ESG FOCUS INSIDE

ESN

Monnalisa

Sponsored Research

Italy | Consumer Products & Services

Investment Research

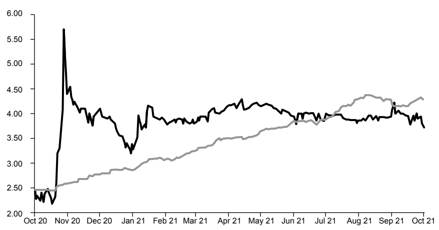
Company Flash Note | **Reason: Company newsflow** | ***29 October 2021***

Neutral	
Recommendation unchanged	
Share price: EUR	**3.72**
closing price as of 28/10/2021	
Target price: EUR	**4.80**
from Target Price: EUR	*4.60*
Upside/Downside Potential	**29.0%**
Reuters/Bloomberg	MNL.MI/MNL IM
Market capitalisation (EURm)	**19**
Current N° of shares (m)	5
Free float	**26%**
Daily avg. no. trad. sh. 12 mth (k)	11
Daily avg. trad. vol. 12 mth (k)	22.65
Price high/low 12 months	5.70 / 2.18
Abs Perfs 1/3/12 mths (%)	-8.82/-7.00/51.22

Key financials (EUR)	**12/20**	**12/21e**	**12/22e**
Sales (m)	33	43	52
EBITDA (m)	(7)	(1)	3
EBITDA margin	*nm*	*nm*	*5.8%*
EBIT (m)	(7)	(4)	0
EBIT margin	*nm*	*nm*	*0.8%*
Net Profit (adj.)(m)	(3)	(3)	0
ROCE	-6.9%	-7.9%	1.8%
Net debt/(cash) (m)	8	9	7
Net Debt Equity	*0.3*	*0.3*	*0.3*
Net Debt/EBITDA	-1.2	-8.3	2.4
Int. cover(EBITDA/Fin.int)	(4.9)	(3.6)	10.1
EV/Sales	0.8	0.6	0.5
EV/EBITDA	nm	nm	8.4
EV/EBITDA (adj.)	nm	nm	7.2
EV/EBIT	nm	nm	60.6
P/E (adj.)	nm	nm	41.9
P/BV	0.7	0.7	0.7
OpFCF yield	*-29.2%*	*-14.4%*	*7.4%*
Dividend yield	*0.0%*	*0.0%*	*0.0%*
EPS (adj.)	(0.48)	(0.66)	0.09
BVPS	5.83	5.06	5.08
DPS	0.00	0.00	0.00

Shareholders

Jafin 2 74%;



Source: FactSet

MONNALISA — FTSE AIM Italia (Rebased)

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Only a matter of time for a full, profitable recovery

H1 21 results were strong and bang in line with our estimates, with a positive surprise on EBITDA, at break-even, vs. our estimates, which pointed to negative EBITDA adj. of approx. EUR 1m. In H1 21, sales recovered almost 1/3 of the volume lost due to COVID-19. The recovery was driven by Monnalisa's attractive offer/distribution channels and the fruits of the investments carried out over the last few years (including in FY 20), thus taking advantage of customers' positive mood. The profitability rebound was reached thanks to strict cost control and a favourable channel mix.

- ✓ Sales were up 34% Y/Y at current exchange rates and 37% at constant exchange rates in H1 21 Y/Y. The company stated that Q2 21 was particularly strong (+184% Y/Y). Q1 21 was affected by store closures due to lockdowns in various countries, excluding the USA and China where shops were fully open. The retail channel recorded the same proportion on sales as in H1 19; it recovered strongly (+41% Y/Y and -17% vs. H1 19), driven almost entirely by like-for-like growth. At the end of June, Monnalisa had 49 retail stores; At the end of 2020 and in June 2020, Monnalisa had 47 direct single brand stores. This testifies to the fact that the company is pursuing balanced and opportunistic retail development. The direct online channel performance was very strong in H1 21, even better than other luxury companies. The recovery was a bit slower in wholesale than in retail but, on the positive side, this year (unlike last year) it was possible to begin shipping the winter collection earlier (in May and June). EBITDA was slightly positive thanks to strict cost control and a favourable channel mix. Moreover, one-off costs were only EUR 0.2m.
- ✓ As of the end of September, the Q2 21 trend was ongoing, with particularly strong retail (including the newly opened shops) and direct online. Shops particularly exposed to tourist flows such as Harrods in London are suffering. The wholesale channel is still, all in all, more volatile and influenced by the general mood during the order periods. However, the S/S 22 collection campaign, started at the beginning of May (with pre-collections) and closed in mid-September, showed encouraging results.
- ✓ ESG attention is one of the fundamental matters for Monnalisa, which bases and links its strategy on some important pillars that are compliant with some SDG principles, included in the 2021-2023 Sustainability Plan approved by the BoD. Monnalisa's global strategy has remained unchanged with the improvement in the brand strategic positioning being the main goal. We only outline the stronger importance given to the new marketing approaches and to the digital development where Monnalisa seems to be materially excelling versus many of its peers.
- ✓ Our new DCF includes unchanged mid- and long-term growth rates vs. our previous valuation. WACC=8.6% (beta, to 1.4), g= 1.5% (unchanged). FY 21E net debt EUR 9m. We have obtained a fair value of EUR 4.8/sh. While we think that a favourable macroeconomic environment could support top line and profitability, the investment case could start to be attractive once improvements in fundamentals are visible and substantial. We keep our Neutral for the time being.

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H1 21 results: a sharp recovery

Monnalisa: H1 21 sales and profitability snapshot

EUR m	H1 19	H1 20	H1 21	*H1 21 vs. H1 20*	*H1 21 vs. H1 19*	H1 21E
Retail	7.1	4.2	5.9	*40.7%*	*-16.8%*	5.8
% on sales	*28.9%*	*27.8%*	*29.1%*			*28.4%*
Wholesale	16.7	10.3	12.8	*24.7%*	*-23.1%*	13.4
% on sales	*67.9%*	*68.2%*	*63.1%*			*65.7%*
B2C	0.8	0.6	1.5	*154.7%*	*91.0%*	1.18
% on sales	*3.3%*	*4.0%*	*7.4%*			*5.8%*
Sales	**24.6**	**15.1**	**20.3**	***34.3%***	***-17.5%***	**20.4**
EBITDA *	**1.9**	**-5.9**	**0.2**			
% on sales	*7.9%*	*nm*	*nm*			
EBITDA adj.*	***2.8***	***-2.1***	***0.4***			***-1.09***
% on sales	11.4%	nm	nm			nm
EBIT*	0.3	-7.6	-1.5			-3.1
Net profit*	-0.1	-6.8	-1.4			-3.1

Source: company data and Banca Akros estimates

** We point out that H1 21 and H1 20 EBITDA, EBITDA adj. and EBIT are not comparable with the corresponding items of H1 19 since the company used a different reclassification method for the exchange rate management for H1 20 and H1 21. As such, the comparison is correct only between H1 21 and H1 20 EBITDA, EBITDA adj., and EBIT. As a reminder, H1 20 EBITDA (as published in the H1 20 financial report) was EUR -6.2m, H1 20 EBITDA adj. was EUR -2.4, and H1 20 EBIT was EUR -7.9m.*

H1 21 results were strong and bang in line with our estimates, with a positive surprise on EBITDA, at break-even, vs. our estimates, which pointed to negative EBITDA adj. of approx. EUR 1m. In H1 21, sales recovered almost 1/3 of the volume lost due to COVID-19. The recovery was driven by Monnalisa's attractive offer/distribution channels and the fruits of the investments carried out over the last few years (including in FY 20), thus taking advantage of customers' positive mood. The profitability rebound was reached thanks to strict cost control and a favourable channel mix.

Sales

Sales were up 34% Y/Y at current exchange rates and 37% at constant exchange rates in H1 21 Y/Y. The company stated that Q2 21 was particularly strong (+184% Y/Y). Q1 21 was affected by store closures due to lockdowns in various countries, excluding the USA and China where shops were fully open.

The retail channel recorded the same proportion on sales as in H1 19; it recovered strongly (+41% Y/Y and -17% vs. H1 19), driven almost entirely by like-for-like growth. Retail growth benefitted from 7 new shop openings (o/w 4 in H2 20 and 2 in H1 21 – these last 2 contributed only partially to sales growth). We point out that many shops were closed in H2 20 and in H1 21 due to lockdown measures in the various countries. At the end of June, Monnalisa had 49 retail stores, split between DOS and DOO, worldwide. In H1 21, the mentioned new openings were in Istinyie Park in Istanbul and in The Market department store in San Marino. At the end of 2020 and in June 2020, Monnalisa had 47 direct single brand stores. This testifies to the fact that the company is pursuing balanced and opportunistic retail development, i.e. to satisfy the demand in Turkey Monnalisa kept its direct presence with the new store in the luxury area of Istinyie Park but it closed the store in the Istanbul airport, clearly affected by the very weak traffic due to the COVID–19-related lack of tourists.

At the beginning of September, Monnalisa opened a new store in Nanjing Deji Plaza, one of the most important and exclusive Chinese shopping malls, thus reaching 10 directly managed shops in Mainland China. This opening was already planned, and the site was considered attractive.

Monnalisa confirmed it had invested with a long-term view, with opportunistic fine-tunings when needed.

The direct online channel performance was very strong in H1 21, even better than other luxury companies. Sales through the direct e-commerce channel, including sales from the T-mall platform, reached EUR 1.5m in H1 21 (vs. EUR 0.6m in H1 20). We point out that Monnalisa implemented a new e-commerce web site in December 2019, which has now been integrated into a new e-commerce ecosystem. The start-up of the new e-comm. system led to a 2-week delivery stop in Q1 20, which was quickly recovered in Q2 20 when sales increased 20%. The particularly strong performance of the direct online channel reflects the increasing conversion rate of the online customers.

As far as e-tailers are concerned, we point out that Monnalisa is present in 7 e-commerce platforms, the main and most famous ones. Total e-commerce sales (direct online + e-tailers) reached 20% of Monnalisa's total sales (~EUR 4m (vs. 13% in H1 20)). We estimate sales from e-tailers of EUR 2.5m (up 90% Y/Y).

Monnalisa: e-commerce platforms

Source: company presentation

Wholesale revenues were EUR 12.8m (up 25% Y/Y and down 23% vs. H1 19). The recovery was a bit slower in wholesale than in retail but, on the positive side, this year (unlike last year) it was possible to begin shipping the winter collection earlier (in May and June), thus benefitting the top line and margins.

The geo-mix is stable and balanced, with a good recovery Y/Y in the Rest of the World region, which was up 44% at constant currencies.

Monnalisa: H1 sales – geo-mix

EUR m	H1 19	H1 20	*H1 20 vs. H1 19*	H1 21	*H1 21 vs. H1 20*	*H1 21 vs. H1 19*
Italy	7.6	5.1	*-34.5%*	**6.6**	*30.4%*	*-14.7%*
% on total sales	*31.6%*	*33.5%*		***32.6%***		
EMEA (ex-Italy)	6.7	3.9	*-40.5%*	**5.3**	*33.1%*	*-20.8%*
% on total sales	*27.3%*	*26.4%*		***26.2%***		
Rest of the World	10.1	6.1	*-39.9%*	**8.4**	*37.6%*	*-17.3%*
% on total sales	*41.1%*	*40.1%*		***41.2%***		
Total sales	**24.6**	**15.1**	***-38.4%***	**20.3**	***34.3%***	***-17.4%***

Source: company data

Current trading

As of the end of September, the Q2 21 trend was ongoing, with particularly strong retail (including the newly opened shops) and direct online. Shops particularly exposed to tourist flows such as Harrods in London are suffering.

The wholesale channel is still, all in all, more volatile and influenced by the general mood during the order periods. However, the S/S 22 collection campaign, started at the beginning of May (with pre-collections) and closed in mid-September, showed encouraging results.

Profitability

EBITDA was slightly positive thanks to strict cost control and a favourable channel mix. Moreover, one-off costs were only EUR 0.2m.

Monnalisa: H1 P&L

EUR m	H1 19	H1 20	H1 21	Y/Y Chg.
Sales	**24.6**	**15.1**	**20.3**	***34.3%***
Other revenues	0.4	0.3	0.9	*203.5%*
Total revenues	25.0	15.4	21.2	*37.6%*
Costs for raw materials and finished products	-4.5	-6.4	-6.0	*-7.0%*
Costs for production services	-3.8	-2.0	-2.4	*21.9%*
Product manufacturing costs	**-8.3**	**-8.4**	**-8.4**	***-0.1%***
Gross profit	**16.6**	**7.0**	**12.8**	***82.9%***
Gross profit on sales	***67.5%***	***46.4%***	***63.1%***	
Costs for use of third-party assets	-3.1	-2.7	-2.9	*8.0%*
Marketing costs	-1.3	-1.0	-0.5	*-49.0%*
Costs for other services	-4.2	-3.3	-3.9	*18.1%*
Personnel costs	-5.8	-4.8	-4.9	*2.9%*
Miscellaneous operating costs	-0.2	-0.6	-0.2	*-59.9%*
Provisions for bad and doubtful accounts	0.00	-0.5	-0.1	*-81.6%*
EBITDA *	**1.9**	**-5.9**	**0.196**	***nm***
One-off costs	-0.9	-3.8	-0.20	*nm*
EBITDA adj.*	**2.8**	**-2.1**	**0.441**	***nm***
Depreciation & amortization	-1.6	-1.7	-1.7	*nm*
EBIT*	0.3	-7.6	-1.5	*nm*
Financials	-0.2	-0.4	0.1	*-113.0%*
PBT	0.1	-8.0	-1.4	*nm*
Taxes	-0.2	1.2	0.0	*nm*
Consolidated net profit	**-0.1**	**-6.8**	**-1.44**	***nm***

Source: company data and Banca Akros

** We point out that H1 21 and H1 20 EBITDA, EBITDA adj. and EBIT are not comparable with the corresponding items of H1 19 since the company used a different reclassification method for the exchange rate management for H1 20 and H1 21. As such, the comparison is correct only between H1 21 and H1 20 EBITDA, EBITDA adj., and EBIT. As a reminder, H1 20 EBITDA (as published in H1 20 financial report) was EUR -6.2m, H1 20 EBITDA adj. was EUR -2.4, and H1 20 EBIT was EUR -7.9m.*

Other revenues were slightly higher vs H1 20 and H1 19 thanks to an approx. EUR 0.4m SIMEST contribution (partly aimed at sustaining export companies and partly to integrate companies in foreign markets, Turkey, in this case); moreover, the US subsidiary benefitted from the Pay Protection Program (for EUR 0,17m).

It is important to underline the lower incidence of production costs on sales, which led to strongly improving gross margin, now at 63% on sales (67.5% in H1 19 and 46.4% in H1 20). This was managed also thanks to a better channel mix with a higher incidence of the direct online sales (whose gross profit is 71%) and the already mentioned early shipments of the F/W collection in June (wholesale channel gross profit was 57%) - approx. 50,000 garments more than last year.

Overheads were reduced: marketing spend was cut or postponed, some rents were renegotiated, government subsidies and business supports were used, when available, and the executive's remuneration was cut voluntary.

The net financial position

EUR m	H1 20	FY 20	H1 21
Cash and cash equivalents	-2.1	-4.1	-4.4
Current financial receivables	-3.6	-2.4	-1.3
Current financial debt	5.5	1.8	2.5
Current portion M/L debt	2.4	2.4	3.2
Other financial current debts	0.0	0.2	0.0
NFP s/t	**2.1**	**-2.1**	**0.0**
M/L Financial Debt	7.2	10.1	9.4
Net financial position	**9.5**	**8.0**	**9.3**

The net financial position was rather stable vs. H1 20 and slightly up vs. FY 20: in H1 21 the net debt was EUR 9.3m after Monnalisa signed 2 subsidized loans with Simest (EUR 0.8m to increase the financial solidity and EUR 0.9m to pursue international expansion) and through its US subsidiary it benefitted from the conversion into a grant of a loan received in 2020 under the Pay Protection Program. Moreover, in H1 21, the bond issued by Jafin SpA for an original amount of EUR 1.2m and due to expire on 31 December 2021, was repaid in advance: EUR 0.66m was repaid by Jafin and EUR 0.540m was considered debt settlement for future rent payments.

Monnalisa substantially reduced the capex amount in H1 21 to EUR 0.3m.

The net working capital shows good management of inventories and increasing receivables due to the larger amount of wholesale sales vs. H1 20.

EUR m	H1 20	H1 21	% Chg.
Inventories	16.4	16.2	*-2%*
Receivables	7.2	7.6	*6%*
Payables	-6.8	-6.3	*-7%*
Net commercial working capital	16.8	17.5	*4%*

Monnalisa: the development strategy

ESG attention is one of the fundamental matters for Monnalisa, which bases and links its strategy on some important pillars that are compliant with some SDG principles, included in the 2021-2023 Sustainability Plan approved by the BoD.

Monnalisa's global strategy has remained unchanged with the improvement in the brand strategic positioning being the main goal. We only outline the stronger importance given to the new marketing approaches and to the digital development where Monnalisa seems to be materially excelling versus many of its peers. We briefly summarise here the most important strategic lever on which the company is committed:

- ✓ Strengthening of new ways to plan marketing campaigns through a Full-Funnel approach (multichannel and data driven approach) in order to increase the Average Order Value per client. Affiliate marketing is an opportunity.
- ✓ Monnalisa is continuing to invest in Influencers Marketing and Product Placement (i.e. partnership with Cliomakeup and fashion Laerta). Clearly, Monnalisa is present on the most important social media channels (340,000 subscribers).
- ✓ Newborn product line, exclusive capsule collections, development of accessories and the boy line could help strengthen the brand.
- ✓ With the retail operations plan, the goal is to increase the turnover and EBITDA of existing shops (through closures and new openings with better profitability potential). Push to e-commerce (Q4 21E will benefit strongly). Integration of physical and digital. We outline that the direct integration with Farfetch has been active since May and that Monnalisa is also planning to launch a WeChat mini-programme by year end. In our understanding, Monnalisa plans to open only very few new shops in FY 22E and probably to invest more in physical retail starting from FY 23.
- ✓ In the wake of its digital transformation, the company is still pursuing a project to involve wholesalers into the omnichannel.
- ✓ Efficiency will be pursued through cost control (already in place), the use of the price-mix and operational efficiency actions as well as higher production capacity utilization. The increase in capacity utilisation will be reached also thanks to few incoming license agreements (other than the successful one with Chiara Ferragni), thus making Monnalisa leverage on its distinctive skills in production.
- ✓ We estimate that license agreements with Chiara Ferragni could reach around 9.5% / 10% at full speed of total Monnalisa's sales.

All in all, we like the company's planned strategic developments and we think that the product positioning is attractive. The top line seems to have rebooted (it has in our new estimates) and EBITDA should improve gradually (it won't be back to a normalized level by FY 23E in our estimates). The investment case has not looked really attractive yet (stock down 4% YTD) but we believe that if the company delivers in line with our (and consensus) estimates, it could attract the market attention and increase the market cap.

New estimates

EUR m	FY 20	FY 21E	*Y/Y chg.*	FY 22E	*Y/Y chg.*	FY 23E	*Y/Y chg.*
Total revenues	**33.6**	**43.1**	***28.1%***	**51.6**	***19.9%***	**55.7**	***7.8%***
EBITDA	-6.5	-1.1		3.0		4.0	
Non-rec. items	-4.3	-0.6		-0.5		-1.0	
EBITDA adj.	**-2.2**	**-0.5**		**3.5**		**5.0**	
% on sales				*6.8%*		*9.0%*	
EBIT	-7.4	-4.2		0.4		2.0	
Net profit	-7.8	-4.0		0.1		1.3	
Net profit adj.	-2.5	-3.5		0.5		2.0	

EUR m	FY 21E old	FY 21E new	FY 22E old	FY 22E new	FY 23E old	FY 23 new
Total revenues	**41.5**	**43.1**	**50.0**	**51.6**	**52.8**	**55.7**
EBITDA	-1.9	-1.1	3.1	3.0	4.3	4.0
Non-rec. items	-1.1	-0.6	0	-0.5	0	-1.0
EBITDA adj.	**-0.9**	**-0.5**	**3.1**	**3.5**	**4.3**	**5.0**
% on sales			*6.1%*	*6.8%*	*8.0%*	*9.0%*
EBIT	-5.0	-4.2	0	0.4	1.2	2.0
Net profit	-4.8	-4.0	-0.1	0.1	0.8	1.3
Net profit adj.	-3.8	-3.5	-0.1	0.5	0.8	2.0

Source: Banca Akros estimates

We have fine-tuned our FY 21E estimates after incorporating better growth in every channel. We have also lowered the amount of non-recurring item expenses since the bulk of new openings occurred in H1 21. FY 22E sales estimates include the contribution from Chiara Ferragni for the full year and only 2 new shop openings. Our FY 23E sales estimates include a higher contribution from Chiara Ferragni license than in our previous estimates. The net working capital is set to absorb a low level of cash.

We have lowered our estimated capex for FY21E, FY 22E and FY 23E; we expect the net financial position to improve materially starting from FY 22E.

We outline that Monnalisa financial statements are not compliant with the IFRS 16 accounting principle.

Valuation

Our new DCF includes unchanged mid- and long-term growth rates vs. our previous valuation. WACC=8.6% (beta, to 1.4), g= 1.5% (unchanged). FY 21E net debt EUR 9m. We have obtained a fair value of EUR 4.8/sh.

While we think that a favourable macroeconomic environment could support top line and profitability, the investment case could start to be attractive once improvements in fundamentals are visible and substantial. We keep our Neutral for the time being.

Cash flow estimates

CASH FLOW (EUR m)	2022	2023	2024	2025	2026	2027	2028	2029	2030	Norm.year
Net Sales	**51.6**	**55.7**	**61.2**	**67.3**	**72.7**	**77.8**	**81.7**	**85.8**	**90.1**	**91.4**
% change	*19.9%*	*7.8%*	*10.0%*	*10.0%*	*8.0%*	*7.0%*	*5.0%*	*5.0%*	*5.0%*	*1.5%*
EBITDA	**3.0**	**4.0**	**5.5**	**6.7**	**8.0**	**8.6**	**9.0**	**9.4**	**9.9**	**8.2**
% margin	*5.8%*	*7.3%*	*9.0%*	*10.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*9.0%*
% change	*nm*	*33.8%*	*36.5%*	*22.2%*	*18.8%*	*7.0%*	*5.0%*	*5.0%*	*5.0%*	*-12.8%*
Depreciation amortization & other provisions	3.1	3.0	3.5	3.7	3.7	3.7	3.5	3.5	3.5	2.0
% sales	*6.0%*	*5.4%*	*5.7%*	*5.5%*	*5.1%*	*4.8%*	*4.3%*	*4.1%*	*3.9%*	*2.2%*
EBIT	-0.1	1.0	2.0	3.0	4.3	4.9	5.5	5.9	6.4	6.2
% margin	*-0.2%*	*1.9%*	*3.3%*	*4.5%*	*5.9%*	*6.2%*	*6.7%*	*6.9%*	*7.1%*	*6.8%*
Taxes	0.0	-0.5	-0.6	-0.8	-1.2	-1.4	-1.5	-1.7	-1.8	-1.6
NOPLAT	-0.1	0.5	1.4	2.2	3.1	3.5	4.0	4.3	4.6	4.6
Gross Operating Cash Flow	**3.0**	**3.5**	**4.9**	**5.9**	**6.8**	**7.2**	**7.5**	**7.8**	**8.1**	**6.6**
Capex	-1.0	-1.5	-3.8	-3.8	-4.0	-4.0	-3.5	-3.5	-1.5	-2.0
% sales	*1.9%*	*2.7%*	*6.2%*	*5.7%*	*5.5%*	*5.1%*	*4.3%*	*4.1%*	*1.7%*	*2.2%*
Change in Net Working Capital	-0.7	-0.8	-1.4	-1.3	-1.4	-1.3	-1.1	-1.1	-1.5	-0.6
Cash Flow to be discounted	1.2	1.2	-0.2	0.7	1.4	1.9	2.9	3.1	5.2	4.1

Source: Banca Akros estimates

ESG FOCUS

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

Since 2001, Monnalisa has published a sustainability report and, starting from 2015, it has integrated the sustainability report into the financial report, thus giving a complete picture of the company's overall activities. It presented its first Integrated Report based on the guidelines of the International Integrated Reporting Council (IIRC) and prepared according to the GRI Standards (Global Reporting Initiative) in 2018. The SDGs (Sustainable Development Goals) principles involve and impact all aspects of the business and translate into operative actions. More recently:

- ✓ in its 2020 Integrated Report, Monnalisa extended its reporting scope to the whole group (meaning also to its subsidiaries).
- ✓ we point out that Monnalisa introduced some changes to the Board of Directors, on the occasion of its renewal in June 2021: 2 new members were introduced (Mr. Leonardo Etro and Mr. Fabrizio Dosi), both Independent Directors (vs. 1 Independent Director previously) while the number of the Board Members has remained unchanged. As a reminder, the BoD will remain in charge until the 2023 financial statements approval.
- ✓ Monnalisa has hired BDO Italia as its reviewer, after planning to publish a voluntary NFD starting from 2021.
- ✓ Monnalisa also presented its 2021-2023 sustainability plan (not public yet).

We point out that Monnalisa has set up a team composed of the CSR manager, HR manager, SA8000 manager, special project managers and environmental certification manager. The team defines the Sustainability Plan's goals, targets and timelines and inform the CEO, who gives strategic directions and oversees the entire process.

In detail, Monnalisa, has updated its Materiality Analysis, also in light of the pandemic, and it has identified 4 main macro-themes where most of the operative objects are focused: Human Resources, Environment, Governance and Product and Consumer Responsibility.

Just to give an idea on "where Monnalisa is" on the ESG matter, even though it hasn't received any official rating yet, we outline that it is part of the 100 best positioned Italian companies, according with the Sustainability Award of Forbes Italia.

Here below are the main highlights in terms of overall ESG topics.

ESG Scorecards

MONNALISA	NO	WIP	OK	Comments/Descriptions
ESG projects/activities/certifications			✓	-Quality (UNI EN ISO 9001) -Labour and Social responsibility (SA8000) -Social responsibility (UNI ISO 26000) -Environment (UNI EN ISO 14001)
Materiality Matrix (GRI or Others)			✓	Yes (GRI)
Sustainability Report (CSR)			✓	CSR is part of the annual report. The publication of the NDF is on a volutary basis only; Monnalisa has decided to publish it voluntarily in 2021
Sustainability Plan / Defined ESG Goals			✓	Yes: 2021 - 2023 sustainability plan approved
ESG Ratings		✓		Committment to receive a rating from an entrusted rating company

ESG Positioning

MONNALISA	Below	In line	Above	Comments/Descriptions
Environment				
GHG emission cut (CO_2 reduction)		X		We outline that the main source of CO2 emissions is related to the transport of products and raw materials (43% of total CO2 emissions – scope 3 emissions). Clearly, the reduced activity in 2020 led to 45% lower total CO2 emissions Y/Y. GHG per employee (t CO2 eq.) scope 1 and 2: in 2018 2.13; in 2020 1.09. GHG per employee (t CO2 eq.) scope 3: in 2018 8.32; in 2020 2.38.
Water consumption		X		Refers exclusively to the offices and shops consumption.
Electricity & Power consumption		X		Electricity is used for offices/shops and for fabric cutting and inspection machines. 70% of the purchased energy comes from renewable sources. Energy is also self-produced by the company with photovoltaic systems (3% more energy produced Y/Y). 7% self-produced energy in 2018 vs. 17% in 2020.
Waste reduction		X		Textile scraps are reduced through specific software in the cutting phase. Other scraps such as paper, plastics and packaging materials are basically recycled.
Social				
Social engagement			X	Support the local territory: training dedicated to employee's children and students (internships). Monnalisa is the founder of the Made in Tuscany Academy, member of the Association Fondazione Sodalitas and it has founded Fondazione Monnalisa (active on training and education).
Accident index			X	In 2020. There were 2 accidents (in itinere); in 2018 and 2019 1 accident (in itinere).
Gender Equality			X	82% of the workforce is made up of women. 57% of the employees is allocated to shops or showrooms. The average age of the employees is 41years. Most of the managerial positions are held by people aged between 40 and 50.
Training / Employees satisfaction			X	Reintroduction of the employee's welfare scheme in 2022-2023, after a freeze due to COVID-19. Policies of professional promotions. No gender inequality. In every country where Monnalisa is present the average salary (non-managerial positions) is higher than the living or statutory wage. 0.46% of turnover invested in employees training in 2018; 0.13% in 2020 (COVID-19 limited the activities).
Governance				
BoD composition		X		2 independent directors out of 5.
Top management ESG Involvement.		X		No presence of LT-incentive scores but the management and the CEO are especially involved and there is a Social Performance Team.

As we have already mentioned, Monnalisa has set, but not published, its SDGs 2023 targets.

SDG's targets

Topic	KPIs	2020 Achieved Goal	2023 Goal
Health & Safety in the workplace	Improve people's well being	Ongoing	Not unveiled
	Develop talent and provide job security	Ongoing	Not unveiled
Protection of Diversity, Equal Opportunities & Non-discrimination	Manage diversity and equal opportunities, promote equal opportunities	Ongoing	Not unveiled
Suppliers' Mgmt	Sustainable supply management Respect human rights	Ongoing	Not unveiled
Suppliers' Mgmt	Eco design. Responsible consumption of materials	Ongoing	Not unveiled
	Raise consumer awareness of sustainable consumption	Ongoing	Not unveiled
	Reduce the environmental impact of Monnalisa's products	Ongoing	Not unveiled
Pertnerships for the goals	Sustainability reports, sustainability strategies and ethics codes	Ongoing	Not unveiled
	Attract ESG-aware investors, promote a culture of sustainability, strenghten the corporate governance	Ongoing	Not unveiled

The company belongs to a sector – children's wear – that is particularly sensitive to product safety issues. Every garment is designed and produced with due care to health and safety: raw materials and finished products are tested for the presence of harmful substances. The requirements can vary from one country to another. As such, strict controls to comply with the law and Monnalisa's ethical principles are necessary. Monnalisa doesn't have internal production (except for some phases such as fabric cutting), so control of the supply chain is of fundamental importance: it involves quality, labor practices, human rights, environment and finished product safety. Monnalisa has always selected providers who are looking at long term relationships. Even though Monnalisa is only indirectly involved in the impact on the environment of the production phases, it checks them on a regular basis.

As an example, to date, 95% of Monnalisa's European providers have accepted the *Reach* (Registration, Evaluation, Authorization and Restriction of Chemicals) practices (which are part of Monnalisa code of conduct). We point out that only 33% of volumes acquired (including raw materials, semi finished-products and finished-products) are provided for by foreign companies (mostly based in China, Bulgaria, Egypt, Turkey).

We outline that Monnalisa's efforts towards sustainability are ongoing and are involving the entire organization: in our understanding, for example, the re-shoring in Italy/Europe of certain production phases is aimed at reducing the impact on the environment of freight transport and at enriching the local territory. Moreover, Monnalisa is always investing on new fabric conception or on the use of recycled materials (not only plastics or paper but also fabrics).

For the current year the goals are:

- ✓ To increase the number of audits at suppliers by 10%
- ✓ To reduce the emissions coming from employee's mobility by 30%
- ✓ To look for new solutions for the packaging of items
- ✓ To create new guidelines on the origin of raw materials
- ✓ To improve the collection data of the subsidies.

Appendix

European luxury goods companies- H1 21 sales

European luxury companies H1 sales

EUR m	H1 19	H1 20	H1 21	*H1 21 vs. H1 20*	*H1 21 vs. H1 19*
Brunello Cucinelli	291.4	205.1	313.7	*52.9%*	*7.7%*
Geox	399.4	243.6	264.0	*8.4%*	*-33.9%*
Hermès	3,284.0	2,488.0	4,235.0	*70.2%*	*29.0%*
Kering	7,638.0	5,378.0	8,047.0	*49.6%*	*5.4%*
Gucci	4,617.0	3,072.0	4,479.0	*45.8%*	*-3.0%*
LVMH F&LG	7,989.0	10,425.0	13,863.0	*33.0%*	*73.5%*
Moncler	570.2	403.3	565.6	*40.2%*	*-0.8%*
Ferragamo	nm	363.4	523.8	*44.1%*	
SMCP	540.3	372.8	453.3	*21.6%*	*-16.1%*
Tod's	454.6	256.9	398.4	*55.1%*	*-12.4%*
Aeffe	173.3	118.9	155.0	*30.4%*	*-10.5%*
Hugo Boss	1,339.0	830.0	1,126.0	*35.7%*	*-15.9%*

Source: Banca Akros, ESN, Bloomberg

Monnalisa: Summary tables

PROFIT & LOSS (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Sales	**52.7**	**50.1**	**33.0**	**43.1**	**51.6**	**55.7**
Cost of Sales & Operating Costs	-47.5	-53.0	-39.6	-44.1	-48.6	-51.6
Non Recurrent Expenses/Income	-2.1	-3.2	-4.3	-0.6	-0.5	-1.0
EBITDA	**5.2**	**-2.9**	**-6.5**	**-1.1**	**3.0**	**4.0**
EBITDA (adj.)*	**7.3**	**0.3**	**-2.2**	**-0.5**	**3.5**	**5.0**
Depreciation	-3.1	-4.7	-0.9	-3.1	-3.1	-3.0
EBITA	**2.2**	**-7.6**	**-7.4**	**-4.2**	**-0.1**	**1.0**
EBITA (adj)*	**4.2**	**-4.4**	**-3.1**	**-3.6**	**0.4**	**2.0**
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**2.2**	**-7.6**	**-7.4**	**-4.2**	**0.4**	**2.0**
EBIT (adj.)*	**4.2**	**-4.4**	**-3.1**	**-3.6**	**0.9**	**3.0**
Net Financial Interest	-0.4	-0.3	-1.3	-0.3	-0.3	-0.2
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)	**1.7**	**-7.9**	**-8.7**	**-4.5**	**0.1**	**1.8**
Tax	-0.4	-0.5	0.9	0.5	-0.0	-0.5
Tax rate	*24.4%*	*n.m.*	*10.7%*	*10.7%*	*24.0%*	*27.9%*
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)	**1.3**	**-8.4**	**-7.8**	**-4.0**	**0.1**	**1.3**
Net Profit (adj.)	**2.8**	**-2.5**	**-2.5**	**-3.5**	**0.5**	**2.0**

CASH FLOW (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Cash Flow from Operations before change in NWC	4.4	-3.7	-6.9	-0.9	3.2	4.3
Change in Net Working Capital	-1.4	2.0	2.3	-1.3	-0.7	-0.8
Cash Flow from Operations	**2.9**	**-1.7**	**-4.6**	**-2.2**	**2.4**	**3.5**
Capex	-8.9	-3.7	-1.4	-0.6	-1.0	-1.5
Net Financial Investments	0.0	0.0	0.0	-1.1	0.0	0.0
Free Cash Flow	**-5.9**	**-5.5**	**-6.0**	**-3.9**	**1.4**	**2.0**
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	16.7	-0.5	1.4	0.7	0.4	0.2
Change in Net Debt	**11**	**-6**	**-5**	**-3**	**2**	**2**
NOPLAT	3.2	-4.7	-2.8	-3.2	0.7	2.2

BALANCE SHEET & OTHER ITEMS (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Tangible Assets	18.1	18.3	18.3	14.2	12.1	10.6
Net Intangible Assets (incl.Goodwill)	7.6	5.1	4.9	5.6	5.6	5.6
Net Financial Assets & Other	2.2	2.9	2.4	1.3	1.3	1.3
Total Fixed Assets	**27.9**	**26.3**	**25.6**	**21.1**	**19.0**	**17.5**
Inventories	17.8	18.5	16.4	18.5	20.9	21.7
Trade receivables	11.3	9.6	7.2	9.7	9.9	10.7
Other current assets	4.1	3.2	3.4	1.7	1.8	2.2
Cash (-)	-16.0	-11.3	-6.5	-6.2	-6.7	-7.5
Total Current Assets	**49.2**	**42.6**	**33.6**	**36.1**	**39.4**	**42.0**
Total Assets	**77.0**	**68.9**	**59.2**	**57.2**	**58.3**	**59.5**
Shareholders Equity	47.4	38.9	30.5	26.5	26.6	27.9
Minority	0.0	0.0	-0.0	0.0	0.0	0.0
Total Equity	**47.4**	**38.9**	**30.5**	**26.5**	**26.6**	**27.9**
Long term interest bearing debt	7.8	6.6	10.1	10.6	9.7	8.6
Provisions	1.6	1.8	2.0	2.3	2.4	2.5
Other long term liabilities	0.7	0.8	1.4	1.8	2.1	2.3
Total Long Term Liabilities	**10.1**	**9.2**	**13.5**	**14.7**	**14.2**	**13.4**
Short term interest bearing debt	5.7	8.1	4.4	4.6	4.2	3.7
Trade payables	7.8	7.9	6.8	7.5	8.7	9.5
Other current liabilities	3.9	3.9	3.1	3.9	4.7	5.0
Total Current Liabilities	**17.4**	**19.9**	**14.2**	**15.9**	**17.5**	**18.2**
Total Liabilities and Shareholders' Equity	**74.9**	**68.0**	**58.2**	**57.2**	**58.3**	**59.5**
Net Capital Employed	**49.4**	**45.9**	**42.8**	**39.6**	**38.3**	**37.5**
Net Working Capital	**21.3**	**20.2**	**16.8**	**20.7**	**22.2**	**22.8**

GROWTH & MARGINS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Sales growth	*10.6%*	*-5.0%*	*-34.1%*	*30.3%*	*19.9%*	*7.8%*
EBITDA (adj.)* growth	***-3.5%***	***-96.4%***	***n.m.***	***n.m.***	***n.m.***	***43.2%***
EBITA (adj.) growth*	*-20.4%*	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*387.6%*
*EBIT (adj)*growth*	*-20.4%*	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*230.9%*

Monnalisa: Summary tables

GROWTH & MARGINS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Profit growth	*-6.2%*	*n.m.*	*0.0%*	*n.m.*	*n.m.*	*338.6%*
EPS adj. growth	*-6.0%*	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*338.6%*
DPS adj. growth						
EBITDA (adj) margin*	*13.8%*	*0.5%*	*n.m.*	*n.m.*	*6.8%*	*9.0%*
EBITA (adj) margin*	*8.0%*	*-8.9%*	*-9.3%*	*-8.3%*	*0.8%*	*3.7%*
EBIT (adj) margin*	*8.0%*	*n.m.*	*n.m.*	*n.m.*	*1.8%*	*5.5%*

RATIOS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Debt/Equity	-0.1	0.1	0.3	0.3	0.3	0.2
Net Debt/EBITDA	-0.5	-1.2	-1.2	-8.3	2.4	1.2
Interest cover (EBITDA/Fin.interest)	11.8	n.m.	n.m.	n.m.	10.1	20.2
Capex/D&A	287.7%	79.1%	155.6%	19.4%	32.3%	50.0%
Capex/Sales	16.8%	7.4%	4.2%	1.4%	1.9%	2.7%
NWC/Sales	40.4%	40.3%	51.0%	48.1%	43.0%	41.1%
ROE (average)	7.3%	-5.8%	-7.2%	-12.2%	1.8%	7.5%
ROCE (adj.)	6.8%	-10.8%	-6.9%	-7.9%	1.8%	5.6%
WACC	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
ROCE (adj.)/WACC	0.8	-1.3	-0.8	-0.9	0.2	0.7

PER SHARE DATA (EUR)***	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Average diluted number of shares	5.2	5.2	5.2	5.2	5.2	5.2
EPS (reported)	0.00	-1.61	-1.49	-0.77	0.02	0.25
EPS (adj.)	0.00	-0.71	-0.48	-0.66	0.09	0.39
BVPS	9.05	7.43	5.83	5.06	5.08	0.00
DPS	0.00	0.00	0.00	0.00	0.00	0.00

VALUATION	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
EV/Sales	0.9	0.6	0.8	0.6	0.5	0.4
EV/EBITDA	8.6	n.m.	n.m.	n.m.	8.4	5.7
EV/EBITDA (adj.)*	**6.2**	**n.m.**	**n.m.**	**n.m.**	**7.2**	**4.6**
EV/EBITA	20.9	-4.2	-3.5	-6.5	-306.7	22.2
EV/EBITA (adj.)*	**10.7**	**-7.2**	**-8.5**	**-7.6**	**60.6**	**11.3**
EV/EBIT	20.9	n.m.	n.m.	n.m.	60.6	11.3
EV/EBIT (adj.)*	**10.7**	**n.m.**	**n.m.**	**n.m.**	**27.6**	**7.6**
P/E (adj.)	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**41.9**	**9.5**
P/BV	1.0	0.8	0.7	0.7	0.7	n.m.
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	
EV/CE	1.0	0.7	0.7	0.7	0.6	0.6
OpFCF yield	-11.9%	-17.4%	-29.2%	-14.4%	7.4%	10.5%
OpFCF/EV	-13.1%	-17.1%	-22.9%	-10.3%	5.7%	8.9%
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%	0.0%

EV AND MKT CAP (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Price** (EUR)	9.50	6.00	3.94	3.72	3.72	3.72
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**	**20.6**	**19.5**	**19.5**	**19.5**
Gross Financial Debt (+)	13.5	14.7	14.5	15.2	13.8	12.3
Cash & Marketable Securities (-)	-16.0	-11.3	-6.5	-6.2	-6.7	-7.5
Net Financial Debt	**-2.5**	**3.4**	**8.0**	**9.0**	**7.1**	**4.9**
Lease Liabilities (+)						
Net Debt	**-2.5**	**3.4**	**8.0**	**9.0**	**7.1**	**4.9**
Other EV components	**-2.2**	**-2.9**	**-2.4**	**-1.3**	**-1.3**	**-1.3**
Enterprise Value (EV adj.)	**45.1**	**32.0**	**26.3**	**27.2**	**25.3**	**23.0**

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: Consumer Products & Services/Personal Goods

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.

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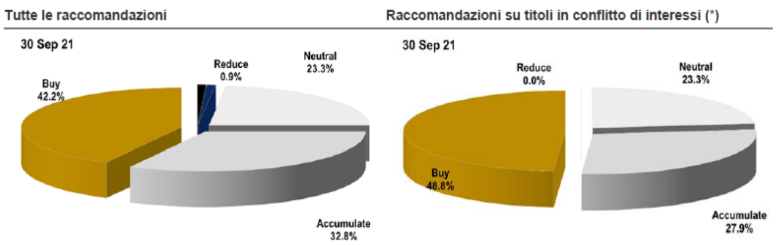
Percentuale delle raccomandazioni al 30 settembre 2021

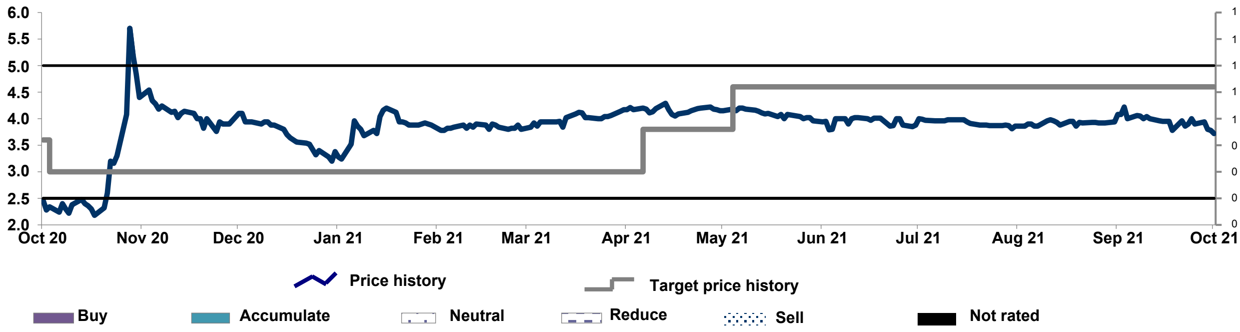


(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 37.07% del totale degli emittenti oggetto di copertura

Recommendation history for MONNALISA

Date	Recommendation	Target price	Price at change date
31-May-21	Neutral	4.60	4.18
03-May-21	Neutral	3.80	4.20
30-Oct-20	Neutral	3.00	2.34
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.

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

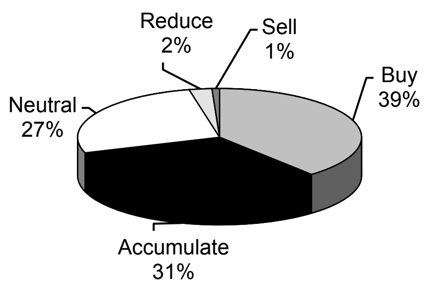
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **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
- **Rating Suspended**: the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated**: there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

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
Date and time of production: *29 October 2021: 11:32* ***CET***
First date and time of dissemination: *29 October 2021: 11:37* ***CET***

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