)	(0.4)		(0.4)	
Re/(Deval.) of fin. assets	(0.0)	(0.0)		0.0	
Extraordinary	0.0	0.0		0.0	
Pre-Tax profit	(8.7)	(7.9)	(10.9)	(12.1)	27.5
% margin	(64.2)	(29.0)		(60.8)	
Income taxes	0.9	(0.5)		2.3	
Tax rate	-	-		-	
Minorities	0.0	0.0		0.0	
Net Profit	(7.8)	(8.4)	7.2	(9.8)	20.0
% margin	(57.3)	(30.9)		(49.2)	
Total adjustments	(4.3)	(3.2)		(5.2)	
EBITDA adj.	(2.2)	0.3	n..	(3.3)	32.6
% margin	(16.2)	0.9		(16.4)	
NFP (cash)/debt	8.0	3.4	n.m.	10.9	(26.5)

Source: Company data, CFO SIM estimates

Total revenues declined by 30% to € 33.6m at current FX (down 29% at constant FX), broadly in line with our forecast of € 34.5m, consistently with the performance of the luxury sector. The Group's sales were down in all geographical areas: Italy dropped by 32% YoY, Europe by 33% and RoW by 26%, where the economies started to recover in the second half of 2020.

- **Retail sales dropped by 38% to € 9.6m.** Implicitly, in H2-20 the retail channel declined 35% (vs - 41% in H1). In the second half of the year revenues were 30.0% higher than those recorded in the first half. Retail revenues were 29% of total vs. 32% in 2019. **In 2020, Monnalisa opened 8 stores** (3 in Galeries Lafayette, 2 temporary stores in Japan, 1 new store in Marina Bay Sand in Singapore, 1 outlet store in Barberino – FI, 1 outlet store in Noventa di Piave – VE, 1 new store in Taiwan, 1 concession in Rinascente –MI, 1 TPOS in New Dheli). Contrariwise, 9 low traffic and unsatisfactory profitability shops were closed, of which 5 in H1-20. At end-20 Monnalisa had 14 shops in Italy (11 in 2019), 10 in Europe (7 in 2019) and 23 in the RoW (30 in 2019).
- **Wholesale sales declined by 28% to € 22.3m.** Implicitly, in H2-20 the wholesale channel declined 28% (vs -38% in H1).



- **E-commerce soared by 21% YoY** thanks to the significant investment made in the group's new digital platform. The growth achieved in H2 (+45%) more than compensated the 17% decline in the first half of the year.

Reported EBITDA was negative by € 6.5m (negative by € 6.2m in H1-20) vs. € 2.9m negative in FY-19. In the second part of 2020, Monnalisa almost reached break-even at the EBITDA level. **Reported EBITDA was better than our € 8.5m loss estimate. Adjusted EBITDA was negative by € 2.2m** (positive by € 0.3m in FY-19). The € 4.3m adjustments are related to 1) DOS openings and closings, 2) some one-off costs incurred during the period, 3) an inventory write-down for € 1.8m, 4) an accrual to the provision for impairment losses on receivables and 5) some capital losses related to a few subsidiaries.

It should be noted that **Monnalisa's financial statements are drawn up according to Italian GAAP**, as opposed to the totality of its domestic and international peers, whose reporting policy is based on IAS, also known as the International Financial Reporting Standards (IFRS). This impacts EBITDA since results reflect the "right of use" value of the rents and operating leases. IFRS 16 impacts the lessee's P&L where they have previously classified leases as operating leases. The lease expenses are recognised as depreciation of the right-of-use asset to be recognised on the balance sheet as well as an interest expense. As a result, operating expenses are lower, whereas interest expenses, EBITDA and EBIT are higher. In contrast, the impact on the balance sheet is twofold: the recognition of a right-of-use asset and a lease liability. As a result, companies that have previously had significant off-balance sheet leases now show higher assets and higher liabilities, thus impacting Net Financial Position.

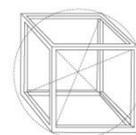
EBIT was € 7.4m negative vs. our € 11.7m loss also as a result of FY-20 D&A being partially suspended (only D&A related to domestic activities) by Italian law No. 126 of 13 October 2020 issued to sustain firms impacted by the pandemic. Bottom line reached € 7.8m net loss.

NFP was € 8m negative (€ 9.5m at end Jun-20 and € 3.4m at end-19), **as a result of some cash flow generation in the second part of the year**. Shareholders' equity went down to € 30.5m from almost € 40m at end-19. **According to an independent appraisal commissioned by the group, the Monnalisa trademark is conservatively valued at some € 20m**, such value has not entered in the company's balance sheet.

Recent developments: The Chiara Ferragni licence

Last 23-Nov **Monnalisa announced a 5-year license agreement with Chiara Ferragni aiming to** develop the brand founded by Chiara Ferragni, in the **0-10 children's fashion segment**, worldwide, . . . The project will be implemented through Monnalisa's structure and experience, thanks to its distribution capacity in more than 60 countries, with over 500 multibrand points of sale and with 48 monobrand in highly selected luxury international locations. Defined by Forbes as the world's most important influencer in 2018, **Chiara Ferragni boasts more than 20 million followers and a undisputed worldwide visibility and relevant reputation in the fashion and communication business**. The first collection resulting from the brand's new licensing course concerns the FALL/WINTER 2021/2022 season, with impact on the company's P&L account and balance-sheet reasonably occurring as of Q2-21.

This agreement is an opportunity for Monnalisa to spread its fixed cost base on a greater amount of volumes and goes in the right direction to increase turnover with presumably good profitability. In addition, the presence of the Chiara Ferragni iconic brand in the existing retail and wholesale network can stimulate supplementary traffic to the benefit of Monnalisa's volumes, too. Having said that, we believe the impact in the short term is limited.



Valuation & risks

Monnalisa's FY-20 reported results were heavily hit by the pandemic but slightly better than our projections at a profitability level. **The second part of the year showed a recovery of the business compared to H1-20 as well as some cash flow generation.** Effective cost control contributed to containing losses in a year characterised by a drop in demand.

On the back of FY-20 results, we revised our model by factoring in 1) the impact of the license agreement with Chiara Ferragni, and 2) a slightly better WC management, mainly in terms of payables and receivables. The result is **an increase in EBITDA and an improvement in the Net Financial Position.** We also introduced 2023 estimates.

Table 5 – Monnalisa, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	41.4	40.7	1.9	0.8
EBITDA	(2.1)	(2.1)	0.9	0.0
% margin	(5.0)	(5.1)		
EBIT	(5.3)	(5.2)	(0.3)	(0.0)
% margin	(12.7)	(12.9)		
Net Profit	(4.6)	(4.6)	(0.1)	(0.0)
% margin	(11.0)	(11.2)		
Y/E net debt (net cash)	9.6	13.0	(26.3)	(3.4)

Source: CFO Sim

Table 6 – Monnalisa, 2022e new/old estimates

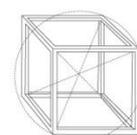
€ m	New	Old	% Diff.	€ m Diff.
Net Sales	48.7	46.7	4.5	2.1
EBITDA	3.0	2.0	51.1	1.0
% margin	6.1	4.2		
EBIT	(0.2)	(1.2)	80.6	1.0
% margin	(0.5)	(2.6)		
Net Profit	(0.5)	(1.3)	58.6	0.8
% margin	(1.1)	(2.8)		
Y/E net debt (net cash)	9.6	11.9	n.m.	(2.4)

Source: CFO Sim

Monnalisa has a strong balance sheet which allows the **required financial flexibility** to weather and overcome the COVID-19 turmoil. The brand recognition and global reputation puts Monnalisa in the position of **leveraging its structure and expertise by adding another selective couple of license agreements** in this changed operative scenario. However, such upside and impact cannot be yet reflected in our projections. In addition, the ongoing strategy aimed at the reorganisation of the retail structure seems to be going in the right direction, focusing on fewer but more profitable shops.

We have updated our PT to € 4.00 (€ 2.50) based on DCF as we postponed our first year forecast from 2021 and the valuating criteria update. The PT is broadly in line with the current price: **we maintain our Neutral stance** on the shares.

The investment case here is necessarily focused on Monnalisa's future ability to leverage its current structure in order to generate value by **1) refocusing the present retail structure** and **2) entering into additional licensing agreements.** The execution risk on the latter is not insignificant. Monnalisa has to somehow change its strategy and business attitude. However, **the potential positive impact on value generation could be significant** if properly managed.



DCF

In the valuation via the DCF method, we assess explicit estimates until 2025 and cautious long-term growth of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 7 - WACC derived from:

Interest costs, pre-tax	1.0%
Tax rate	26.0%
Int. costs, after taxes	0.7%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200gg mov. av.)	0.74%
Beta levered (x)	1.03
Required ROE	10.0%

Source: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all AIM Italia market segment related concerns and disquiet that an investor might have. **Beta at 1.03** has been calculated by taking the peer group's specific unlevered beta for each competitor, then **leveraging it for Monnalisa's long-term 20/80 debt/equity structure**. The WACC is accordingly computed by using a long-term, sustainable 20/80% debt/equity balance-sheet structure.

Table 8 - Monnalisa, DCF model

€ k	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	(5.3)	(0.2)	1.6	2.0	3.8	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
Operating profit (NOPAT)	(3.9)	(0.2)	1.2	1.5	2.8	
Change working capital	0.0	(2.9)	(0.7)	(0.3)	(0.1)	
Depreciation	3.2	3.2	2.4	1.4	0.5	
Investments	(1.1)	(0.5)	(0.5)	(0.5)	(0.5)	
Free Cash Flows	(1.8)	(0.3)	2.4	2.1	2.8	39.0
Present value	(1.7)	(0.3)	2.0	1.6	1.9	27.2
WACC	8.2%	8.2%	8.2%	8.2%	8.2%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 9 – Monnalisa, DCF derived from:

€ m	
Total EV present value € m	30.7
	<i>thereof terminal value</i>
	88.6%
NFP last reported	(8.0)
Pension provision last reported	(2.0)
Equity value € m	20.7
#m shares	5.24
Equity value €/s	4.00
<i>% upside/(downside)</i>	<i>-3.6%</i>

Source: CFO Sim

The outcome of our DCF model set an equity value of € 20.7m for Monnalisa, 4.00/s.

The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value/s of between **€ 3.42-4.60m (perpetuity range of between 0.00% and 2.00%)**, while, 2) if compared to changes in the free risk rate, it produces an equity value/s of **€ 3.41-4.59m (free risk range of between 1.49% and 0.0%)**, and, 3) if compared to changes in the risk premium, including small size premium, it results in an equity value/s of **€ 2.92-5.42m (risk premium range of between 10.50% and 7.50%)**.

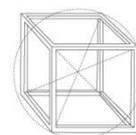


Table 10 – Monnalisa, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	3.5	3.5	3.5	3.5	3.5	3.5	3.5
PV of terminal value	24.5	25.3	26.2	27.2	28.3	29.4	30.6
Total value	28.0	28.8	29.7	30.7	31.8	32.9	34.1
NFP last reported	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Pension provision last reported	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value	17.9	18.8	19.7	20.7	21.7	22.9	24.1
Equity value/share €	3.42	3.59	3.76	4.00	4.15	4.37	4.60

Source: CFO Sim

Table 11 – Monnalisa, equity value sensitivity to changes in free risk rate

€ m	0.00%	0.24%	0.49%	0.74%	0.99%	1.24%	1.49%
Present value of CF	3.6	3.6	3.5	3.5	3.5	3.4	3.4
PV of terminal value	30.5	29.3	28.2	27.2	26.3	25.3	24.5
Total value	34.1	32.9	31.8	30.7	29.7	28.8	27.9
NFP last reported	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Pension provision last reported	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value	24.0	22.9	21.7	20.7	19.7	18.7	17.8
Equity value/share €	4.59	4.37	4.15	4.00	3.76	3.58	3.41

Source: CFO Sim

Table 12 – Monnalisa, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	3.7	3.6	3.6	3.5	3.4	3.4	3.3
PV of terminal value	34.7	31.9	29.4	27.2	25.3	23.6	22.0
Total value	38.4	35.5	33.0	30.7	28.7	26.9	25.3
NFP last reported	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Pension provision last reported	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Equity value	28.4	25.5	22.9	20.7	18.7	16.9	15.3
Equity value/share €	5.42	4.86	4.38	4.00	3.57	3.23	2.92

Source: CFO Sim

Market multiples

We conducted an analysis on ten companies operating in the luxury and fashion arena.

Brunello Cucinelli SpA: Brunello Cucinelli SpA is a luxury fashion company, known for its cashmere products as well as exclusive brands. The company designs, manufactures, and distributes clothing and accessories globally for men and women. Brunello Cucinelli sells its products in Europe (45% of top line), North America (34%), China (10%) and RoW (11%). Retail and Wholesale represent respectively 56% and 44% of sales.

Burberry Group PLC: Burberry Group PLC is a global luxury brand with British heritage, core outerwear, and large leather goods base. The company designs and sources apparel and accessories. Burberry sells its products worldwide in particular in the Asia Pacific region (41% of top line), the EMEA region (36%) and the Americas region (23%). Retail and Wholesale represent respectively 80% and 18% of its revenues. Children's products account for 4% of top line.



Capri Holdings Ltd: Capri Holdings Limited operates as a holding company. The company, through its brands (such as Versace, Jimmy Choo and Michael Kors), covers the full spectrum of fashion luxury categories including women's and men's accessories, footwear and ready-to-wear as well as wearable technology, watches, jewellery, eyewear and a full line of fragrance products. Capri Holdings serves customers worldwide in particular in America (61% of top line), Europe (24%) and Asia (15%). Retail and Wholesale represent respectively about 60% and 40% of its revenues.

Hugo Boss AG: Hugo Boss AG designs, produces, and markets brand name clothing. Hugo Boss licenses its name for eyeglass frames, fragrances, watches, shoes, and leather goods. It sells its products worldwide in particular in Europe (63% of top line), the Americas (19%) and the Asia Pacific area (15%). Retail and Wholesale represent respectively 65% and 32% of its revenues.

Kering SA: Kering SA is a global Luxury Group. It develops an ensemble of luxury houses in fashion, leather goods, jewellery and watches: Gucci, Saint Laurent, Bottega Veneta, Alexander McQueen, Balenciaga, Ulysse Nardin, etc. The company specialises in ready-to-wear products, sports goods, shoes, jewellery, and watches. Kering serves customers worldwide in particular in Europe (32% of top line), the Asia Pacific area (42%), North America (19%) and RoW (7%). Retail and Wholesale represent respectively 78% and 22% of its revenues.

Moncler SpA: Moncler SpA manufactures apparel products and serves customers internationally, in particular in Asia and RoW (44% of top line), EMEA (29%), the Americas (16%) and Italy (11%). Retail and Wholesale represent respectively 77% and 23% of its revenues. Moncler Enfant weighs for roughly a mid-single digit percentage of total sales.

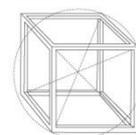
Prada SpA: PRADA SpA is an Italian fashion company that designs, manufactures and sells high-end leather goods, ready-to-wear and footwear through various brands. Brand names include Prada, Miu Miu, Church's, Car Shoe and Pasticceria Marchesi. Prada SpA serves customers worldwide in particular in APAC (36% of top line), Europe (33%), the Americas (14%), Japan (14%) and the Middle East (3%). Retail and Wholesale represent respectively 83% and 15% of its revenues.

Ralph Lauren Corp: Ralph Lauren Corporation designs, markets, and distributes men's, women's and children's apparel, accessories, fragrances, and home furnishings. The company's products are sold under a wide range of brands. Ralph Lauren's operations include wholesale, retail, and licensing. Ralph Lauren serves customers internationally, in particular in North America (51% of top line), Europe (26%), Asia (16%) and Row (6%). Retail and Wholesale represent respectively 60% and 38% of its revenues.

Salvatore Ferragamo SpA: Salvatore Ferragamo SpA is a clothing and accessories company offering shoes, handbags, belts, luggage, ties, scarves, and watches. Salvatore Ferragamo serves customers worldwide in particular in the Asia Pacific area (37% of top line), Europe (25%), North America (23%), Japan (9%) and Latin America (6%). Retail and Wholesale represent respectively 65% and 33% of its revenues.

Tod's SpA: Tod's SpA manufactures and retails men's and women's shoes. The company's signature shoe is a loafer with rubber spikes on the sole and heel. Brand names include Tod's, Hogan, and Fay. Tod's SpA serves customers worldwide in particular in Italy (28% of top line), Europe (26%), China (23%), the Americas (8%) and RoW (14%). Retail and Wholesale represent respectively 70% and 30% of its revenues.

Among the non-listed companies, **Armani Junior** has revenues accounting for approximately € 80m, about 4% of the group's total turnover. Two French companies focus on childrenswear, like Monnalisa: **CWF** (roughly € 150m sales, mainly producing on licensing as an outsourcer, with 10% of its sales in Italy, 55% in the rest of Europe, 35% worldwide and only 29 DOS) and **Bonpoint**, in which Rothschild PE Fund has an investment.



The size of the listed luxury companies is huge, and the operating profitability slightly higher because of the different channel mix. In the peer group sample, the retail sales of the total business is close to 70%, on average.

Table 13 - Monnalisa, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP /EBITDA
Brunello Cucinelli SpA	ITALY	3,334	645	163	25.3%	12.4%	35.9%	n.m.	37.8%	2.1
Burberry Group PLC	UK	10,066	3,141	804	25.6%	9.2%	8.8%	11.1%	9.9%	(1.6)
Capri Holdings Ltd	USA	7,041	4,199	791	18.8%	12.1%	25.5%	36.4%	16.5%	1.1
Hugo Boss AG	GERMANY	3,283	2,342	453	19.4%	11.9%	45.2%	n.m.	54.3%	1.9
Kering SA	FRANCE	93,613	16,112	5,682	35.3%	13.5%	13.1%	17.1%	14.7%	0.3
Moncler SpA	ITALY	15,885	1,924	752	39.1%	20.8%	21.0%	28.4%	19.8%	(0.5)
Prada SpA	ITALY	14,362	3,072	936	30.5%	15.9%	24.0%	171.7%	43.4%	0.3
Ralph Lauren Corp	USA	7,445	4,569	740	16.2%	11.0%	34.2%	59.2%	17.9%	(1.2)
Salvatore Ferragamo SpA	ITALY	3,258	1,131	229	20.3%	14.1%	29.0%	n.m.	122.6%	(1.0)
Tod's SpA	ITALY	1,571	772	129	16.6%	12.8%	56.0%	n.m.	n.m.	3.0
Median		7,243	2,707	746	22.8%	12.6%	27.3%	32.4%	19.8%	0.3
Monnalisa SpA	ITALY	22	41	(2)	-5.0%	15.5%	n.m.	n.m.	n.m.	n.m.

Source: CFO Sim, Thomson Reuters Eikon

Table 14 - Monnalisa, peer group EV multiple table

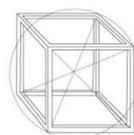
	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Brunello Cucinelli SpA	5.69	5.16	4.77	22.5	19.0	16.5
Burberry Group PLC	2.80	2.59	2.44	10.9	9.5	8.5
Capri Holdings Ltd	1.88	1.71	1.57	10.0	8.4	7.8
Hugo Boss AG	1.77	1.48	1.38	9.2	6.7	6.0
Kering SA	5.93	5.36	5.02	16.8	14.8	13.4
Moncler SpA	8.05	6.70	5.92	20.6	17.0	14.9
Prada SpA	4.75	4.23	3.85	15.6	12.6	11.2
Ralph Lauren Corp	1.43	1.34	1.21	8.8	7.7	6.8
Salvatore Ferragamo SpA	2.68	2.42	2.21	13.2	10.9	8.8
Tod's SpA	2.53	2.31	2.19	15.2	11.7	10.2
Median	2.74	2.50	2.32	14.2	11.3	9.5
Monnalisa SpA	0.76	0.64	0.55	Neg.	10.5	7.2
% premium/(discount) to median	(72.4)	(74.4)	(76.2)	n.m.	(7.3)	(24.5)

Source: CFO Sim, Thomson Reuters Eikon

Table 15 - Monnalisa, peer group EV & price multiple table

	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Brunello Cucinelli SpA	58.8	41.9	35.8	n.m.	70.6	59.1
Burberry Group PLC	16.8	14.6	13.4	25.6	22.5	21.2
Capri Holdings Ltd	13.1	10.5	9.5	14.6	11.7	10.8
Hugo Boss AG	29.3	16.0	13.6	43.5	22.9	18.3
Kering SA	21.7	18.7	17.1	31.9	27.1	24.2
Moncler SpA	28.4	22.5	19.3	43.5	34.8	30.3
Prada SpA	42.8	28.7	22.0	n.m.	45.9	35.7
Ralph Lauren Corp	12.6	10.6	9.1	20.4	16.9	14.7
Salvatore Ferragamo SpA	57.9	29.2	20.3	n.m.	57.6	36.7
Tod's SpA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Median	28.4	18.7	17.1	28.7	27.1	24.2
Monnalisa SpA	Neg.	Neg.	17.5	Neg.	Neg.	22.9
% premium/(discount) to median	n.m.	n.m.	2.7	n.m.	n.m.	(5.3)

Source: CFO Sim, Thomson Reuters Eikon



Peer stock performance

Adopting the same approach used in setting up the peer sample for assessing the value of Monnalisa, we defined a panel of ten firms operating in the luxury and fashion arena.

Table 16 - Monnalisa, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Brunello Cucinelli SpA	4.3	8.6	15.7	43.7	48.1	37.3	65.6
Burberry Group PLC	1.8	1.5	3.6	17.7	24.1	19.4	34.9
Capri Holdings Ltd	0.5	8.3	3.0	21.5	57.5	35.0	246.4
Hugo Boss AG	1.7	9.0	21.5	48.8	74.2	70.9	72.7
Kering SA	1.7	4.0	12.3	42.7	23.5	26.0	55.7
Moncler SpA	1.8	8.3	13.8	13.1	41.5	15.8	66.4
Prada SpA	(1.5)	2.9	9.8	15.1	37.7	3.7	101.1
Ralph Lauren Corp	(1.2)	2.5	(6.9)	6.0	41.0	19.6	55.1
Salvatore Ferragamo SpA	1.6	2.3	8.3	21.2	29.5	21.7	48.5
Tod's SpA	3.9	3.5	21.3	80.0	82.5	66.8	96.4
Median	1.7	3.8	11.1	21.4	41.3	23.8	66.0
Monnalisa SpA	0.0	(1.2)	(0.5)	7.0	(5.7)	5.3	40.2

Source: Thomson Reuters Eikon

Table 17 - Monnalisa, peer group and key indexes absolute performance

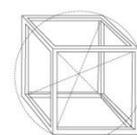
	1D	1W	1M	3M	6M	YTD	1Y
Monnalisa peer group	1.7	3.8	11.1	21.4	41.3	23.8	66.0
S&P Global Luxury	0.1	4.2	3.2	12.2	23.1	16.6	83.6
MSCI World Index	0.3	1.2	1.4	9.3	14.5	10.8	38.7
EUROSTOXX	0.7	1.1	2.5	11.2	14.6	13.4	31.9
FTSE Italia All Share	0.5	1.0	4.3	11.0	13.6	14.0	37.4
FTSE STAR Italia	1.5	4.1	5.9	18.1	28.2	21.1	53.8
FTSE AIM Italia	0.3	2.8	4.2	19.0	40.3	30.3	38.4
Monnalisa SpA	0.0	(1.2)	(0.5)	7.0	(5.7)	5.3	40.2

Source: Thomson Reuters Eikon

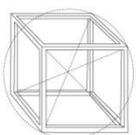
Risks

The principal investment **risks** associated with Monnalisa include:

- delays in the internationalisation process (DOS openings);
- wholesale value of production development;
- net working capital management, in particular with regard to inventories;
- competition in mature markets, which might put margins or top line developments under pressure;
- impact on P&L account and balance sheet profiles triggered by a sharp decline in global economic growth;
- change in client preferences and fashion trends;
- departure of one, or a few, of key people
- proper management of possible additional license agreements



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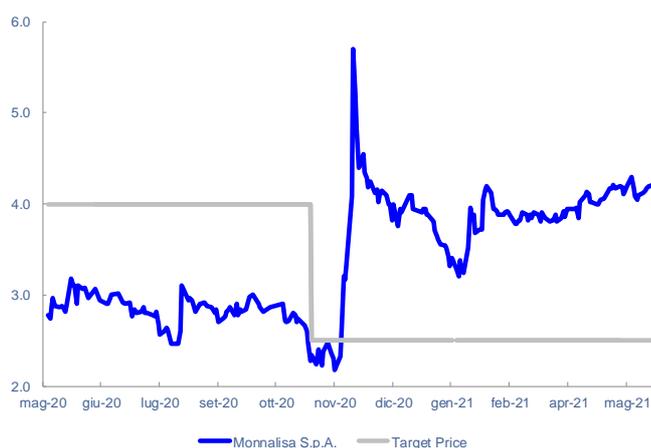
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DATE	TARGET PRICE	RATING
31/05/2021	€4.00	NEUTRAL
30/10/2020	€2.50	NEUTRAL
22/05/2020	€4.00	NEUTRAL
09/03/2020	U.R.	NEUTRAL

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

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

