

# Prada (1913 HK)

## Rising brand popularity will drive profitability

**Maintain BUY and raised TP to HK\$ 67.31**, based on 60x FY22E P/E (up from 55x), ~2.0 s.d. above 5 years avg. of 36x. We expect Prada's impressive sales growth momentum in 1H21E to drive upbeat margin improvement, support investors' confidence and its valuation. Therefore, its current valuation of 52x FY22E P/E, in our view, is still attractive (despite a peers' average of 33x).

- Retail sales growth to stay fast in 1H21E, supported by low base, brand elevation and wealth effect.** We estimate the retail sales growth for Prada will be ~MSD in 1H21E (vs 1H19), stay fast in 1Q21E (~27% YoY) and accelerate in 2Q21E (~90% YoY), due to 1) low base (~40% of stores were closed on average during Feb-May 2020), 2) rising brand popularity, evidenced by great reception of various product lines (Leather goods: Galleria (re-edition), Cleo, Hobo/ Ready to wear: Linea Rossa/ Footwear: Adidas crossover, Cloudbust, Slingback, etc.) with various fabrics and designs (e.g. Re-Nylon) and 3) meaningful wealth effect, as the population of high net worth individuals in US and China jumped by 11% YoY in 2020, according to Capgemini's world wealth report 2021. By region, we estimate the growth in China (~70%), US (~64%) are faster while EU (~41%), Middle East (~41%) and Japan (~34%) are relatively weak due to lack of tourists.
- Profitability is improving, together with the pricing and store productivity.** Recovery is certainly subject to COVID-19 situation, but we are confident on post pandemic growth. If we exclude 100-130 stores that were temporarily closed, effective sales per store had increased by 10-15% in 1H21E vs 1H19, which was encouraging. We foresee EBIT margin to jump from 9.5% in FY19 to 16.7% in FY23E, driven by better GP margin (higher ASP, more full price and e-commerce sales) and greater operating leverage.
- The EUR 5bn sales target by FY24E-25E has become more achievable.** The likelihood to achieve this target, in our view, has increased slightly, as Prada continued to prove themselves by delivering a faster-than-industry sales growth in 1H21E. We now foresee a 13% sales CAGR during FY20-25E, vs the Company's target of ~15% and industry growth of ~10%.
- Maintain BUY and raised TP to HK\$ 67.31.** We revised up FY21E/ 22E/ 23E EPS estimates by 2%/ 7%/ 13% to factor in faster sales and better operating leverage. As we expect Prada to outperform industry onwards (unlike FY14 -18), we maintain BUY and lifted TP to HK\$ 67.31, based on 60x FY22E P/E (up from 55x), ~2.0 s.d. above 5 years average of 36x.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (EUR mn)	3,226	2,423	3,030	3,456	3,780
YoY growth (%)	2.7	(24.9)	25.1	14.0	9.4
Net profit (EUR mn)	256	(54)	199	315	414
EPS (EUR)	0.100	(0.021)	0.078	0.123	0.162
Adj. NP (EUR mn)	179	(54)	199	315	414
YoY growth (%)	(13.0)	(130.3)	(466.7)	58.5	31.6
Consensus EPS (EUR)	n/a	n/a	0.079	0.125	0.156
P/E (x)	67.0	(303.4)	82.7	52.2	39.7
P/B (x)	5.8	5.8	5.5	5.1	4.8
Yield (%)	0.3	0.5	0.7	1.5	2.0
ROE (%)	8.6	(1.9)	6.6	9.8	12.1
Net gearing (%)	14.3	10.9	6.1	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$67.31
(Previous TP)	HK\$57.80)
Up/Downside	15.0%
Current Price	HK\$58.55

### Global Luxury Goods Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	149,819
Avg 3 mths t/o (HK\$ mn)	45.44
52w High/Low (HK\$)	60.45/26.15
Total Issued Shares (mn)	2,558.8

Source: Bloomberg

#### Shareholding Structure

Prada Family	79.98%
Invesco Ltd	4.93%
Free Float	15.09%

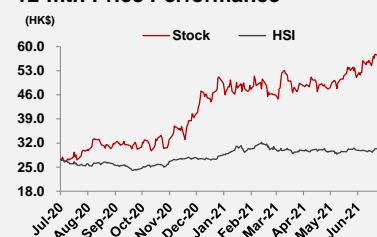
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	11.1%	13.5%
3-mth	14.8%	17.3%
6-mth	14.1%	10.7%
12-mth	106.2%	84.8%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Deloitte & Touche

#### Related Reports

- Prada (1913 HK, BUY) – Surging brand popularity shall lift margins – 11 Mar 2021
- Prada (1913 HK, BUY) – Flattish sales growth achieved in Dec 2020 – 27 Jan 2021
- Prada (1913 HK, BUY) – Returned to profit with strong sales in Jun - 30 Jul 2020

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<https://euromoney.com/brokers>

## Earnings revision

Figure 1: Earnings revision

(EUR mn)	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	3,030	3,456	3,780	3,030	3,396	3,648	0.0%	1.8%	3.6%
Gross profit	2,257	2,609	2,873	2,257	2,564	2,772	0.0%	1.8%	3.6%
EBIT	329	492	622	340	476	566	-3.3%	3.3%	9.8%
Net profit att.	199	315	414	195	295	367	1.7%	6.8%	12.9%
Diluted EPS (EUR)	0.078	0.123	0.162	0.076	0.115	0.143	1.7%	6.8%	12.9%
Gross margin	74.5%	75.5%	76.0%	74.5%	75.5%	76.0%	0ppt	0ppt	0ppt
EBIT margin	10.8%	14.2%	16.4%	11.2%	14.0%	15.5%	-0.4ppt	0.2ppt	0.9ppt
Net profit att. margin	6.6%	9.1%	11.0%	6.4%	8.7%	10.1%	0.1ppt	0.4ppt	0.9ppt

Source: Company data, CMBIS estimates

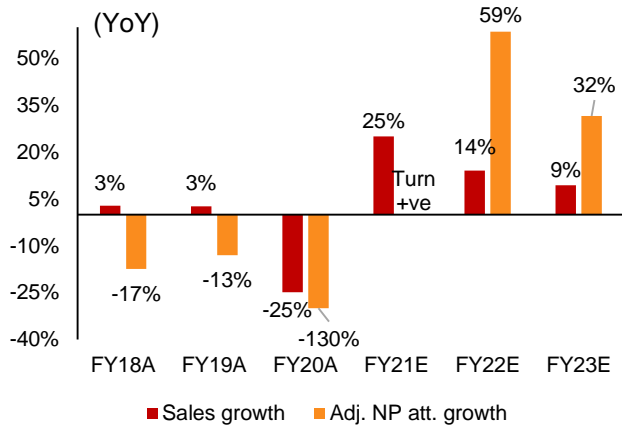
Figure 2: CMBIS estimates vs consensus

(EUR mn)	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	3,030	3,456	3,780	3,068	3,455	3,763	-1.2%	0.0%	0.5%
Gross profit	2,257	2,609	2,873	2,279	2,615	2,877	-0.9%	-0.2%	-0.1%
EBIT	329	492	622	340	521	677	-3.4%	-5.7%	-8.2%
Net profit att.	199	315	414	197	308	421	0.8%	2.1%	-1.6%
Diluted EPS (EUR)	0.078	0.123	0.162	0.079	0.125	0.156	-1.9%	-1.8%	3.5%
Gross margin	74.5%	75.5%	76.0%	74.5%	75.5%	76.0%	0ppt	0ppt	0ppt
EBIT margin	10.8%	14.2%	16.4%	11.2%	14.0%	15.5%	-0.4ppt	0.2ppt	0.9ppt
Net profit att. margin	6.6%	9.1%	11.0%	6.4%	8.7%	10.1%	0.1ppt	0.4ppt	0.9ppt

Source: Bloomberg, CMBIS estimates

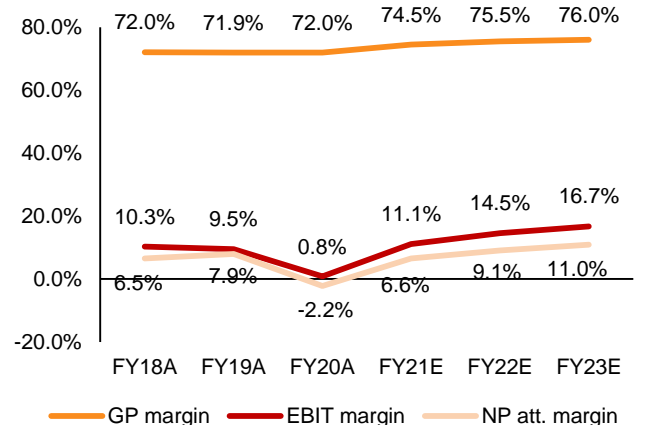
**Focus Charts**

**Figure 3: Sales/ net profit growth**



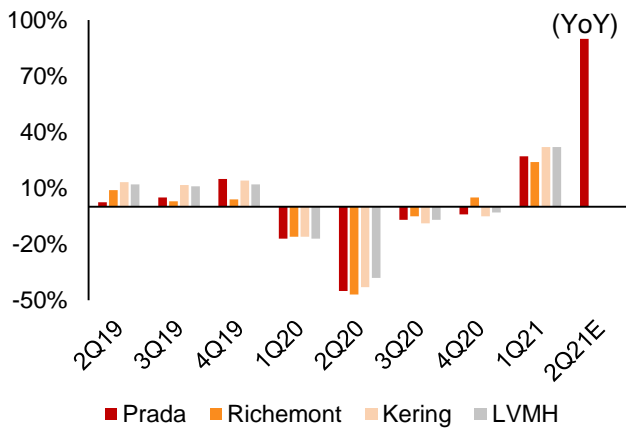
Source: Company data, CMBIS estimates

**Figure 4: GP, OP, NP att. margin**



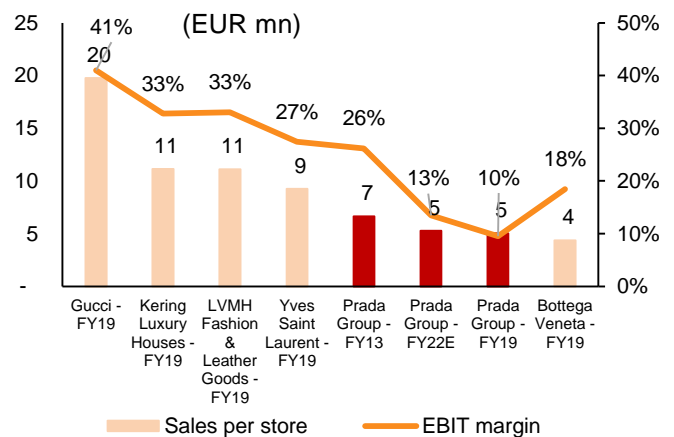
Source: Company data, CMBIS estimates

**Figure 5: Quarterly retail sales growth by brand**



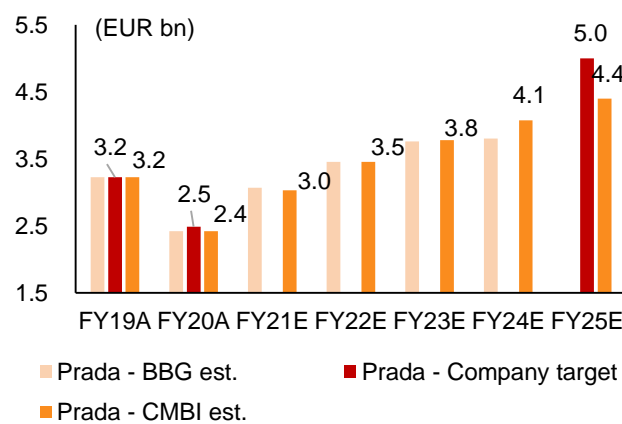
Source: Company data, CMBIS estimates

**Figure 6: Store productivity by brand**



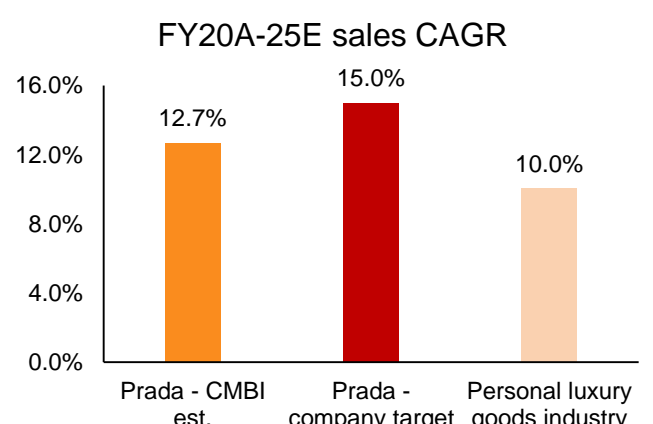
Source: Company data, CMBIS estimates

**Figure 7: Prada sales (CMBI est., BBG est. and Company target)**



Source: Company data, Bain & Altagamma, CMBIS estimates

**Figure 8: Prada FY20-25E sales CAGR (CMBI est., BBG est. and Company target)**



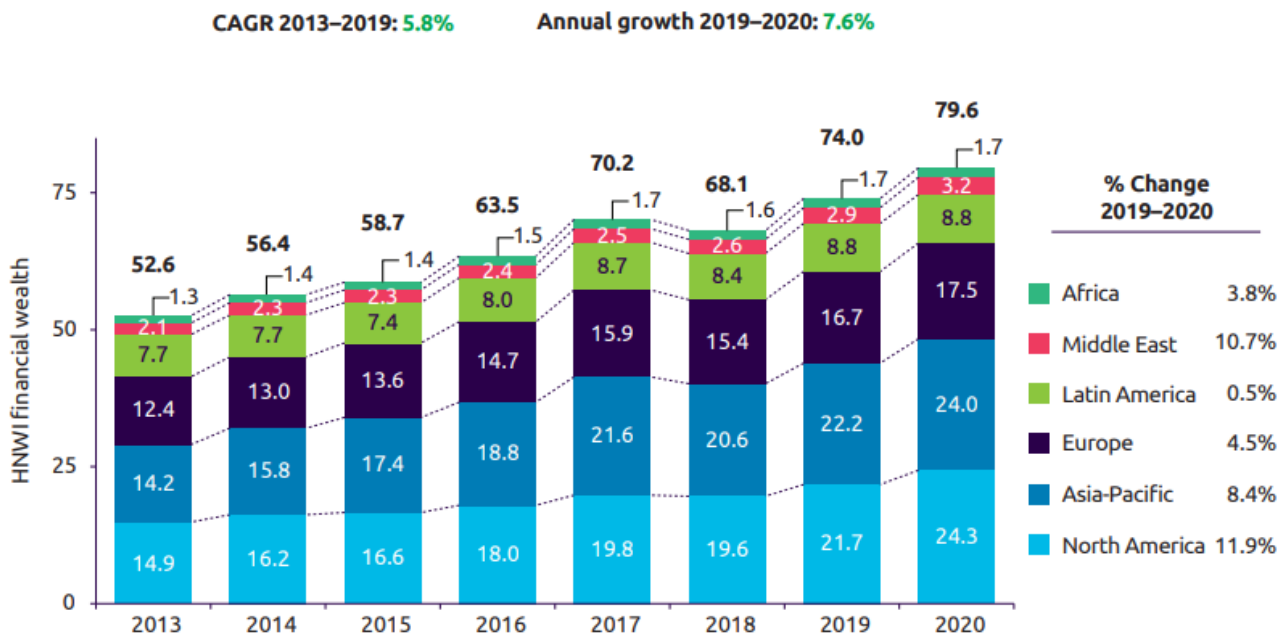
Source: Company data, Bain & Altagamma, CMBIS estimates

**Figure 9: Lyst Index - rising popularity for Prada**

Rank	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
1	Off-White	Gucci	Off-White	Gucci	Off-White	Off-White	Off-White	Nike	Gucci	Gucci	Gucci
2	Gucci	Off-White	Gucci	Off-White	Balenciaga	Gucci	Balenciaga	Off-White	Off-White	Balenciaga	Nike
3	Balenciaga	Balenciaga	Balenciaga	Balenciaga	Gucci	Balenciaga	Nike	Gucci	Nike	Moncler	Dior
4	Nike	Moncler	Valentino	Valentino	Versace	Moncler	Gucci	Balenciaga	Prada	Off-White	Balenciaga
5	Prada	Fendi	Fendi	Prada	Prada	Versace	Prada	Prada	Balenciaga	Prada	Moncler
6	Versace	Versace Stone	Prada Stone	Versace	Valentino	Fendi	Moncler	Saint Laurent	Fendi	Saint Laurent	Prada
7	Yeezy	Island	Island	Fendi Stone	Fendi	Prada	Fendi	Versace	Versace Saint	Veneta	Vuitton
8	Vetements	Vetements	Versace	Island	Burberry Saint	Valentino Saint	Valentino Saint	Burberry	Laurent Bottega	Versace	Veneta Saint
9	Fendi	Valentino	Vetements Saint	Nike Saint	Laurent	Laurent	Laurent	Fendi Bottega	Veneta	Valentino	Laurent
10	Valentino	Burberry	Laurent	Laurent	Vetements	Burberry	Versace	Veneta	Valentino	Fendi	Off-White

Source: <http://www.lyst.com/>, CMBIS estimates

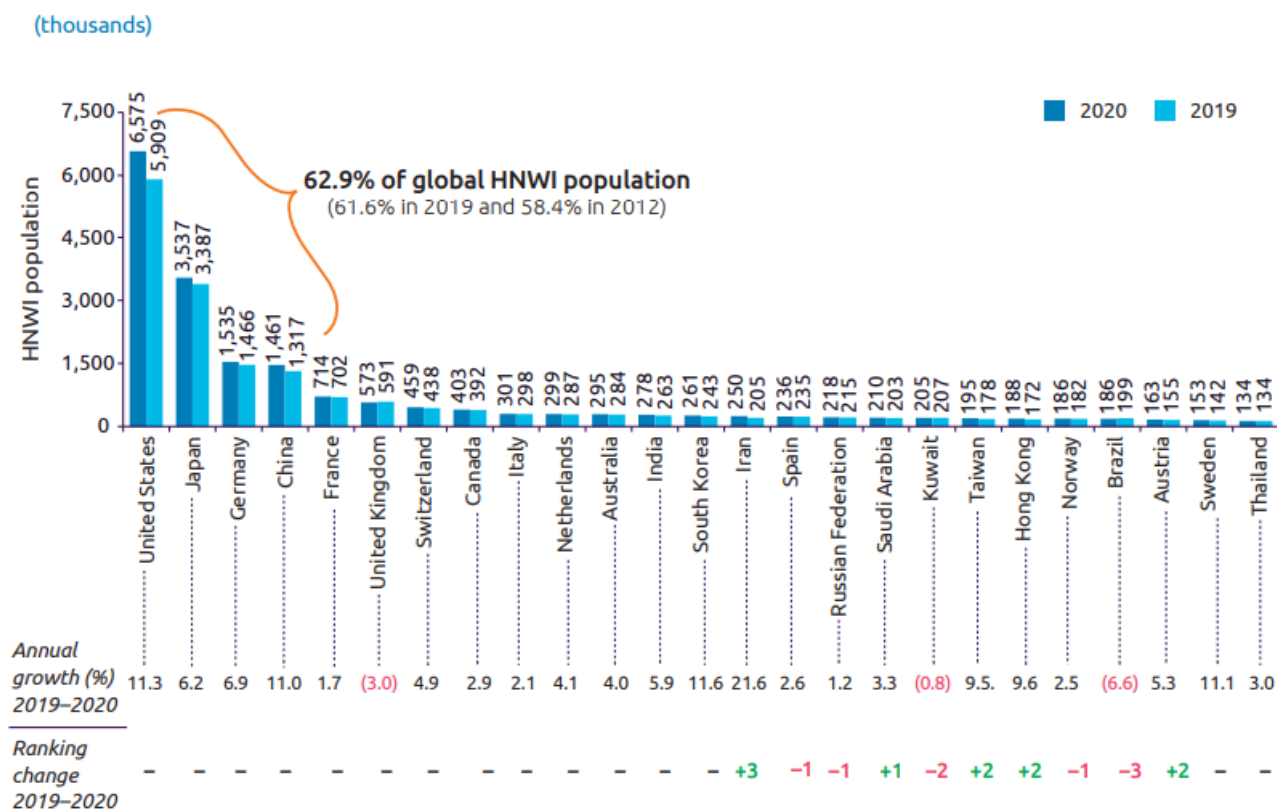
**Figure 10: High net worth individual's financial wealth by region (USD trillions), 2013-2020**



Note: Chart numbers and quoted percentages may not add up due to rounding.

Source: Capgemini Financial Services Analysis 2021, CMBIS

Figure 11: Top 25 markets by High net worth individual population, 2019-2020



Source: Capgemini Financial Services Analysis 2021, CMBIS

## Results Preview

Figure 12: Results preview – Half Year

Half yearly (RMB mn)	1H19	2H19	1H20	2H20	1H21E	2H21E	1H20 YoY	2H20 YoY	1H21E YoY	2H21E YoY
<b>Revenue</b>	1,570	1,655	938	1,485	1,413	1,618	-40%	-10%	51%	9%
COGS	(444)	(462)	(277)	(402)	(367)	(405)				
Gross profit	1,126	1,194	660	1,083	1,045	1,212	-41%	-9%	58%	12%
<b>GP margins</b>	71.7%	72.1%	70.4%	72.9%	74.0%	74.9%				
Other income & gains	0	0	0	0	0	0				
Operating expenses	(975)	(1,038)	(856)	(867)	(922)	(997)	-12%	-16%	8%	15%
<b>Opex / sales</b>	-62.1%	-62.7%	-91.3%	-58.4%	-65.3%	-61.7%				
Other opex	0	0	0	0	0	0				
Operating profit (EBIT)	150	156	-196	216	123	215	-230%	38%	-163%	0%
<b>OP margins</b>	9.6%	9.4%	-20.9%	14.5%	8.7%	13.3%				
Other items	(23)	(24)	(23)	(19)	(23)	(21)				
Net finance income	(8)	(17)	(16)	(13)	(18)	3				
<b>Net fin. income / sales</b>	-0.5%	-1.1%	-1.7%	-0.9%	-1.3%	0.2%				
Profit after financing costs	120	115	-236	184	81	197				
Associated coms	0	0	0	0	0	0				
Jointly controlled coms	0	0	0	0	0	0				
Pre-tax profit	120	115	-236	184	81	197	-296%	60%	-134%	7%
Tax	34	(11)	52	(55)	(23)	(55)				
<b>Tax / sales</b>	2.2%	-0.7%	5.5%	-3.7%	-1.6%	-3.4%				
<b>Effective tax rate</b>	28.7%	-10.0%	-22.1%	-29.7%	-28.5%	-27.8%				
Minority interests	(0)	2	(3)	3	1	1				
<b>Net profit att.</b>	155	101	(180)	126	57	141	-216%	25%	-132%	12%
<b>NP margins</b>	9.9%	6.1%	-19.2%	8.5%	4.1%	8.7%				
<b>Sales</b>										
Direct sales	1,232	1,404	835	1,281	1,296	1,399	-32%	-9%	55%	9%
Franchise sales	314	233	91	185	104	198	-71%	-21%	15%	7%
Royalties	24	19	12	19	12	21	-48%	5%	-5%	6%

Source: Company data, CMBIS estimates

Figure 13: Results preview - Full Year

Full yearly (RMB mn)	FY19	FY20	FY21E	FY22E	FY20 YoY	FY21E YoY	FY22E YoY
<b>Revenue</b>	<b>3,226</b>	<b>2,423</b>	<b>3,030</b>	<b>3,456</b>	<b>-25%</b>	<b>25%</b>	<b>14%</b>
COGS	(906)	(679)	(773)	(847)			
Gross profit	2,320	1,743	2,257	2,609	-25%	29%	16%
<b>GP margins</b>	<b>71.9%</b>	<b>72.0%</b>	<b>74.5%</b>	<b>75.5%</b>			
Other income & gains	0	0	0	0			
Operating expenses	(2,013)	(1,723)	(1,920)	(2,107)	-14%	11%	10%
<b>Opex / sales</b>	<b>-62.4%</b>	<b>-71.1%</b>	<b>-63.4%</b>	<b>-61.0%</b>			
Other opex	0	0	0	0			
Operating profit (EBIT)	307	20	338	502	-93%	1583%	49%
<b>OP margins</b>	<b>9.5%</b>	<b>0.8%</b>	<b>11.1%</b>	<b>14.5%</b>			
Other items	(47)	(42)	(45)	(47)			
Net finance income	(25)	(29)	(15)	(15)			
<b>Net fin. income / sales</b>	<b>-0.8%</b>	<b>-1.2%</b>	<b>-0.5%</b>	<b>-0.4%</b>			
Profit after financing costs	235	-52	278	440			
Associated coms	0	0	0	0			
Jointly controlled coms	0	0	0	0			
Pre-tax profit	235	-52	278	440	-122%	-636%	58%
Tax	23	(3)	(78)	(123)			
<b>Tax / sales</b>	<b>0.7%</b>	<b>-0.1%</b>	<b>-2.6%</b>	<b>-3.6%</b>			
<b>Effective tax rate</b>	<b>9.8%</b>	<b>4.9%</b>	<b>-28.0%</b>	<b>-28.0%</b>			
Minority interests	2	(0)	2	2			
<b>Net profit att.</b>	<b>256</b>	<b>(54)</b>	<b>199</b>	<b>315</b>	<b>-121%</b>	<b>-467%</b>	<b>59%</b>
<b>NP margins</b>	<b>7.9%</b>	<b>-2.2%</b>	<b>6.6%</b>	<b>9.1%</b>			
Sales							
Direct sales	2,636	2,115	2,695	3,110	-20%	27%	15%
Franchise sales	547	275	302	313	-50%	10%	4%
Royalties	42	32	33	33	-25%	2%	2%

Source: Company data, CMBIS estimates

## Assumption

Figure 14: Major assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales by segment (EUR mn)</b>					
<b>Direct sales</b>	<b>2,636</b>	<b>2,115</b>	<b>2,695</b>	<b>3,110</b>	<b>3,423</b>
Prada	2,167	1,765	2,274	2,633	2,905
Miu Miu	404	307	375	427	466
Other	65	43	47	50	52
<b>Franchise sales</b>	<b>547</b>	<b>275</b>	<b>302</b>	<b>313</b>	<b>324</b>
<b>Royalties</b>	<b>42</b>	<b>32</b>	<b>33</b>	<b>33</b>	<b>34</b>
<b>Total</b>	<b>3,226</b>	<b>2,423</b>	<b>3,030</b>	<b>3,456</b>	<b>3,780</b>
<b>Sales growth by segment (%)</b>					
<b>Direct sales</b>	<b>4.1%</b>	<b>-19.8%</b>	<b>27.4%</b>	<b>15.4%</b>	<b>10.1%</b>
Prada	4.7%	-18.5%	28.8%	15.8%	10.4%
Miu Miu	1.0%	-24.0%	22.0%	14.0%	9.0%
Other	4.2%	-33.9%	8.8%	6.5%	4.2%
<b>Franchise sales</b>	<b>-3.3%</b>	<b>-49.7%</b>	<b>9.7%</b>	<b>3.5%</b>	<b>3.5%</b>
<b>Royalties</b>	<b>-4.1%</b>	<b>-24.6%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>
<b>Total</b>	<b>2.7%</b>	<b>-24.9%</b>	<b>25.1%</b>	<b>14.0%</b>	<b>9.4%</b>
<b>Number of stores by brand</b>					
Prada	410	410	410	414	418
Miu Miu	160	152	153	156	159
Others	71	71	71	72	73
Franchises stores	25	26	25	25	25
<b>Sum total</b>	<b>666</b>	<b>659</b>	<b>659</b>	<b>667</b>	<b>675</b>
<b>GP margins</b>	<b>71.9%</b>	<b>72.0%</b>	<b>74.5%</b>	<b>75.5%</b>	<b>76.0%</b>
<b>Opex breakdown by segment</b>					
Design, R & D/ sales	3.9%	4.2%	4.0%	3.9%	3.9%
A & P/ sales	7.2%	8.5%	8.3%	7.5%	7.2%
D & A/ sales	4.9%	6.5%	5.2%	4.9%	4.5%
Labour costs/ sales	19.1%	22.2%	18.8%	17.6%	16.8%
Variable rental/ sales	10.5%	11.6%	9.8%	10.3%	10.5%
Fixed rental/ sales	8.8%	10.6%	8.9%	8.4%	8.0%
Others/ sales	2.3%	1.0%	1.5%	1.7%	1.8%
G & A/ sales	5.7%	6.4%	6.9%	6.7%	6.5%
<b>Total</b>	<b>62.4%</b>	<b>71.1%</b>	<b>63.4%</b>	<b>61.0%</b>	<b>59.3%</b>
<b>EBIT margins</b>	<b>9.5%</b>	<b>0.8%</b>	<b>11.1%</b>	<b>14.5%</b>	<b>16.7%</b>
Pre-tax margins	7.3%	-2.1%	9.2%	12.7%	15.1%
<b>Effective tax rate</b>	<b>9.8%</b>	<b>4.9%</b>	<b>-28.0%</b>	<b>-28.0%</b>	<b>-27.0%</b>
<b>Net profit att. (EUR mn)</b>	<b>256</b>	<b>(54)</b>	<b>199</b>	<b>315</b>	<b>414</b>
Net profit att. margins	7.9%	-2.2%	6.6%	9.1%	11.0%
<b>Net profit att. Growth (%)</b>	<b>24.5%</b>	<b>-121.2%</b>	<b>-466.7%</b>	<b>58.5%</b>	<b>31.6%</b>
<b>Adjusted NP att. (EUR mn)</b>	<b>179</b>	<b>(54)</b>	<b>199</b>	<b>315</b>	<b>414</b>
<b>Adjusted NP att. Growth (%)</b>	<b>-13.0%</b>	<b>-130.3%</b>	<b>-466.7%</b>	<b>58.5%</b>	<b>31.6%</b>

Source: Company data, CMBIS estimates



Figure 15: Peers' valuation

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down side	Mkt. Cap (HK\$mn)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1	FY2	FY1	FY2	FY0	FY2	FY1	
<b>H shares Luxury, Jewellery, Watches</b>															
Prada	1913 HK	BUY	67.31	58.55	15%	149,819	Dec-20	82.7	52.2	5.5	5.1	(1.9)	(0.3)	0.7	
Samsonite	1910 HK	NR	n/a	16.30	n/a	23,404	Dec-20	n/a	19.1	4.8	4.0	(66.3)	0.0	0.0	
Chow Tai Fook	1929 HK	NR	n/a	17.70	n/a	177,000	Mar-21	26.3	22.9	5.4	4.9	21.1	2.0	2.8	
Luk Fook	590 HK	NR	n/a	27.00	n/a	15,852	Mar-21	13.7	10.9	1.4	1.3	9.4	0.8	3.8	
Chow Sang Sang	116 HK	NR	n/a	13.44	n/a	9,105	Dec-20	9.0	7.6	0.7	0.7	4.8	0.2	4.7	
Emperor Watch	887 HK	NR	n/a	0.24	n/a	1,634	Dec-20	n/a	n/a	n/a	n/a	0.8	0.0	n/a	
Oriental Watch	398 HK	NR	n/a	4.30	n/a	2,096	Mar-21	n/a	n/a	n/a	n/a	11.4	0.0	n/a	
Hengdeli	3389 HK	NR	n/a	0.31	n/a	1,384	Dec-20	n/a	n/a	n/a	n/a	(10.6)	0.0	n/a	
								<b>Avg.</b>	<b>32.9</b>	<b>22.5</b>	<b>3.6</b>	<b>3.2</b>	<b>(3.9)</b>	<b>0.3</b>	<b>2.4</b>
								<b>Med.</b>	<b>20.0</b>	<b>19.1</b>	<b>4.8</b>	<b>4.0</b>	<b>2.8</b>	<b>0.0</b>	<b>2.8</b>
<b>A-shares Luxury, Jewellery, Watches</b>															
Lao Feng Xiang	600612 CH	NR	n/a	54.08	n/a	26,375	Dec-20	15.3	13.9	3.0	2.6	23.3	1.0	2.3	
Chow Tai Seng	002867 CH	NR	n/a	19.25	n/a	25,371	Dec-20	16.4	13.7	3.4	2.9	22.0	0.7	2.2	
Leysen Jewelry	603900 CH	NR	n/a	7.89	n/a	3,230	Dec-20	n/a	n/a	n/a	n/a	6.5	0.0	n/a	
Guangdong Chj	002345 CH	NR	n/a	5.53	n/a	6,020	Dec-20	18.0	14.7	1.4	1.3	7.8	0.4	1.8	
Fiyta Holdings	000026 CH	NR	n/a	14.02	n/a	6,706	Dec-20	14.5	11.6	2.0	1.8	15.3	0.5	1.5	
Zhejiang Ming	002574 CH	NR	n/a	4.85	n/a	3,079	Dec-20	n/a	n/a	n/a	n/a	(7.7)	0.0	n/a	
								<b>Avg.</b>	<b>16.1</b>	<b>13.5</b>	<b>2.4</b>	<b>2.2</b>	<b>11.2</b>	<b>0.4</b>	<b>1.9</b>
								<b>Med.</b>	<b>15.9</b>	<b>13.8</b>	<b>2.5</b>	<b>2.2</b>	<b>11.5</b>	<b>0.4</b>	<b>2.0</b>
<b>International Luxury, Jewellery, Watches</b>															
Prada	1913 HK	BUY	67.31	58.55	15%	149,819	Dec-20	82.7	52.2	5.5	5.1	(1.9)	(0.3)	0.7	
Samsonite	1910 HK	NR	n/a	16.30	n/a	23,404	Dec-20	n/a	19.1	4.8	4.0	(66.3)	0.0	0.0	
LVMH	MC FP	NR	n/a	663.80	n/a	3,089,299	Dec-20	38.1	33.1	7.7	6.7	12.7	1.1	1.1	
Kering	KER FP	NR	n/a	736.50	n/a	848,956	Dec-20	30.5	26.0	6.7	5.9	19.5	1.2	1.4	
Hermes	RMS FP	NR	n/a	1220.50	n/a	1,187,999	Dec-20	66.6	58.1	14.6	12.4	19.9	2.9	0.5	
Richemont	CFR SW	NR	n/a	111.75	n/a	540,930	Mar-21	31.9	26.3	3.1	3.0	7.5	1.2	2.0	
Moncler	MONC IM	NR	n/a	57.36	n/a	144,743	Dec-20	41.2	33.5	7.1	6.2	20.5	2.1	0.9	
Burberry	BRBY LN	NR	n/a	2046.00	n/a	89,106	Mar-21	24.5	21.5	5.0	4.5	27.1	4.1	2.2	
Ferragamo	SFER IM	NR	n/a	18.20	n/a	28,316	Dec-20	126.4	51.5	4.1	3.9	(4.0)	(0.6)	0.6	
Essilorluxottica	EL FP	NR	n/a	152.12	n/a	619,584	Dec-20	33.7	29.1	2.1	2.1	0.3	0.2	1.4	
Swatch	UHR SW	NR	n/a	314.20	n/a	136,127	Dec-20	26.8	20.9	1.4	1.4	(0.5)	(0.1)	1.8	
Tod'S	TOD IM	NR	n/a	56.85	n/a	17,347	Dec-20	n/a	n/a	1.9	1.9	(7.0)	0.0	0.2	
Hugo Boss	BOSS GY	NR	n/a	46.81	n/a	30,384	Dec-20	41.3	22.7	3.9	3.6	(24.2)	(0.2)	2.0	
								<b>Avg.</b>	<b>49.4</b>	<b>32.8</b>	<b>5.2</b>	<b>4.7</b>	<b>0.3</b>	<b>0.9</b>	<b>1.1</b>
								<b>Med.</b>	<b>38.1</b>	<b>27.7</b>	<b>4.8</b>	<b>4.0</b>	<b>0.3</b>	<b>0.2</b>	<b>1.1</b>

Source: Bloomberg, CMBIS estimates

## Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (EUR mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (EUR mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>3,226</b>	<b>2,423</b>	<b>3,030</b>	<b>3,456</b>	<b>3,780</b>	<b>EBIT</b>	<b>290</b>	<b>(1)</b>	<b>329</b>	<b>492</b>	<b>622</b>
Direct sales	2,636	2,115	2,695	3,110	3,423	D & A	62	141	136	125	135
Franchise sales	547	275	302	313	324	Change in working capital	(108)	106	(47)	27	(62)
Royalties	42	32	33	33	34	Income tax paid	(26)	(44)	(78)	(123)	(154)
						Others	593	391	71	61	62
<b>Cost of goods sold</b>	<b>(906)</b>	<b>(679)</b>	<b>(773)</b>	<b>(847)</b>	<b>(907)</b>	<b>Net cash from operating</b>	<b>810</b>	<b>592</b>	<b>411</b>	<b>581</b>	<b>602</b>
<b>Gross profit</b>	<b>2,320</b>	<b>1,743</b>	<b>2,257</b>	<b>2,609</b>	<b>2,873</b>	Capex & investments	(286)	(109)	(185)	(211)	(231)
<b>Other income</b>	<b>(17)</b>	<b>(21)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	Associated companies	-	-	-	-	-
						Interest received	-	-	-	-	-
<b>Operating expenses</b>	<b>(2,013)</b>	<b>(1,723)</b>	<b>(1,920)</b>	<b>(2,107)</b>	<b>(2,240)</b>	Others	(17)	(41)	-	-	-
D & A	(62)	(141)	(136)	(125)	(135)	<b>Net cash from investing</b>	<b>(302)</b>	<b>(150)</b>	<b>(185)</b>	<b>(211)</b>	<b>(231)</b>
Staff costs	(643)	(579)	(594)	(637)	(667)	Equity raised	-	-	-	-	-
S & D costs (ex-staff, D&A)	(969)	(822)	(915)	(1,039)	(1,119)	Net change in bank loans	(19)	(36)	-	-	-
Admin exp. (ex-staff, D&A)	(339)	(182)	(274)	(306)	(320)	Dividend paid	(155)	-	(90)	(119)	(252)
Other operating expenses	-	-	-	-	-	Others	(519)	(360)	-	-	-
<b>Operating profit</b>	<b>290</b>	<b>(1)</b>	<b>329</b>	<b>492</b>	<b>622</b>	<b>Net cash from financing</b>	<b>(692)</b>	<b>(395)</b>	<b>(90)</b>	<b>(119)</b>	<b>(252)</b>
Finance costs, net	(6)	(8)	(5)	(4)	(2)	<b>Net change in cash</b>	<b>(185)</b>	<b>47</b>	<b>137</b>	<b>252</b>	<b>120</b>
JVs & associates	-	-	-	-	-	Beginning cash balance	600	421	442	570	812
Exceptional	(48.98)	(42.67)	(45.45)	(48.38)	(49.15)	Exchange difference	6	(26)	-	-	-
<b>Pre-tax profit</b>	<b>235</b>	<b>(52)</b>	<b>278</b>	<b>440</b>	<b>570</b>	<b>Cash at the end of the year</b>	<b>421</b>	<b>442</b>	<b>579</b>	<b>821</b>	<b>931</b>
Income tax	23	(3)	(78)	(123)	(154)						
Less: Minority interests	2	(0)	2	2	2						
<b>Net profit</b>	<b>256</b>	<b>(54)</b>	<b>199</b>	<b>315</b>	<b>414</b>						

Balance sheet						Key ratios					
YE 31 Dec (EUR mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>5,341</b>	<b>4,873</b>	<b>4,855</b>	<b>4,882</b>	<b>4,919</b>	<b>Sales mix (%)</b>					
Fixed asset	1,642	1,506	1,518	1,576	1,654	Direct sales	81.7	87.3	89.0	90.0	90.5
Intangible assets & goodwill	844	832	803	777	748	Franchise sales	17.0	11.4	10.0	9.1	8.6
Prepaid lease payments	-	-	-	-	-	Royalties	1.3	1.3	1.1	1.0	0.9
Interest in joint ventures	81	66	66	66	66	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Other non-current assets	2,773	2,468	2,467	2,463	2,451						
<b>Current assets</b>	<b>1,698</b>	<b>1,655</b>	<b>1,869</b>	<b>2,080</b>	<b>2,275</b>	<b>P&amp;L ratios (%)</b>					
Cash and cash equivalents	421	442	570	812	922	Gross margin	71.9	72.0	74.5	75.5	76.0
Inventories	713	666	699	649	696	Operating margin	9.0	(0.0)	10.8	14.2	16.4
Trade and other receivables	318	290	332	341	373	Pre-tax margin	7.3	(2.1)	9.2	12.7	15.1
Prepayments	22	51	64	73	80	Net margin	7.9	(2.2)	6.6	9.1	11.0
Other current assets	225	205	205	205	205	Effective tax rate	(9.8)	(4.9)	28.0	28.0	27.0
<b>Current liabilities</b>	<b>1,232</b>	<b>1,227</b>	<b>1,267</b>	<b>1,262</b>	<b>1,286</b>	<b>Balance sheet ratios</b>					
Bank loans	241	301	301	301	301	Current ratio (x)	1.4	1.3	1.5	1.9	1.9
Trade payables	327	290	329	325	348	Quick ratio (x)	1.4	1.3	1.5	1.9	1.9
Accruals & other payables	-	-	-	-	-	Cash ratio (x)	0.3	0.4	0.4	0.6	0.7
Tax payables	84	69	69	69	69	Inventory turnover days	287	358	330	280	280
others	579	568	568	568	568	Trade receivables days	36	44	40	36	36
						Trade payables days	132	156	156	140	140
<b>Non-current liabilities</b>	<b>2,818</b>	<b>2,449</b>	<b>2,449</b>	<b>2,449</b>	<b>2,449</b>	Total debt / total equity ratio (%)	29	27	25	23	22
Bank loans	584	451	451	451	451	Net debt / equity ratio (%)	14	11	6	Net cash	Net cash
Deferred income	-	-	-	-	-	<b>Returns (%)</b>					
Deferred tax	29	29	29	29	29	ROE	8.6	(1.9)	6.6	9.8	12.1
Others	2,205	1,968	1,968	1,968	1,968	ROA	3.6	(0.8)	3.0	4.5	5.8
<b>Minority Interest</b>	<b>21</b>	<b>20</b>	<b>21</b>	<b>23</b>	<b>25</b>	<b>Per share</b>					
<b>Total net assets</b>	<b>2,967</b>	<b>2,832</b>	<b>2,986</b>	<b>3,227</b>	<b>3,435</b>	EPS (EUR)	0.10	(0.02)	0.08	0.12	0.16
<b>Shareholders' equity</b>	<b>2,967</b>	<b>2,832</b>	<b>2,986</b>	<b>3,227</b>	<b>3,435</b>	DPS (EUR)	0.02	0.04	0.05	0.10	0.13
						BVPS (EUR)	1.16	1.11	1.17	1.26	1.34

Source: Company data, CMBIS estimates

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