

# Prada (1913 HK)

## Turnaround confirmed after the strong beat

**Maintain BUY and raised TP to HK\$ 68.09**, based on 55x FY22E P/E (down from 60x), ~1.6 s.d. above 5 years avg. of 36x. This remarkable beat should be more than able to confirm Prada's long awaited turnaround, and we expect the mid-teens retail sales growth (vs 2019 level and accelerated vs 2Q21) to induce further margin improvement. Therefore, its current valuation of 44x FY22E P/E, in our view, is still highly attractive (despite a peers' average of 33x).

- An all-round beat in 1H21.** Prada's 1H21 sales surged by 60% YoY to EUR 1.5bn, 4% above BBG est., due to better-than-expected wholesale sales. It also recorded net profit of EUR 97mn in 1H21, beating BBG est. by 25%, thanks to a higher-than-expected GP margin and operating leverage. We are highly impressed as retail sales already surpassed 1H19 level despite temporary closure of ~17% of total stores, as well as jump in GP margin (driven by ASP hike, product and channel mix), reflecting rising brand popularity.
- Retail sales growth further accelerated in Jul 2021.** Highlighted by the management, retail sales growth not only improved to 12-13% in 2Q21 (vs LSD in 1Q21), but also further accelerated in Jul 2021, aided by: 1) excellent new products reception in Greater China and US, 2) successful omnichannel marketing through digital fashion shows and various pop up stores, 3) effective brand crossovers (Prada x Adidas, Miu Miu x Levi's), and 4) meaningful wealth effect, etc. According to our est. Prada's YoY retail sales growth for 2Q21 was ~105% (beating CMBI est. of 90%) and outperforming Kering's 98% and LVMH's 84%, indicating gains in market shares.
- EBIT margin target maintained but we are more positive, and it is still early in the brand cycle.** The Company targets a 75% GP margin (on track to reach its mid-term target of 78%) and a 11%+ EBIT margin in 2H21E (previous guiding somewhere between FY19's 9.5% and 2H20's 14.5%), but we are confidently forecasting a 14.7% in 2H21E, supported by: 1) robust effective sales per store in China & US and 2) easing of operating deleverage once stores in EU re-open. As the brand elevation continues, EBIT margin to reach 20% or 25%+ is not impossible, in mid-term horizon.
- Maintain BUY and raised TP to HK\$ 68.09.** We revised up FY21E/ 22E/ 23E NP estimates by 30%/ 18%/ 17% to factor in faster sales and better operating leverage. As we expect Prada continues to outperform industry (unlike FY14 -18), we maintain BUY and lifted TP to HK\$ 68.09, based on 55x FY22E P/E (down from 60x), ~1.6 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	3,218	3,669	4,015
YoY growth (%)	2.7	(24.9)	32.8	14.0	9.4
Net profit (EUR mn)	256	(54)	254	347	431
EPS (EUR)	0.100	(0.021)	0.099	0.136	0.168
Adj. NP (EUR mn)	179	(54)	254	347	431
YoY growth (%)	(13.0)	n/a	n/a	36.9	24.0
Consensus EPS (EUR)	n/a	n/a	0.079	0.125	0.156
P/E (x)	62.2	(281.6)	60.1	43.9	35.4
P/B (x)	5.4	5.4	5.0	4.6	4.4
Yield (%)	0.3	0.6	1.0	1.8	2.3
ROE (%)	8.6	(1.9)	8.3	10.6	12.4
Net gearing (%)	14.3	10.9	6.0	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$68.09
(Previous TP)	HK\$67.31
Up/Downside	25.3%
Current Price	HK\$54.35

### Global Luxury Goods Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	139,072
Avg 3 mths t/o (HK\$ mn)	42.2
52w High/Low (HK\$)	60.45/27.10
Total Issued Shares (mn)	2,558.8

Source: Bloomberg

#### Shareholding Structure

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

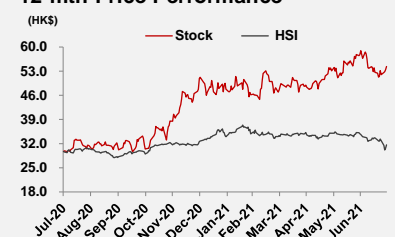
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-5.9%	3.7%
3-mth	11.0%	23.6%
6-mth	13.7%	22.2%
12-mth	92.0%	81.6%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Deloitte & Touche

#### Related Reports

- Prada (1913 HK, BUY) – Rising brand popularity will drive profitability – 6 Jul 2021
- 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

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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	3,218	3,669	4,015	3,030	3,396	3,648	6.2%	8.1%	10.1%
Gross profit	2,404	2,770	3,051	2,257	2,564	2,772	6.5%	8.1%	10.1%
EBIT	408	540	648	340	476	566	20.2%	13.5%	14.5%
Net profit att.	254	347	431	195	295	367	30.0%	17.8%	17.4%
Diluted EPS (EUR)	0.099	0.136	0.168	0.076	0.115	0.143	30.0%	17.8%	17.4%
Gross margin	74.7%	75.5%	76.0%	74.5%	75.5%	76.0%	0.2ppt	0ppt	0ppt
EBIT margin	12.7%	14.7%	16.1%	11.2%	14.0%	15.5%	1.5ppt	0.7ppt	0.6ppt
Net profit att. margin	7.9%	9.5%	10.7%	6.4%	8.7%	10.1%	1.4ppt	0.8ppt	0.7ppt

Source: Company data, CMBIS estimates

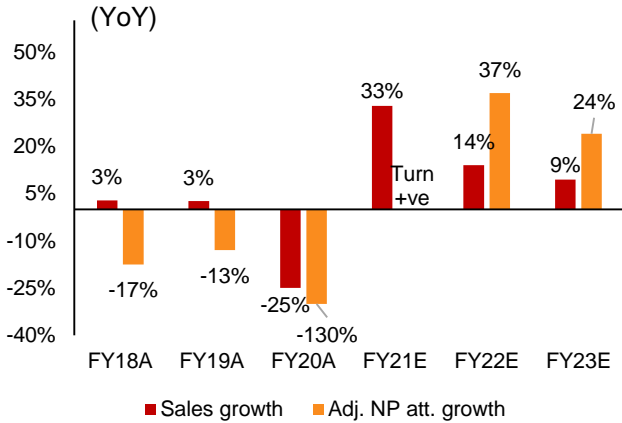
Figure 2: CMBIS estimates vs consensus

(EUR mn)	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	3,218	3,669	4,015	3,068	3,455	3,763	4.9%	6.2%	6.7%
Gross profit	2,404	2,770	3,051	2,279	2,615	2,877	5.5%	5.9%	6.1%
EBIT	408	540	648	340	521	677	20.0%	3.6%	-4.3%
Net profit att.	254	347	431	197	308	421	28.8%	12.7%	2.4%
Diluted EPS (EUR)	0.099	0.136	0.168	0.079	0.125	0.156	25.3%	8.3%	7.6%
Gross margin	74.7%	75.5%	76.0%	74.5%	75.5%	76.0%	0.2ppt	0ppt	0ppt
EBIT margin	12.7%	14.7%	16.1%	11.2%	14.0%	15.5%	1.5ppt	0.7ppt	0.6ppt
Net profit att. margin	7.9%	9.5%	10.7%	6.4%	8.7%	10.1%	1.4ppt	0.8ppt	0.7ppt

Source: Bloomberg, CMBIS estimates

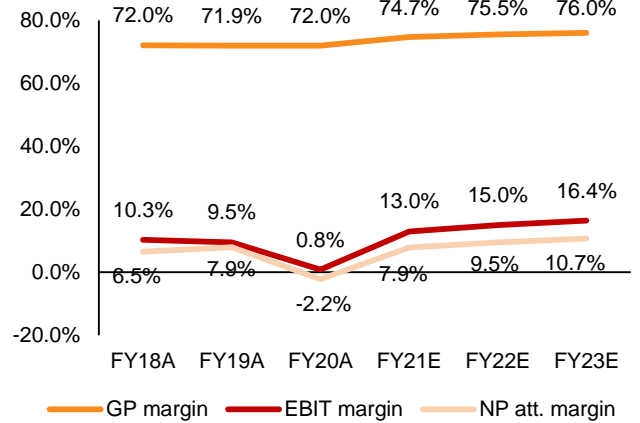
**Focus Charts**

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



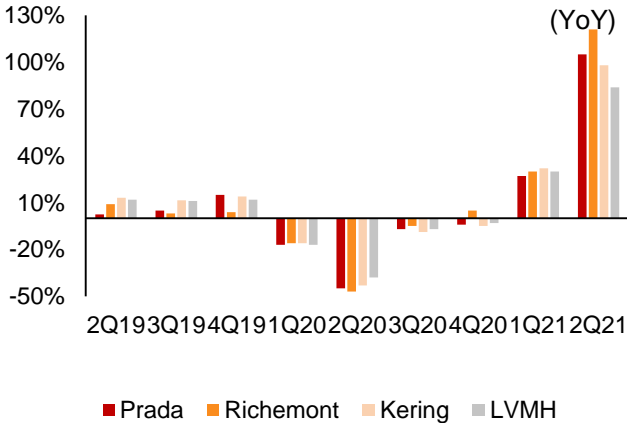
Source: Company data, CMBIS estimates

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



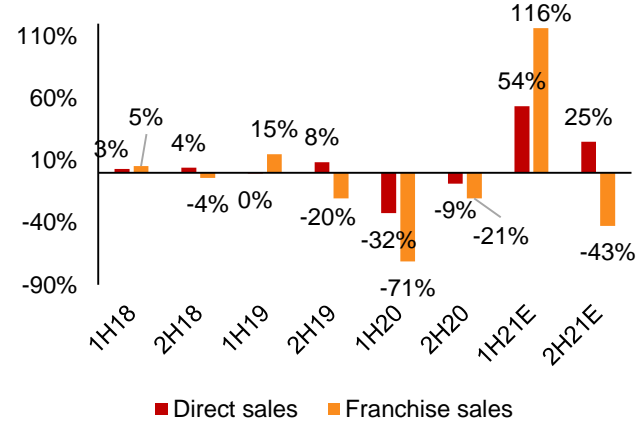
Source: Company data, CMBIS estimates

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



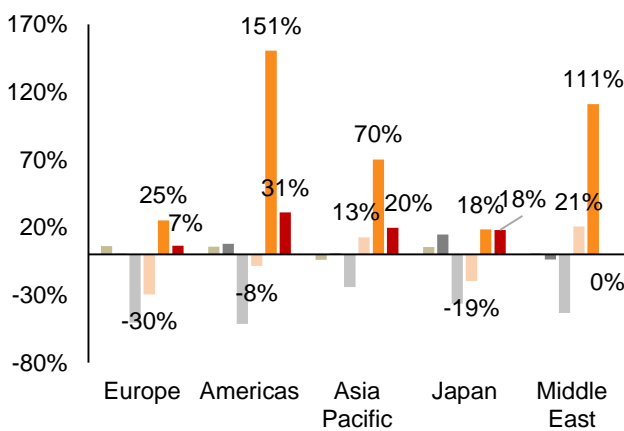
Source: Company data, CMBIS estimates

**Figure 6: Sales growth by segment**



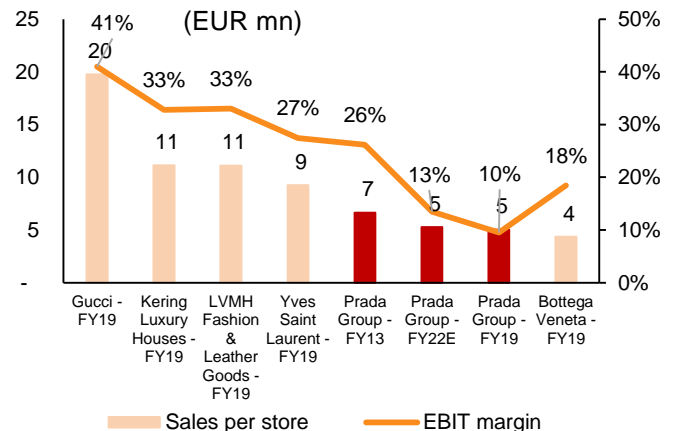
Source: Company data, CMBIS estimates

**Figure 7: Retail sales by region**



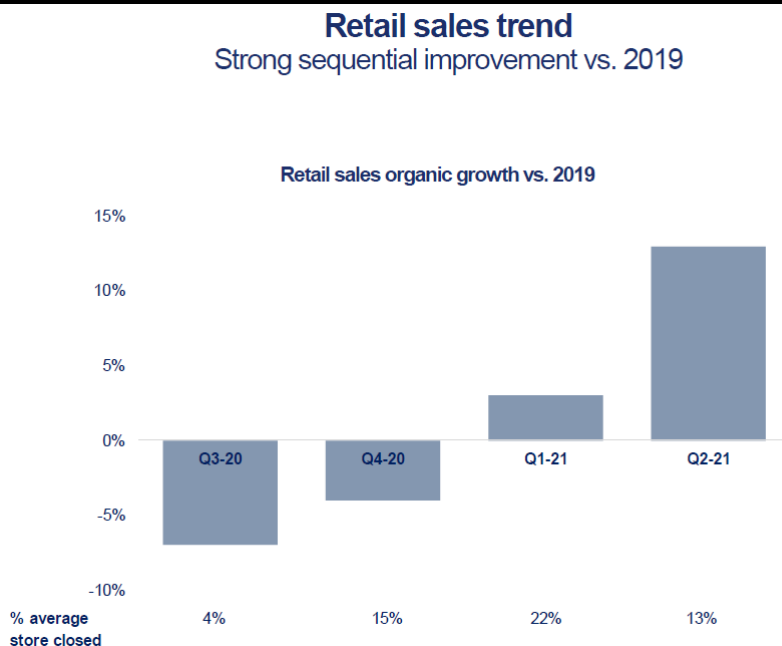
Source: Company data, CMBIS estimates

**Figure 8: Store productivity by brand**



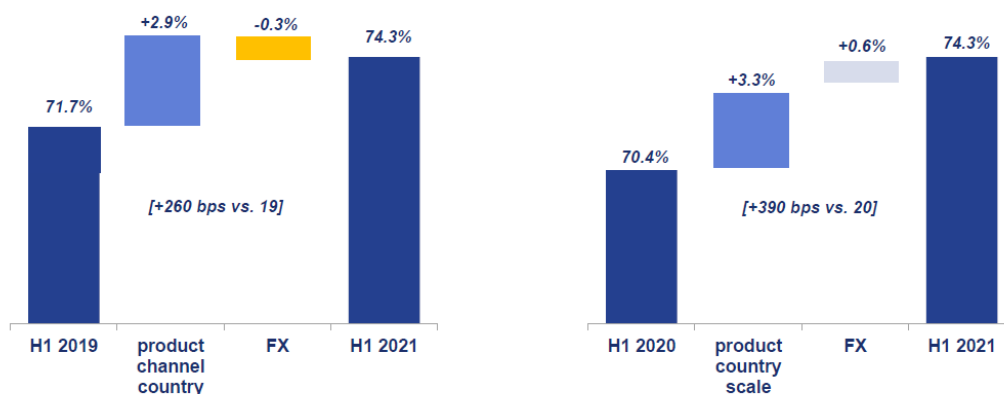
Source: Company data, CMBIS estimates

Figure 9: Retail sales growth trend vs 2019



Source: Company data, CMBIS

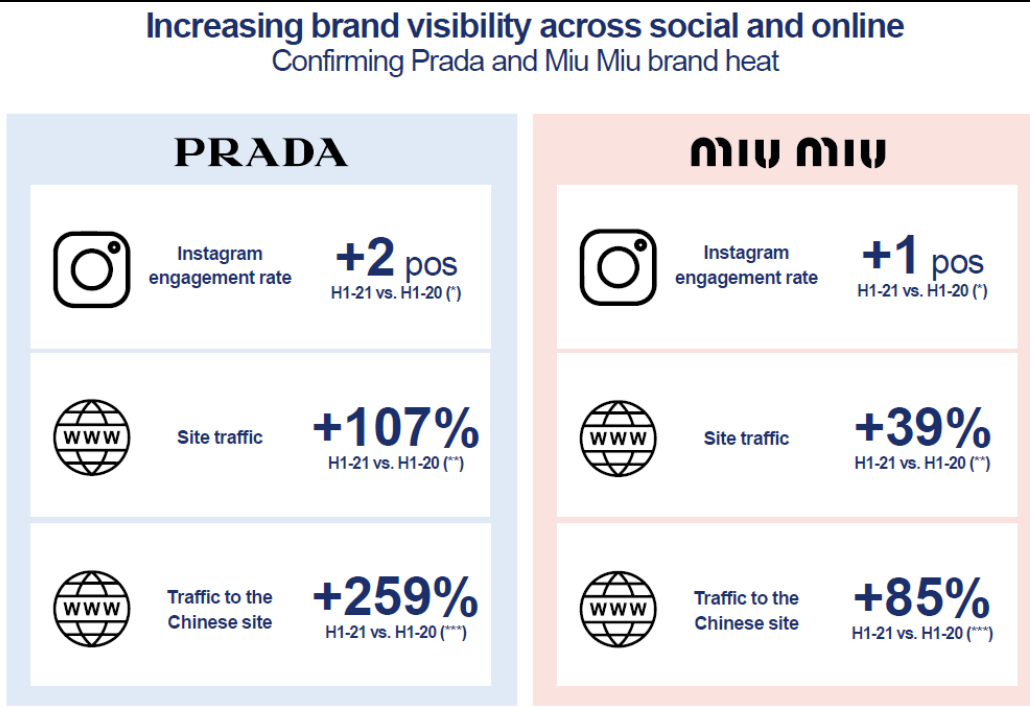
Figure 10: Drivers of GP margin improvements



- Driven by successful product elevation, channel / country mix and scale

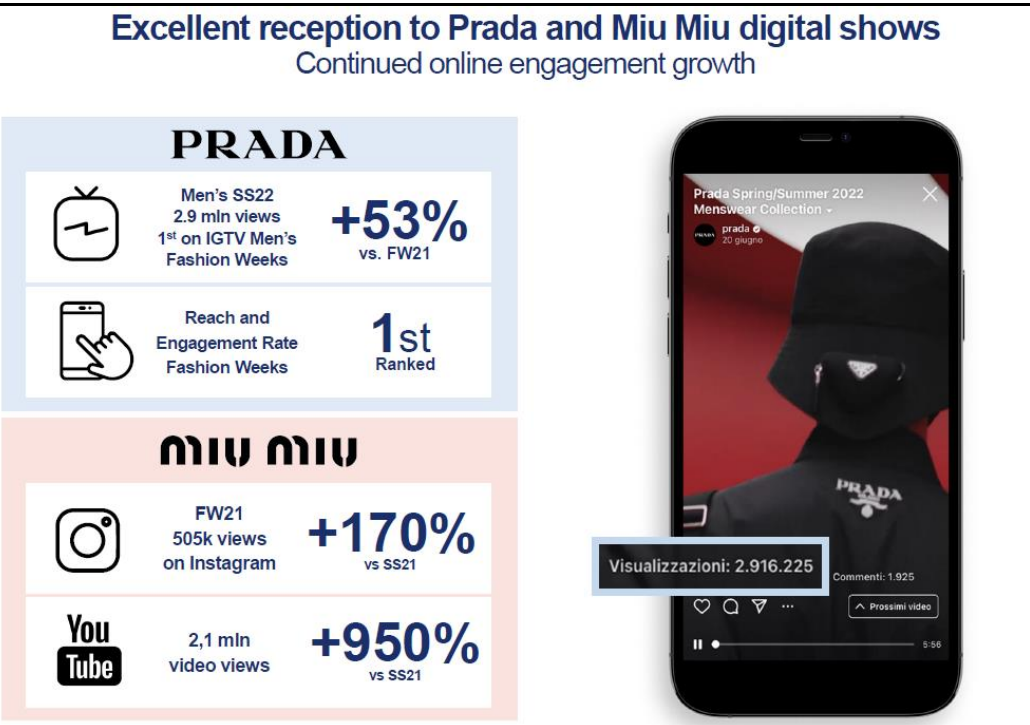
Source: Company data, CMBIS

**Figure 11: Increasing brand heat on social media and online platforms**



Source: Company data, CMBIS

**Figure 12: Excellent reception to digital fashion show.**



Source: Company data, CMBIS

## Results Preview

Figure 13: Results preview – Half Year

Half yearly (RMB mn)	1H19	2H19	1H20	2H20	1H21	2H21E	1H21 YoY	2H21 E YoY	1H21E CMBI	Actual vs CMBI
<b>Revenue</b>	<b>1,570</b>	<b>1,655</b>	<b>938</b>	<b>1,485</b>	<b>1,501</b>	<b>1,717</b>	<b>60%</b>	<b>16%</b>	<b>1,413</b>	<b>6%</b>
COGS	(444)	(462)	(277)	(402)	(386)	(428)			(367)	
Gross profit	1,126	1,194	660	1,083	1,115	1,289	<b>69%</b>	<b>19%</b>	1,045	<b>7%</b>
<b>GP margins</b>	<b>71.7%</b>	<b>72.1%</b>	<b>70.4%</b>	<b>72.9%</b>	<b>74.3%</b>	<b>75.1%</b>			<b>74.0%</b>	
Other income & gains	0	0	0	0	0	0			0	
Operating expenses	(975)	(1,038)	(856)	(867)	(949)	(1,037)	<b>11%</b>	<b>20%</b>	(922)	<b>3%</b>
<b>Opex / sales</b>	<b>-62.1%</b>	<b>-62.7%</b>	<b>-91.3%</b>	<b>-58.4%</b>	<b>-63.2%</b>	<b>-60.4%</b>			<b>-65.3%</b>	
Other opex	0	0	0	0	0	0			0	
Operating profit (EBIT)	150	156	-196	216	166	252	<b>-185%</b>	<b>17%</b>	123	<b>35%</b>
<b>OP margins</b>	<b>9.6%</b>	<b>9.4%</b>	<b>-20.9%</b>	<b>14.5%</b>	<b>11.1%</b>	<b>14.7%</b>			<b>8.7%</b>	
Other items	(23)	(24)	(23)	(19)	(19)	(29)			(23)	
Net finance income	(8)	(17)	(16)	(13)	(9)	(7)			(18)	
<b>Net fin. income / sales</b>	<b>-0.5%</b>	<b>-1.1%</b>	<b>-1.7%</b>	<b>-0.9%</b>	<b>-0.6%</b>	<b>-0.4%</b>			<b>-1.3%</b>	
Profit after financing costs	120	115	-236	184	138	216			81	
Associated coms	0	0	0	0	0	0			0	
Jointly controlled coms	0	0	0	0	0	0			0	
Pre-tax profit	120	115	-236	184	138	216	<b>-159%</b>	<b>18%</b>	81	<b>70%</b>
Tax	34	(11)	52	(55)	(41)	(58)			(23)	
<b>Tax / sales</b>	<b>2.2%</b>	<b>-0.7%</b>	<b>5.5%</b>	<b>-3.7%</b>	<b>-2.7%</b>	<b>-3.4%</b>			<b>-1.6%</b>	
<b>Effective tax rate</b>	<b>28.7%</b>	<b>-10.0%</b>	<b>-22.1%</b>	<b>-29.7%</b>	<b>-29.9%</b>	<b>-26.8%</b>			<b>-28.5%</b>	
Minority interests	(0)	2	(3)	3	(0)	2			1	
<b>Net profit att.</b>	<b>155</b>	<b>101</b>	<b>(180)</b>	<b>126</b>	<b>97</b>	<b>156</b>	<b>-154%</b>	<b>24%</b>	<b>57</b>	<b>70%</b>
<b>NP margins</b>	<b>9.9%</b>	<b>6.1%</b>	<b>-19.2%</b>	<b>8.5%</b>	<b>6.5%</b>	<b>9.1%</b>			<b>4.1%</b>	
<b>Sales</b>										
Direct sales	1,232	1,404	835	1,281	1,281	1,602	<b>54%</b>	<b>25%</b>	1,296	<b>-1%</b>
Franchise sales	314	233	91	185	196	106	<b>116%</b>	<b>-43%</b>	104	<b>89%</b>
Royalties	24	19	12	19	23	9	<b>89%</b>	<b>-53%</b>	12	<b>95%</b>

Source: Company data, CMBIS estimates

Figure 14: Results preview - Full Year

Full yearly (RMB mn)	FY19	FY20	FY21E	FY22E	FY20 YoY	FY21E YoY	FY22E YoY
Revenue	3,226	2,423	3,218	3,669	-25%	33%	14%
COGS	(906)	(679)	(814)	(899)			
Gross profit	2,320	1,743	2,404	2,770	-25%	38%	15%
<b>GP margins</b>	<b>71.9%</b>	<b>72.0%</b>	<b>74.7%</b>	<b>75.5%</b>			
Other income & gains	0	0	0	0			
Operating expenses	(2,013)	(1,723)	(1,986)	(2,219)	-14%	15%	12%
<b>Opex / sales</b>	<b>-62.4%</b>	<b>-71.1%</b>	<b>-61.7%</b>	<b>-60.5%</b>			
Other opex	0	0	0	0			
Operating profit (EBIT)	307	20	418	551	-93%	1983%	32%
<b>OP margins</b>	<b>9.5%</b>	<b>0.8%</b>	<b>13.0%</b>	<b>15.0%</b>			
Other items	(47)	(42)	(47)	(50)			
Net finance income	(25)	(29)	(16)	(16)			
<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	355	485			
Associated coms	0	0	0	0			
Jointly controlled coms	0	0	0	0			
Pre-tax profit	235	-52	355	485	-122%	-784%	37%
Tax	23	(3)	(99)	(136)			
<b>Tax / sales</b>	<b>0.7%</b>	<b>-0.1%</b>	<b>-3.1%</b>	<b>-3.7%</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>254</b>	<b>347</b>	<b>-121%</b>	<b>-569%</b>	<b>37%</b>
<b>NP margins</b>	<b>7.9%</b>	<b>-2.2%</b>	<b>7.9%</b>	<b>9.5%</b>			
<b>Sales</b>							
Direct sales	2,636	2,115	2,883	3,323	-20%	36%	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 15: 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>2,883</b>	<b>3,323</b>	<b>3,657</b>
Prada	2,167	1,765	2,468	2,853	3,147
Miu Miu	404	307	369	420	458
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>3,218</b>	<b>3,669</b>	<b>4,015</b>
<b>Sales growth by segment (%)</b>					
<b>Direct sales</b>	<b>4.1%</b>	<b>-19.8%</b>	<b>36.3%</b>	<b>15.3%</b>	<b>10.0%</b>
Prada	4.7%	-18.5%	39.8%	15.6%	10.3%
Miu Miu	1.0%	-24.0%	20.0%	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>32.8%</b>	<b>14.0%</b>	<b>9.4%</b>
<b>Number of stores by brand</b>					
Prada	410	410	418	422	426
Miu Miu	160	152	148	150	153
Others	71	71	70	71	72
Franchises stores	25	26	25	25	25
<b>Sum total</b>	<b>666</b>	<b>659</b>	<b>661</b>	<b>668</b>	<b>676</b>
<b>GP margins</b>	<b>71.9%</b>	<b>72.0%</b>	<b>74.7%</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%	7.8%	7.5%
D & A/ sales	4.9%	6.5%	5.0%	4.7%	4.4%
Labour costs/ sales	19.1%	22.2%	18.2%	17.7%	17.6%
Variable rental/ sales	10.5%	11.6%	9.5%	10.1%	10.3%
Fixed rental/ sales	8.8%	10.6%	8.4%	8.0%	7.6%
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>61.7%</b>	<b>60.5%</b>	<b>59.6%</b>
<b>EBIT margins</b>	<b>9.5%</b>	<b>0.8%</b>	<b>13.0%</b>	<b>15.0%</b>	<b>16.4%</b>
Pre-tax margins	7.3%	-2.1%	11.0%	13.2%	14.8%
<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>254</b>	<b>347</b>	<b>431</b>
Net profit att. margins	7.9%	-2.2%	7.9%	9.5%	10.7%
<b>Net profit att. Growth (%)</b>	<b>24.5%</b>	<b>-121.2%</b>	<b>-568.6%</b>	<b>36.9%</b>	<b>24.0%</b>
<b>Adjusted NP att. (EUR mn)</b>	<b>179</b>	<b>(54)</b>	<b>254</b>	<b>347</b>	<b>431</b>
<b>Adjusted NP att. Growth (%)</b>	<b>-13.0%</b>	<b>-130.3%</b>	<b>-568.6%</b>	<b>36.9%</b>	<b>24.0%</b>

Source: Company data, CMBIS estimates



Figure 16: 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	68.09	54.35	25%	139,072	Dec-20	60.1	43.9	5.0	4.6	(1.9)	(0.2)	1.0
Samsonite	1910 HK	NR	n/a	14.18	n/a	20,360	Dec-20	n/a	16.6	4.2	3.5	(66.3)	0.0	0.0
Chow Tai Fook	1929 HK	NR	n/a	16.34	n/a	163,400	Mar-21	24.2	20.8	4.9	4.5	21.1	1.8	3.0
Luk Fook	590 HK	NR	n/a	25.50	n/a	14,971	Mar-21	12.9	10.3	1.3	1.2	9.4	0.8	4.0
Chow Sang Sang	116 HK	NR	n/a	12.46	n/a	8,441	Dec-20	8.4	7.0	0.7	0.6	4.8	0.2	5.1
Emperor Watch	887 HK	NR	n/a	0.22	n/a	1,464	Dec-20	n/a	n/a	n/a	n/a	0.8	0.0	n/a
Oriental Watch	398 HK	NR	n/a	4.18	n/a	2,037	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	1,362	Dec-20	n/a	n/a	n/a	n/a	(10.6)	0.0	n/a
								<b>Avg.</b>	<b>26.4</b>	<b>19.7</b>	<b>3.2</b>	<b>2.9</b>	<b>(3.9)</b>	<b>0.3</b>
								<b>Med.</b>	<b>18.6</b>	<b>16.6</b>	<b>4.2</b>	<b>3.5</b>	<b>2.8</b>	<b>0.0</b>
														<b>3.0</b>
<b>A-shares Luxury, Jewellery, Watches</b>														
Lao Feng Xiang	600612 CH	NR	n/a	48.00	n/a	24,118	Dec-20	13.7	12.4	2.7	2.3	23.3	0.9	2.6
Chow Tai Seng	002867 CH	NR	n/a	18.17	n/a	23,974	Dec-20	13.3	11.0	2.7	2.3	22.0	0.4	2.7
Leysen Jewelry	603900 CH	NR	n/a	7.30	n/a	2,992	Dec-20	n/a	n/a	n/a	n/a	6.5	0.0	n/a
Guangdong Chj	002345 CH	NR	n/a	5.85	n/a	6,375	Dec-20	19.1	15.5	1.5	1.4	7.8	0.4	1.7
Fiyta Holdings	000026 CH	NR	n/a	12.26	n/a	5,940	Dec-20	12.5	10.1	1.7	1.6	15.3	0.4	1.7
Zhejiang Ming	002574 CH	NR	n/a	4.73	n/a	3,006	Dec-20	n/a	n/a	n/a	n/a	(7.7)	0.0	n/a
								<b>Avg.</b>	<b>14.6</b>	<b>12.3</b>	<b>2.2</b>	<b>1.9</b>	<b>11.2</b>	<b>0.3</b>
								<b>Med.</b>	<b>13.5</b>	<b>11.7</b>	<b>2.2</b>	<b>1.9</b>	<b>11.5</b>	<b>0.4</b>
														<b>2.1</b>
<b>International Luxury, Jewellery, Watches</b>														
Prada	1913 HK	BUY	68.09	54.35	25%	139,072	Dec-20	60.1	43.9	5.0	4.6	(1.9)	(0.2)	1.0
Samsonite	1910 HK	NR	n/a	14.18	n/a	20,360	Dec-20	n/a	16.6	4.2	3.5	(66.3)	0.0	0.0
LVMH	MC FP	NR	n/a	684.00	n/a	3,187,677	Dec-20	35.0	31.4	7.8	6.7	24.6	0.9	1.1
Kering	KER FP	NR	n/a	760.10	n/a	877,361	Dec-20	30.8	26.2	7.0	6.1	29.8	1.2	1.4
Hermes	RMS FP	NR	n/a	1287.00	n/a	1,254,447	Dec-20	69.5	60.9	15.4	13.0	19.9	3.1	0.5
Richemont	CFR SW	NR	n/a	116.95	n/a	575,612	Mar-21	30.4	25.8	3.3	3.1	7.5	1.1	1.9
Moncler	MONC IM	NR	n/a	57.92	n/a	146,356	Dec-20	41.1	33.4	7.2	6.4	22.8	2.0	1.0
Burberry	BRBY LN	NR	n/a	2096.00	n/a	92,061	Mar-21	24.7	21.5	5.0	4.5	27.1	4.2	2.3
Ferragamo	SFER IM	NR	n/a	16.89	n/a	26,314	Dec-20	97.6	46.9	3.9	3.6	(4.0)	(0.5)	0.6
Essilorluxottica	EL FP	NR	n/a	153.96	n/a	627,958	Dec-20	33.7	28.8	2.0	2.1	0.3	0.2	1.4
Swatch	UHR SW	NR	n/a	305.50	n/a	134,853	Dec-20	24.7	19.4	1.4	1.3	(0.5)	(0.1)	1.9
Tod'S	TOD IM	NR	n/a	52.55	n/a	16,057	Dec-20	n/a	n/a	1.8	1.8	(7.0)	0.0	0.2
Hugo Boss	BOSS GY	NR	n/a	50.68	n/a	32,942	Dec-20	41.2	22.4	4.1	3.7	(24.2)	(0.2)	1.9
								<b>Avg.</b>	<b>44.4</b>	<b>31.4</b>	<b>5.2</b>	<b>4.7</b>	<b>2.2</b>	<b>0.9</b>
								<b>Med.</b>	<b>35.0</b>	<b>27.5</b>	<b>4.2</b>	<b>3.7</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>3,218</b>	<b>3,669</b>	<b>4,015</b>	<b>EBIT</b>	<b>290</b>	<b>(1)</b>	<b>408</b>	<b>540</b>	<b>648</b>
Direct sales	2,636	2,115	2,883	3,323	3,657	D & A	62	141	137	125	135
Franchise sales	547	275	302	313	324	Change in working capital	(108)	106	(91)	25	(66)
Royalties	42	32	33	33	34	Income tax paid	(26)	(44)	(99)	(136)	(160)
						Others	593	391	68	59	59
<b>Cost of goods sold</b>	<b>(906)</b>	<b>(679)</b>	<b>(814)</b>	<b>(899)</b>	<b>(964)</b>	<b>Net cash from operating</b>	<b>810</b>	<b>592</b>	<b>422</b>	<b>613</b>	<b>616</b>
<b>Gross profit</b>	<b>2,320</b>	<b>1,743</b>	<b>2,404</b>	<b>2,770</b>	<b>3,051</b>	Capex & investments	(286)	(109)	(196)	(224)	(245)
<b>Other income</b>	<b>(17)</b>	<b>(21)</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>	Associated companies	-	-	-	-	-
						Interest received	-	-	-	-	-
<b>Operating expenses</b>	<b>(2,013)</b>	<b>(1,723)</b>	<b>(1,986)</b>	<b>(2,219)</b>	<b>(2,391)</b>	Others	(17)	(41)	-	-	-
D & A	(62)	(141)	(137)	(125)	(135)	<b>Net cash from investing</b>	<b>(302)</b>	<b>(150)</b>	<b>(196)</b>	<b>(224)</b>	<b>(245)</b>
Staff costs	(643)	(579)	(613)	(681)	(743)	Equity raised	-	-	-	-	-
S & D costs (ex-staff, D&A)	(969)	(822)	(943)	(1,086)	(1,171)	Net change in bank loans	(19)	(36)	-	-	-
Admin exp. (ex-staff, D&A)	(339)	(182)	(293)	(327)	(343)	Dividend paid	(155)	-	(90)	(152)	(278)
Other operating expenses	-	-	-	-	-	Others	(519)	(360)	-	-	-
<b>Operating profit</b>	<b>290</b>	<b>(1)</b>	<b>408</b>	<b>540</b>	<b>648</b>	<b>Net cash from financing</b>	<b>(692)</b>	<b>(395)</b>	<b>(90)</b>	<b>(152)</b>	<b>(278)</b>
Finance costs, net	(6)	(8)	(5)	(4)	(3)	<b>Net change in cash</b>	<b>(185)</b>	<b>47</b>	<b>136</b>	<b>237</b>	<b>93</b>
JVs & associates	-	-	-	-	-	Beginning cash balance	600	421	442	569	797
Exceptional	(48.98)	(42.67)	(48.27)	(51.37)	(52.19)	Exchange difference	6	(26)	-	-	-
<b>Pre-tax profit</b>	<b>235</b>	<b>(52)</b>	<b>355</b>	<b>485</b>	<b>593</b>	<b>Cash at the end of the year</b>	<b>421</b>	<b>442</b>	<b>579</b>	<b>807</b>	<b>890</b>
Income tax	23	(3)	(99)	(136)	(160)						
Less: Minority interests	2	(0)	2	2	2						
<b>Net profit</b>	<b>256</b>	<b>(54)</b>	<b>254</b>	<b>347</b>	<b>431</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>4,866</b>	<b>4,906</b>	<b>4,957</b>	<b>Sales mix (%)</b>					
Fixed asset	1,642	1,506	1,529	1,600	1,692	Direct sales	81.7	87.3	89.6	90.6	91.1
Intangible assets & goodwill	844	832	803	777	748	Franchise sales	17.0	11.4	9.4	8.5	8.1
Prepaid lease payments	-	-	-	-	-	Royalties	1.3	1.3	1.0	0.9	0.8
Interest in joint ventures	81	66	66	66	66		-	-	-	-	-
Other non-current assets	2,773	2,468	2,467	2,463	2,451	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Current assets</b>	<b>1,698</b>	<b>1,655</b>	<b>1,931</b>	<b>2,131</b>	<b>2,305</b>	<b>P&amp;L ratios (%)</b>					
Cash and cash equivalents	421	442	569	797	881	Gross margin	71.9	72.0	74.7	75.5	76.0
Inventories	713	666	736	690	739	Operating margin	9.0	(0.0)	12.7	14.7	16.1
Trade and other receivables	318	290	353	362	396	Pre-tax margin	7.3	(2.1)	11.0	13.2	14.8
Prepayments	22	51	68	77	85	Net margin	7.9	(2.2)	7.9	9.5	10.7
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>1,285</b>	<b>1,283</b>	<b>1,307</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	347	345	370	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
<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>	Trade payables days	132	156	156	140	140
Bank loans	584	451	451	451	451	Total debt / total equity ratio (%)	29	27	25	23	22
Deferred income	-	-	-	-	-	Net debt / equity ratio (%)	14	11	6	Net cash	Net cash
Deferred tax	29	29	29	29	29	<b>Returns (%)</b>					
Others	2,205	1,968	1,968	1,968	1,968	ROE	8.6	(1.9)	8.3	10.6	12.4
						ROA	3.6	(0.8)	3.7	4.9	5.9
<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>3,042</b>	<b>3,282</b>	<b>3,480</b>	EPS (EUR)	0.10	(0.02)	0.10	0.14	0.17
<b>Shareholders' equity</b>	<b>2,967</b>	<b>2,832</b>	<b>3,042</b>	<b>3,282</b>	<b>3,480</b>	DPS (EUR)	0.02	0.04	0.06	0.11	0.13
						BVPS (EUR)	1.16	1.11	1.19	1.28	1.36

Source: Company data, CMBIS estimates

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