CFA Institute

CFA Institute Research Challenge

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CFA Institute Research Challenge

Italy | Textiles, Apparel & Luxury Goods | Apparel, Accessories & Luxury

MONCLER

Amounts in million	2016A	2017E	2018E	2019E	2020E	2021E	2022E
Revenues	1.040.311 €	1.183.740 €	1.328.052 €	1.474.453 €	1.600.542 €	1.718.739 €	1.839.097 €
EBITDA	339.381 €	403.353 €	466.065 €	596.429 €	650.241 €	698.942 €	746.053 €
Margin	*32,6%*	*34,1%*	*35,1%*	*40,5%*	*40,6%*	*40,7%*	*40,6%*
EBIT	297.681 €	352.459 €	405.634 €	453.645 €	493.611 €	531.609 €	570.388 €
Margin	*28,6%*	*29,8%*	*30,5%*	*30,8%*	*30,8%*	*30,9%*	*31,0%*
Net Income	196.322 €	260.520 €	293.722 €	317.212 €	340.251 €	363.093 €	384.600 €
Margin	*18,9%*	*22,0%*	*22,1%*	*21,5%*	*21,3%*	*21,1%*	*20,9%*

Moncler: born in the mountains, living in the city

We initiate our coverage on Moncler SpA (MONC) with a BUY recommendation, assessing a €30.31 Target Price, implying a 17.8% potential upside from its current stock price (€25.72 per share, closing price on 9th February 2018). We believe that the market has not yet fully appreciated: **(i) its strong and resilient organic growth outlook sustained by the retail network expansion** (260 DOS 2022E, +5% 5Y CAGR) **(ii) prospective advantage from consolidation and entrance in new markets** (Mexico, Nordic countries etc.) **and strategic channels** (*travel retail*) **(iii) unexploited market potential on e-commerce**, coming from the Group's strict policy of control over volumes and distribution; **iv) forthcoming boost of its market value due to a hypothetical acquisition by a large conglomerate** which aims at diversifying its business.

A strong *heritage*

MONC implementation strategy has allowed the company to exhibit high margins (EBIT 28.9% 2017E), cash flow generation (FCFF of €211.5 mln 2017E) and returns (ROE 32.7% 2017E).In the past five years MONC growth (+ 19.5% CAGR on Revenues 2013-2017E) has been driven by: **(i) High Sales density** (€31.9k/sqm on average 2017E) and **enlargement of average stores size** (138 sqm 2017E); **(ii)** increase in the **percentage of full-price Sales through Directly Operating Stores** (75.4% of Revenues from retail 2017E); **(ii) diversification of the product portfolio** tapping into **neighbouring categories** coordinated with its core product and with higher margins; **(iii) great pricing power and low cost structure** (23.7% COGS on Sales 2017E) linked to the localization of production in Eastern Europe; **(iv*)* brand *heritage* and positioning.**

A promising outlook

MONC organic growth will be sustained by: **(i) new openings** (+13 DOS, +10 WHS 2017E), **relocations** (10-15 2017E) **and expansions** (average DOS size 165 sqm 2022E); **(ii) reinforcement of digital presence and *e-commerce* platforms** which will account for 11.4% of Revenues 2022E, currently growing double-digit (+25% 2017E); **(iii) further portfolio reinforcement through selective expansion of the products range** (30% of Sales from complementary items 2022E); **(iv) focus on internationalization of its presence in new markets and consolidation in existing ones; (v) sustainable and responsible** development of the brand.

Financials

According to our analysis, MONC's business potential lead to a promising growth of Revenues and profitability. Total Revenues will grow at +9.2% CAGR 2017E-2022E reaching **€1.8 bn 2022E** driven by new **DOS openings (an average of 12 new DOS per year from 2017E to 2022E) and increase in the average Sales density (+1.9% CAGR 2017E-2022E).** Revenues growth is not offset by the COGS increase, thanks to the improvement of the distribution network, leading to a 2022E Gross Margin of 77.5%. **EBIT** will grow to **€ 570.4 mln in 2022E (+10.1% CAGR 2017E-2022E)** reaching a **margin on Revenues of 31% 2022E.** The steady decline in **ROE (21.3% 2022E, decreasing 16.4%, on a relative basis, from 2017E)** is substantially driven by the leverage reduction (D/E 62.7% 2022E). The high operating cash generation potential of the firm (€ 550mln CFO 2022E, +43.4% from 2016) contributes to realize a persistent growth on CFO/NI (43% 2022E). We expect diluted **EPS to increase from €1.03 in 2017E to €1.46 in 2021E (+7.2% CAGR 2017E-2022E).**

Valuation

Our Target Price of **€30.31** is a combination of MONC's great potential in **organic** and **market share growth** unlike to its key competitors in luxury & apparel industry. To evaluate MONC's **non-complex business form** and **organic growth component** we use a **three-stage DCF model**. Given MONC's different financial structure during our projected 5Y, we consider **a different WACC for every forecasted year** and a **TV WACC of 7.6%**. We also estimate that **double-digit growth of EBIT** (+21.4% 2013-16 CAGR) **will continue for the next three years before gradually decreasing over time (+7% in 2022E). This leads to a fair value of €30.31**. To underpin the DCF model we perform a **relative valuation with MONC's historical multiples and we compute a 1YF 26.01x P/E and 7.01x P/BV**. Then, **we simulate a potential acquisition of Moncler by Kering SA, since the MONC's business is better suited to the Kering SA brand offering,** to calculate the value of potential synergies and goodwill, created by Remo Ruffini during its 15 years of governance. **We estimate an incremental value of €3.44 per share**, leading to a potential **stock price of €33.74 that means a +31.2% potential upside margin**. Moreover, we stress some key variables of our model to present a sensitivity analysis on our TP.

Initiation of coverage: 9th February 2018

BUY

Price: €25.72

Target Price: €30.31

Upside: 17.8%

Dividend Yield: 1.2%

Market Data

Main Shareholders

Ruffini Partecipazioni Srl	26.30%
Ecip M S.A	5.30%
Treasury Shares	0.80%
Market	67.60%

Listed on: Italian Stock Exchange
Index component: FTSE MIB, STOXX 600, STOXX 600 Personal Household Goods.
ISIN: IT0004965148
Bloomberg: MONC.IM
Reuters: MONC.MI

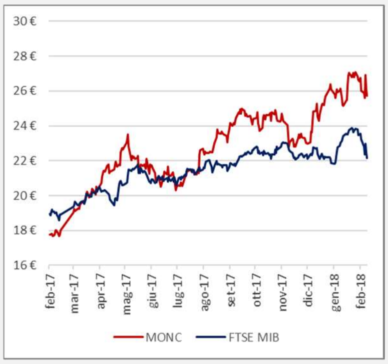
Stock Data

Performance	1m	3m	12m
Absolute	-1,08%	9,49%	44,58%
Relative	1,89%	12,40%	26,49%

Key Financials

	2017E	2018E	2019E
EPS	1,03	1,15	1,24
DPS	0,31	0,40	0,47
Dividend Yield	1,2%	1,3%	1,6%
P/E	25,0x	22,1x	20,7x
P/BV	7,3x	6,0x	5,1x
EV/SALES	5,4x	4,9x	4,5x
EV/EBIT	18,0x	15,9x	14,7x
EV/EBITDA	15,7x	13,8x	11,2x
ROE	29,3%	27,0%	24,8%
ROIC	10,3%	9,6%	8,9%

1Y Stock Performance



Investment Summary

We initiate our coverage on Moncler SpA (MONC) with a BUY recommendation, assessing a €30.31 Target Price, implying a 17.8% potential upside from its current stock price (€25.72 per share closing price on 9th February 2018). Our investment recommendation is based on: **(i) its strong and resilient organic growth outlook sustained by the retail network expansion** (260 DOS 2022E, +5% 5Y CAGR) which will enhance Revenues by +11% CAGR 2017E-2022E **(ii) persistence of the internationalization strategy** stemming from **assessment in key regions and entrance in new markets** (Mexico, Nordic countries etc.); **(iii) unexploited market potential on e-commerce** (7.7% of Revenues 2017E), which will be a growth driver for *travel retail*, as **60% of outlays** are decided upon before leaving home; **iv) hypothetical acquisition by a large conglomerate**, which will lead to a consequent boost of its market value.

Born in the mountains, living in the city

Moncler SpA (MONC), starting from its mountain *heritage*, under the leadership of Remo Ruffini has consolidated its role as global iconic leader in the premium down jacket segment through a process of brand repositioning and diversification of the product portfolio. Evolving into a line of products that live in the cities, MONC have reached a **Market cap of €6.48 bn and €1.183 bn in Revenues in 2017E**. MONC's core business is dedicated to the design, manufacturing, marketing and sales of luxury **Outerwea**r (**~78% of sales 2017E**) **and neighbouring categories** coordinated with its core product, such as knitwear and accessories, through collections that now cover several segments of the luxury pyramid, spanning from ***haute couture*** to a more **technical range.** Nowadays MONC operates in almost 70 markets, following a strategy of tight control on product offering and exclusive distribution limited to the company **website**, selective *e-tailers*, **mono-brand boutique** (DOS and SiS) and **multi-brand** dedicated spaces inside luxury department stores (75.4% DOS, 24.6% WHS 2017E of sales volumes). The company has exhibited strong growth of revenues over the last years (+19.5% CAGR 2013-2017E), high margins (EBIT 28.9% 2017E), cash flow generation (FCFF of €211.5 mln 2017E) and returns (ROE 32.7% 2017E). This was possible thanks to: **(i) increase in fully-price sales** coming from the retail network (+28% CAGR 2013-2017E); (ii) **High Sales density** (€31.9k/sqm on average 2017E) and **enlargement of average store size** (138 sqm 2017E); (iii) **internalization strategy** through direct entrance in new markets and consolidation in the existing ones; (iv) improvement of the **product portfolio diversification.**

Drivers for growth

International growth. MONC will continue to lever on its international distribution structure **through consolidation and entrance in new markets** (Mexico, Nordic countries etc.).

Exploitation and selective expansion of the products range. The current portfolio will be reinforced thanks to new collaborations with fashion stylists and the addition of new complementary products, i.e. dog wear capsule collection introduced in 2017 **(30% of Sales from complementary items 2022E vs 22% 2017E).**

Distribution network improvement. New openings (+13 DOS, +10 WHS 2017E), relocations (10-15 2017E) and expansions (average DOS size 165 sqm 2022E) are planned for the next five years.

Focus on digital channel and *e-commerce*. MONC's communication strategy will rely more and more on digital channels, to stay close to and ensure constant interaction with the Brand's clients, and *e-commerce* platforms **that will account for 11.4% of Revenues 2022E vs 7.7% 2017E**, currently growing double-digit **(+25% 2017E).**

Financials

According to our analysis, MONC's business potential lead to a promising growth of revenues and profitability. Total Revenues will grow at +9.2% CAGR 2017E-2022E reaching **€1.8 bn 2022E** driven by new **DOS openings (an average of 12 new DOS per year from 2017E to 2022E) and increase in the average Sales density (+1.9% CAGR 2017E-2022E).** Revenues growth is not offset by the COGS increase, thanks to the improvement of the distribution network, leading to a 2022E Gross Margin of 77.5%. **EBIT** will grow to **€ 570.4 mln in 2022E (+10.1% CAGR 2017E-2022E)** reaching a **margin on revenues of 31% 2022E.** The steady decline in **ROE (21.3% 2022E, -16.4% 2017E)** is substantially driven by the leverage reduction (D/E 62.7% 2022E). The high operating cash generation potential of the firm (€ 550mln CFO 2022E, +43.4% from 2016) contributes to realize a persistent growth on CFO/NI (43% 2022E). We expect diluted **EPS to increase from €1.03 in 2017E to €1.46 in 2021E (+7.2% CAGR 2017E-2022E).**

Relevant Risks

Macro environment and consumer sentiment: A potential change in the global GDP outlook and in luxury consumer confidence could have a significant impact on the company's top-line performance and expansion strategy.

Risks connected with the distribution network: a continued Retail expansion strategy could result in a potential sales and profit density dilution from the new store openings.

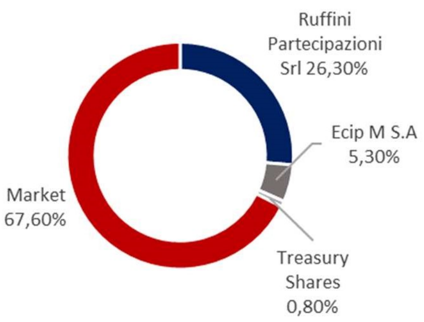
Forex risk: With 80% of COGS denominated in EUR and >50% of sales denominated in foreign currencies, a strengthening of the EUR would impact sales and profitability.

Valuation

Our Target Price of **€30.31** is a combination of MONC's great potential in **organic** and **market share growth** unlike to its key competitors in luxury & apparel industry. To evaluate MONC's **non-complex business form** and **organic growth component** we use a **three-stage DCF model**. Given MONC's different financial structure during our projected 5Y, we consider **a different WACC for every forecasted year** and a **TV WACC of 7.6%**. We also estimate that **double-digit growth of EBIT** (+21.4% 2013-16 CAGR) **will continue for the next three years before gradually decreasing over time (+7% in 2022E). This leads to a fair value of €30.31**. To underpin the DCF model we perform a **relative valuation with MONC's historical multiples and we computed a 1YF 26.01x P/E and 7.01x P/BV**. Then, **we simulate a potential acquisition of Moncler by Kering SA** to calculate the value of potential synergies and goodwill, created by Remo Ruffini during its 15 years of governance. **We estimate an incremental value of €3.44 per share**, this leads to a potential **stock price of €33.74 that means a +31.2% potential upside margin**. Moreover, we stressed some key variables of model to do a sensitivity analysis on our TP.

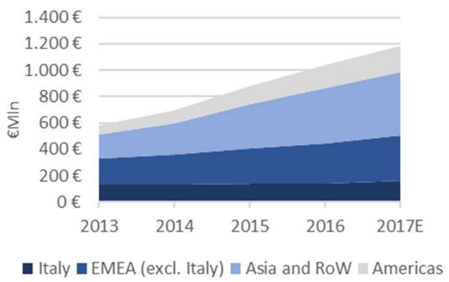
Business Description

Exhibit 1:
Shareholder Structure as February 19th 2017



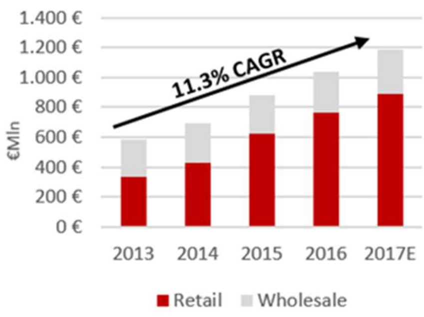
Source: Company Data

Exhibit 2:
Revenue Breakdown by Geographic Area



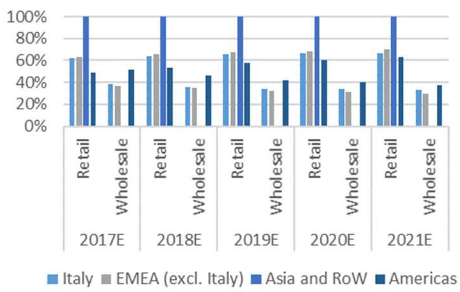
Source: Team Estimates

Exhibit 3:
Revenue Breakdown by Distribution Channels



Source: Team Estimates

Exhibit 4:
Revenue Breakdown by Regions through distribution channels



Source: Team Estimates

Moncler SpA (MONC) is a worldwide leading group in luxury outerwear. Founded in 1952 by Renè Ramillon and Andrè Vincent at Monestier-de-Clermont, France, the company is currently headquartered in Milan and is controlled by **Ruffini Partecipazioni Srl** (**26.3%**, see Exhibit 1). Under the leadership of Remo Ruffini, who took the control in 2003, the company has reached a **Market Cap of €6.48 bn and €1.183 bn in Revenues in 2017E** through a process of brand repositioning and the entry into other product categories such as knitwear and accessories. Since 2013 it has been listed on the Italian Stock Exchange (MTA) Borsa Italiana; from March 2014 it has been part of the Ftse Mib Index and has entered the Stoxx Europe 600 in September 2016.

Company presentation

MONC's core business is dedicated to the design, manufacturing and distribution of luxury **Outerwea**r, which includes the iconic down jacket and **complementary market products**, according to the guidelines of an operating model characterized by the **direct supervision of all the critical phases**. The expansion of the directly operated store network **(from 107 DOS in 2013 to 203 DOS 2017E)** and the selective enlargement of the average store size by targeting larger locations for the new openings and existing stores' relocations (~10-15 relocations 2017E), are part of the strategy of tight control on distribution and product offering, aimed at raising barriers to entry and supporting pricing power. MONC's business development philosophy is expressed through its physical presence in luxury department stores, in leading multi-brand shops and in retail stores located in the most prestigious shopping areas and luxury ski resorts (e.g. Cortina, Verbier, Aspen) in 5 Regions (Europe, Asia Pacific, Japan, Korea, Americas) and approximately 70 countries worldwide (see Exhibit 2). In FY17 MONC will generate **18.5% of 2017E Sales from Italy** and also **EMEA (ex Italy**) still tends to be a large proportion of Sales **(29.5% 2017E)**. The brand is fast expanding globally; it is lowering its dependence on domestic market as a result of the ongoing reduction of wholesale doors and the outperformance of other Regions, in particular the emerging markets **(Asia and RoW 40.1% of 2017E Sales)** where consumers are over-proportionate spenders on this product category (notably on the casual chic) and tend to be DOS led. MONC's strong exposure on Outerwear and duvet jacket, for which consumers tend to over spend and are over-proportionately willing to pay a premium, lead to a solid pricing power that, in addition to a low cost structure, stemming from manufacturing in Eastern Europe, and a high sales density, enable MONC to reach high margins (EBIT 28.9% 2017E), cash flow generation (FCFF of €211.5mln 2017E) and returns (ROE 32.7% 2017E)

Business segments

MONC mainly operates in two business areas:
- **Outerwear**, where MONC has consolidated its position as worldwide leader in the **down jacket sub-segment,** that remains the most important category for Revenues **(~78% of Sales 2017E, ~70% 2022E);**
- **Complementary market segment,** which includes categories such as **knitwear, footwear, eyewear, dogwear and accessories** (see Appendix) such as scarves and gloves, which tend to be highly suitable for gifting and **provide an entry point to the brand for the aspirational costumer,** while boasting higher margins. The growth rate for these categories was high double-digit during Q2 and Q3 2017 and continues to grow faster than the outerwear, especially knitwear within its two sub-categories, tricot and cut & sewn, but also shoes, whose growth is a bit lower than knitwear.

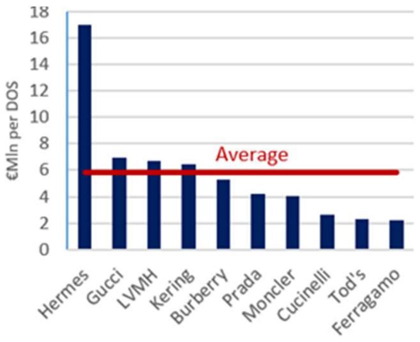
Distribution network

MONC sells its products through two main distribution channels: **retail**, directly managed by the Group, and **wholesale**, that pertains to stores managed by third parties (see Exhibit 3-4).
The **retail distribution network** includes: free-standing stores, *concessions* in the department stores, *travel retail stores*, outlets and **e-commerce.** In the last five years revenues generated by the retail channel increased to **€892.2 mln 2017E (+27.9% 5Y CAGR)** and accounts for **75.4% of 2017E total Revenues (81.8% 2022E)**, with a sales density of **€31.9k/sqm** underpinned by high volumes and retail prices, sales at full price and an average DOS size of **138 sqm 2017E (165 sqm 2022E**) with **€5.7 mln average Sales per DOS 2022E vs €4 mln 2016** (see Exhibit 5). **E-commerce** includes sales coming from the website **moncler.com**, now serving 35 markets, and a series of the most important *e-tailers* (i.e. YOOX.com, NetAPorter.com, MyTheresa.com, Stylebop.com etc). MONC derives **7.7% of revenues 2017E** from this channel which is growing double-digit **(+25% 2017E),** with an unexploited market potential coming from the Group's policy of controlling the volumes sold through the online multi-brand channels and a selective distribution strategy **(11.4% 2022E revenues)**.
The **wholesale channel (24.6% of Sales 2017E)** sells MONC's products either in mono-brand spaces (i.e. *shop-in-shop*) or inside multi-brand stores (corners or dedicated spaces inside department stores). In parallel to the expansion of retail stores, MONC initiated a rationalization of wholesale openings **(3 SiS net openings 2022E). However**, despite of this, wholesale sales have continued to grow to **€291.5.2mln 2017E (+4.2% 5Y CAGR)**, supported by new relationships with top accounts in new markets, growing volumes and price increases. Currently, MONC has a network of **52 mono-brand *Shop-in-Shop* 2017E** with an average size of **30-50sqm**, located in the most renown luxury shopping malls, such as Bergdorf Goodman, Bloomingdale's, Neiman Marcus, Harrods, Tsum, Harvey Nichols.

Future Growth Strategy

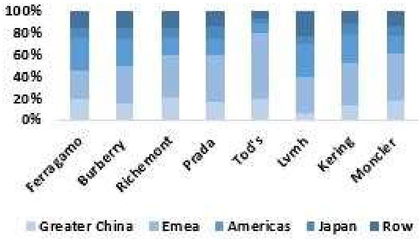
MONC's strategy aims at strengthening the unique heritage of the Brand in the global luxury goods sector in order to create value for shareholders through a responsible and sustainable development. The main guidelines can be summarized in the following targets:
1) International growth: MONC adopts a strategy aimed at consolidating the distribution network in key regions like Europe, Japan, China, North America, Korea and at carefully assessing new markets like Nordic countries, Mexico and Australia, where the first mono-brand opened in Melbourne in 2017. Further openings, planned for the next years in the Australian market, could help the seasonal rebalancing, with Q3 being the important wholesale quarter and Q4 the retail quarter.

Exhibit 5:
Sales per DOS FY2016



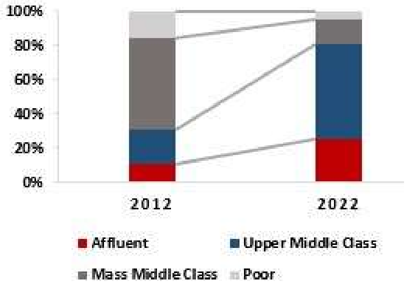
Source: Team Estimates

Exhibit 6:
Geographical Revenue split (2017E)



Source: Factset

Exhibit 7:
Chinese urban consumption



Source: Ipsos,MS.MCKINSEY,Team Research

Exhibit 8:
Chinese tourist destination (2020 E)

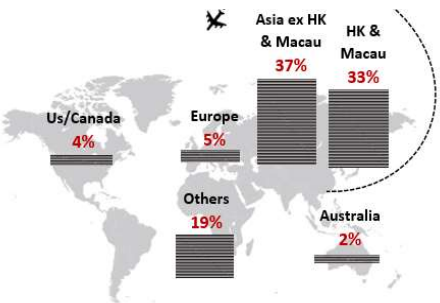
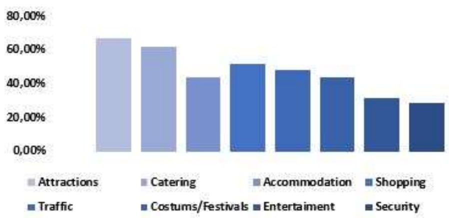


Exhibit 9:
Chinese tourists web searches before deciding destination (2016)



Source:Ipsos,Team Research

2) Digital expansion and *travel retail*: The Group believes that the improvement of the information and communication management, in particular within Social Media, is a fundamental and essential tool for global business growth. The digital channel allows to intercept the demand from new customers' generation - as Z Gen and Millennial – and to increase Brand Loyalty. Moreover, MONC's investment in expanding its digital presence is also a growth driver for *travel retail*, as **60% of outlays are decided upon before leaving home**. A new opening is planned in the airport of Bangkok in 2018**.**

3) Product range extension: while a large proportion of sales is still generated by the duvet jacket, MONC will continue to diversify its products offer lead by fast-growing complementary categories, that reduce dependency on outerwear and limit seasonal swings, while tight cost control drives profit.

***4)* "Retail excellence":** MONC's focus on clients and their needs was remarked by the launch in 2016 of this new project which constitutes an effort to improve the shopping experience and long-term client relationships, with the aim of boosting recurring customer purchases.

5) Moncler "*Genius Building*": after announcing the closing of the *Gamme Bleu* and *Gamme Rouge* collections, MONC is ready for a new challenge with the project '*Genius Building'* presented during the opening of the Milan Fashion Week on 20th February 2018. Despite of the name, this is not a physical building but a mental one, where the minds of eight creative stylists co-exist and work together to produce collections with a new identity and style.

Industry Overview and Competitive Positioning

Luxury Market

Luxury Goods Market is expected to garner **€ 429,762 mln by 2022**, growing at a prominent **CAGR of 3.9% from 2017 to 2022.** The industry counts for a total 380 mln of consumer worldwide which are expected to raise up to 440 mln by 2020. In the next three years the F&L industry is expected to grow by 5-10 per cent annually, driven by Cosmetics & Fragrances (+3.3% CAGR 2016-2017E) and accessories (+8.5% CAGR 2016-2017E). We focus our attention on the **Apparel industry (+1.7% CAGR 2016-2017E)** given MONC's high exposure on the outerwear, a subsegment of this industry. In the last years this industry has significantly changed, as the competitive focus of the various participants in the market shifted from offering a perfect, everlasting product, to a continuously more fashion intensive set of goods. This change has been accelerating over the course of the last decade, following the growing centralization of the brands competing for a place in this market. The major entities that were generated by this buying spree were mostly French holding companies, such as LVMH and Kering, whereas many other smaller companies have their niche, as is MONC, our analysis' subject. A significant boost to this market has been China's and on a side note India's, ever-growing intertwining with the global markets, and especially the rapid expansion of their middle and upper-middle classes. Over the course of the last decade this can clearly be seen by the growing importance of the Asia Pacific and China's market share in the sales revenue of these firms (see Exhibit 6).

Macro Trends

China's Growth: As shown in the Exhibit 7 the expansion of **China's upper middleclass population continues to be a key driver of global luxury demand**. Strong growth in domestic Mainland Chinese demand is likely to continue, as the government stimulates internal consumption, and brands harmonize regional prices. The upper middle class is expected to grow by a high single digit to low double in the next five years. The continue increase in size of upper middle households' income in Mainland China will continue driving global luxury demand in the medium to longer term. The Chinese private consumption is expected to rise up to 9,7 trl USD by 2030.

Chinese Tourism: The growth in Chinese household disposable income, easing visa restrictions and additional travel routes opened by local airlines will continue to boost outbound Chinese tourism, and thus their consumption of high and luxury level apparel. This is clearly shown by the 2016 Japanese case, as a growth of **more than 30% of tourists from China has had a significant effect in the increase in the local luxury goods prices**. Although other destination such as Europe and the rest of Asia have become more relevant over the years (see Exhibit 8), over half of the Chinese outbound tourist would search for information related to attractions, restaurants and shopping (see Exhibit 9). In fact up to **80% of the Chinese luxury spending happens abroad** (see Exhibit 10). This is particularly significant, as price of the sector among global regions converge. A large share of the Chinese luxury consumption comes from millennials.

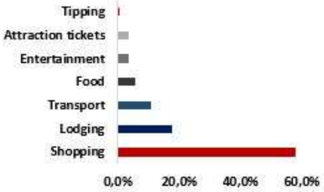
Millennials: This category of consumers dominates the top segments of the luxury sector. The millennials have different priorities when it comes to purchasing luxury goods differently from the traditional consumer who seeks for high quality products, authenticity and store experience. The millennials instead give importance to design "cool factor", both physical and online experience and most of all social acceptance. Also, here the Chinese consumers prefer to have the latest products as soon as they can. This category represents a 56 % of the Chinese outbound tourists (see Exhibit 11).

Rise in GDP: according to OECD world GDP is expected to grow at +2.4 % CAGR until 2028

Price harmonization and digital shopping: This harmonization has been driven by the growth of the e-shopping system. People from regions which used to be overpriced compared to Europe, such as HK, have reacted by shifting their purchasing patterns in order to pay less. This has lead the most important companies in the sector, first above all LVMH and Prada, to reduce or eliminate this price gap in order to continue satisfying their customer and keep a competitive edge. On the other side of the spectrum, there are companies which either have not yet taken action against this price gap, such as MONC or Hugo Boss, and others who have reduced it by increasing their lower European prices, as Ferragamo and Tod's did. Furthermore, price harmonization has been applied only to new products while carry on products continue to keep their price gap across regions. While presenting the above said problems, the usage of the online shops has proven both a great opportunity for data mining and customer behavior understanding: one of the most important conclusions is that online shops primary goal should not be to sell online! In facts, the great majority of the customers use digital shops to have a first glance to the companies' products, which will be further analyzed before acquisition in the physical shops.

Exhibit 10:

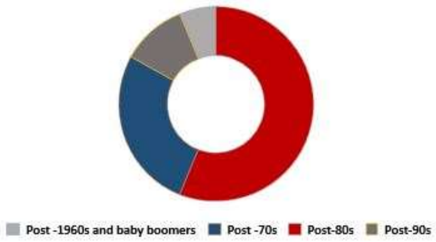
Consumption of Chinese tourists



Source: Team Estimates

Exhibit 11:

Age distribution of Chinese outbound tourists



Source: Ipsos,MS,Team Research

Exhibit 12:

Porter's five forces on Moncler

Source: Team Estimates

Micro Trends

Personalization of good: 45% of luxury consumers are asking for personalized products and services.

Experiential retailing: Today more tran ever luxury consumers yearn for an experience "Retailtainment" will dominate the industry,as consumers choose to investe in experiences rather than products. What pushes consumer to shop more in physical stores are personalized and unique experiences, including mood and beverage offerings, live product demonstrations and special events.

Competitive Analysis

Competitive Drivers

Carrying out the Porter's five forces analysis (see Exhibit 12) for MONC business we define the forces that shape the competitive landscape.

MONC faces competition from a few large firms operating in the same markets, whom often use their larger dimensions to exert more bargaining power in dictating their retail stores positioning. Furthermore, the relatively low barriers to entry in the outerwear market, along with a different market strategy more focused on the wholesales market rather than retail, tend to worsen MONC's competitiveness on that sector. Several competitors such as Patagonia and North face focus on the technicality of the product and its price, whereas MONC is more fashion oriented, having his own niche in the market. Furthermore, whereas MONC has a higher retail to wholesale ratio these competitors are mostly wholesale oriented.

On the other hand, MONC's buyers tend to buy the brand over the product, to overspend on the products in order to enjoy the higher luxury experience given by MONC's products. MONC exerts a higher degree of control over its suppliers, producing mostly in Eastern Europe and having a large number of producers. This allows them to not be dependent of a few larger suppliers and to roughly dictate the prices of their purchases.

Competitive advantages

Since the 2003 take over MONC has tried to revitalize its brand identity by offering other products under the MONC brand umbrella (Gamme rouge, Gamme bleu, MONC Grenoble...). The brand has kept its luxury and exclusivity positioning throughout time. MONC has revolutionized its idea of the duvet jacket (historical product of the brand) from a technical sport identification to a casual chic style.

Control over the product offer and its distribution

Through the expansion of the directly operated store network and the selective enlargement of the average store size and the supervision of the critical supply phases of the production MONC not only controls on the pricing power, due to its thorough control over all the production phases, from the raw material creation, to the stylistic and artisanal development. This allows the firm to hold a strong grip over its suppliers and to, set the buying price for its garments. This supply price control is, on the other hand, similarly adopted in the retail store organization department: by placing their shops next to their main competitors' ones, or in hubs of hi-end and luxury items, MONC has a rather important say in the price per square meter of their shops' rent (see Appendix 3).

Competitive financial analysis

Positioning map (see Appendix 5) show how business model and competitive advantages places MONC against its competitor. All the competitors shown in the Table below share a similar business model being all part of the same sector but their specialized in different niches in the case of MONC this is the down jacket. However, the closest possible direct competitor would be Burberry for their famous trench coat line. Other Italian brands such as Tod's and Brunello Cucinelli share a common Italian heritage, that shines through the common trades of their garment.

On financials MONC has a higher EBITDA level than the average of the sector; this is due to the very high gross margin held by the company. In fact, the highest among the competitors as shown in the exhibit. On the other hand, MONC has a lower level of Debt/Equity and Dividend Payout Ratio compared to the average of the sector due to a larger share of profits being used to decrease its debt to equity ratio. Because of this in the future MONC will have a higher probability of handing out larger dividends than their competitors.

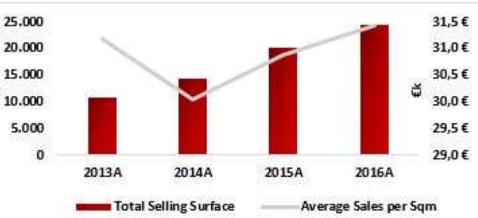
Company Name	Calendar Period	Sales (€ mln)	Sales 1 Year Growth	Gross Margin	EBIT Margin	EBIT 1 Yr Growth	EBITDA Margin	SG&A Expense	Return on Assets	Return on Equity	Working Capital Turnover	Total Debt / Total Equity	Dividend Payout ratio
Moncler	2016	1.040,3	18,3%	72,3%	28,6%	21,1	32,6%	454,1	18,1%	31,4%	4,45x	20,0%	22,8
Burberry Group	2016	3.253,5	-0,1%	68,6%	16,8%	6,2	22,5%	1.684,2	12,1%	17,9%	2,63x	2,3%	61,0
Christian Dior	2016	42.872,0	28,2%	65,0%	19,3%	31,9	23,7%	19.596,0	--	--	6,53x	76,6%	41,9
LVMH Moet Hennessy	2016	37.600,0	13,4%	65,3%	18,6%	18,1	22,9%	17.538,0	6,8%	15,7%	5,71x	28,0%	50,5
Tod's	2016	1.004,0	-2,9%	27,2%	15,3%	2,6	19,9%	117,4	6,1%	8,9%	2,24x	24,2%	64,9
Hermes International	2016	5.202,2	9,9%	64,4%	32,8%	11,4	36,7%	1.545,3	19,7%	27,1%	2,06x	0,9%	35,6
Kering	2016	12.384,9	18,9%	46,9%	14,3%	65,0	17,8%	3.919,7	3,4%	7,4%	16,70x	48,1%	70,2
Prada	2016	3.207,4	-10,1%	65,6%	13,9%	-38,7	20,7%	1.657,6	6,1%	9,4%	3,29x	24,2%	--
Salvatore Ferragamo	2016	1.437,9	0,4%	62,9%	18,3%	-14,5	22,6%	636,9	17,4%	32,1%	3,66x	17,5%	38,4
Brunello Cucinelli	2016	456,0	10,6%	36,7%	13,4%	-27,6	17,8%	102,4	8,7%	17,8%	3,86x	47,8%	29,9
HUGO BOSS	2016	2.692,8	0,2%	61,1%	13,2%	-7,8	18,3%	1.281,7	10,5%	21,0%	6,62x	23,1%	92,9
Canada Goose Holdings	2016	268,9	34,5%	49,9%	13,7%	170,0	15,7%	97,3	9,2%	34,7%	2,74x	391,1%	--
Ralph Lauren A	2016	6.290,0	-11,6%	56,9%	9,7%	-4,6	14,2%	2.969,6	2,4%	3,9%	4,01x	23,9%	114,5
Average		9.722,5	9,2%	55,9%	16,6%	21,9	21,1%	4.262,2	9,3%	17,8%	5,00x	59,0%	60,0
Median		3.230,5	9,9%	62,0%	14,8%	4,4	20,3%	1.601,5	8,7%	17,8%	3,76x	24,2%	55,7

Comps Source: Factset

Financial Analysis

Exhibit : 13

Growth sqm and Sales Density



Source: Team Estimates

Past Performance Analysis

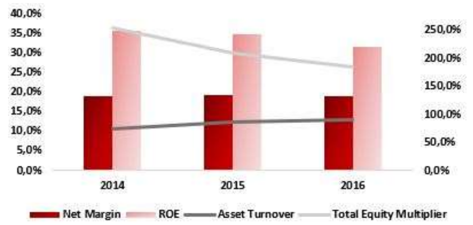
Revenues and Geographical Expansion

During the last 3 years MONC Revenues grew by 21.5% 3Y CAGR reaching €1040 mln in 2016, from €580.6 mln in 2013. Revenues' growth in this period was driven by: 1) **increase in its Retail exposure**, that reached €764.2 mln (**31.8% 3Y CAGR**) at **73,5% of Total Revenues in 2016** (+3.1% compared to 2015); 2) **a solid performance in the Wholesale channel** (+5.9% compared to 2015); 3) the progressive introduction of **complementary categories** around its strong core business (especially knitwear, accessories and footwear) and 4) a **careful geographical development**

Exhibit : 14
Growth EBIT

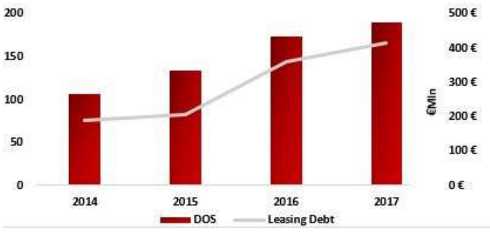
Source: Team Estimates

Exhibit : 15
ROE Dupont Analysis



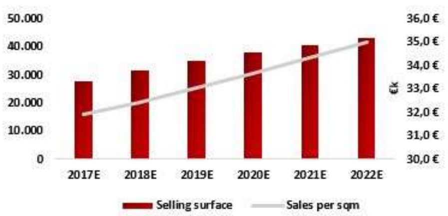
Source: Team Estimates

Exhibit: 16
Evolution of Leasing Debt



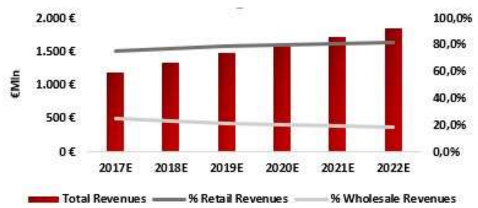
Source: Team Estimates

Exhibit : 17
Future Growth Selling Surface and Sales Density



Source: Team Estimates

Exhibit : 18
Retail and Wholesale evolution



Source: Team Estimates

with a limited but significant number of planned openings per year (17 DOS opened in 2016 in the most prestigious international locations, including NY, Seoul and other main cities in North America). These new openings allowed **MONC to reach a global dimension with 86.2% of Total Revenues generated abroad in 2016**. The major growth drivers were in **Asia** (**€418.5 mln, 32.1% 3Y CAGR**), generating **40.2% of Total Revenues**, and **Americas**, where **Revenues reached €175.3 mln in 2016** (**37.4% 3Y CAGR**), i.e. about 17% of Total Revenues.

Margin & Operative Structure

Gross Margin increased **from 71,32% in 2013 to 75,57% (+23.9% 3Y CAGR) in 2016** mainly due to the greater increase in Revenues from the retail segment where MONC can rely on **greater margins compared with revenues from the wholesale segment (about 80% vs 60%)**. Operating Result (**EBIT**) **increased by 78,90% from 2013 to 2016** (see Exhibit 14) but **ROS remained stable from 28,66% in 2013 to 28,61% in 2016** because the impact of Selling Expenses and A&P expenses on sales increased, respectively, from 25,43% in 2013 to 30,02% in 2016 (+18,07%) and from 6,20% in 2013 to 9,04% in 2016 (+45,93%).

Returns & Cash Flows

Returns: **MONC's low financial leverage** (Total Equity Multiplier amount to 1.63x in 2016, 2.23x considering the leasing debts) doesn't allow the Company to fully benefit from its high level of **ROI that**, in the same period, **increased from 34.6% to 49.8% (+13% 3Y CAGR)**. ROI's growth is mainly explained by a growing ROT that increased from 1,2 x in 2013 to 1,74 x in 2016, **demonstrating the efficacy with which MONC deployed its assets in generating revenues**, while during the same period **ROS remained fairly stable**, at around **28.6%** (28.61% in 2016). **ROE reached its peak in 2014 at 35.7%** thanks to the Net Margin that rose from 16.3% to 18.7%. The DuPont Analysis shows that during the last two years the **Total Equity Multiplier ratio dropped by 25.7% (see exhibit 15)**, due to the increase of Equity (29.3% 2Y CAGR) and **the reduction of the Debt Ratio (-18% 2Y CAGR, -13.2% considering leasing debt)**: as a consequence, **ROE decreased from 35.7% in 2014**, stabilizing at **31.4% in 2016**.

Cash Flows: From 2013 MONC's **CFO grew from €169.4 mln to €383.7 mln in 2016** (+31.3% 3Y CAGR) driven mainly by net income growth. During the years the impressive cash flow generation allowed MONC to: 1) repay more than **€1012. 6 mln of its bank debt** (in the face of €738 mln of bank debts assumed simultaneously) reducing by half the total debt exposure and interest expenses and **reaching a positive Net Debt of -€102.8 mln in 2016 (€315.5 mln in 2016 if we consider Leasing debts)**; 2) raise its **CAPEX from €34.3 mln to €63.3 mln** (+22.6% 2013-16 CAGR), focusing mainly to take direct control of its chains of DOS; 3) **distribute dividends to its shareholders, from 2014**. In fact, while in the past two years MONC's payout ratio remained stable at 18%, **cash and cash equivalents have more than doubled from €105.3 mln to €243.4 mln in 2016**.

Capital Structure Analysis

Between 2013 and 2016 **MONC's Incidence of Current Asset on Total Asset** increased from **39,03%** to **43,93% (+12.55%)** mainly due to the growth of current assets **(from 31,79% to 32,28% considering Leasing Debt).** During the same period, **Incidence of Non-Current Liabilities on Total Liabilities** (calculated including Off-Balance Sheet Liabilities from Leases) decreased from **40%** to **33% (-21,21%)** (without considering Leasing Debt, the ratio decreased from **24,09%** to **11,23% - a reduction of -53,38%).** These achievements were the result of the "zero-debt" policy adopted by **MONC. Leasing Debt** increased from **€187.9 mln** to **€415.4 mln (+121,01%)** in **2016**, a growth that is a consequence of **the increase of DOS (see exhibit 16)** between 2013 and 2016, from **107** to **190 DOS (+77,57%).** The **Debt Ratio** (defined as Total Liabilities to Total Assets) decreased from **85,15%** to **74,97% (-13,58%)** in 2016 **(without considering Leasing Debt, the ratio decreased from 62,38% to 38,93%, a drop of 37,59%)** because Total Asset rose more rapidly than Total Liabilities.

	2016A	2017E	2018E	2019E	2020E	2021E	2022E
Sales	**1.040.311 €**	**1.183.740 €**	**1.328.052 €**	**1.474.453 €**	**1.600.542 €**	**1.718.739 €**	**1.839.097 €**
% growth	*18,2%*	*13,8%*	*12,2%*	*11,0%*	*8,6%*	*7,4%*	*7,0%*
Gross Income	**788.008 €**	**903.401 €**	**1.020.038 €**	**1.136.137 €**	**1.235.377 €**	**1.329.104 €**	**1.424.537 €**
% of sales	*75,7%*	*76,3%*	*76,8%*	*77,1%*	*77,2%*	*77,3%*	*77,5%*
Selling % sales	*30,0%*	*29,7%*	*29,5%*	*29,4%*	*29,2%*	*29,1%*	*29,0%*
A&P % sales	*9,0%*	*9,0%*	*9,0%*	*9,0%*	*9,0%*	*9,0%*	*9,0%*
G&A % sales	*6,6%*	*6,8%*	*6,9%*	*7,2%*	*7,2%*	*7,3%*	*7,5%*
NRC % sales	*1,5%*	*1,0%*	*0,9%*	*0,7%*	*0,9%*	*1,0%*	*1,0%*
EBITDA	**339.381 €**	**403.353 €**	**466.065 €**	**596.429 €**	**650.241 €**	**698.942 €**	**746.053 €**
% of sales	*32,6%*	*34,1%*	*35,1%*	*40,5%*	*40,6%*	*40,7%*	*40,6%*
EBIT	**297.681 €**	**352.459 €**	**405.634 €**	**453.645 €**	**493.611 €**	**531.609 €**	**570.388 €**
EBIT % of sales	*28,6%*	*29,8%*	*30,5%*	*30,8%*	*30,8%*	*30,9%*	*31,0%*
Pretax Income	**293.089 €**	**352.054 €**	**407.947 €**	**446.777 €**	**486.073 €**	**526.222 €**	**565.588 €**
% sales	*28,2%*	*29,7%*	*30,7%*	*30,3%*	*30,4%*	*30,6%*	*30,8%*
Tax rate (%)	*33,0%*	*26,0%*	*28,0%*	*29,0%*	*30,0%*	*31,0%*	*32,0%*
Net Income	**196.022 €**	**260.731 €**	**293.677 €**	**317.167 €**	**340.291 €**	**363.076 €**	**384.593 €**
Margin %	*18,9%*	*22,0%*	*22,1%*	*21,5%*	*21,3%*	*21,1%*	*20,9%*
FCFF	**126.786 €**	**211.486 €**	**238.468 €**	**285.815 €**	**325.861 €**	**373.690 €**	**404.332 €**
CAPEX/Sales	16,4%	13,6%	13,1%	12,2%	10,4%	9,2%	8,4%
NWC/Sales	5,0%	5,1%	4,4%	3,8%	4,1%	3,7%	3,5%
NFP	-102.777 €	184.722 €	37.692 €	-109.343 €	-288.402 €	-497.301 €	-705.942 €
Dividend Payout	18,0%	30,0%	35,0%	38,0%	40,0%	40,0%	45,0%
Cash conversion	0,65	0,81	0,81	0,90	0,96	1,03	1,05
ROE	31,4%	32,7%	29,7%	26,8%	24,6%	22,8%	21,3%
ROIC	10,3%	10,3%	9,6%	8,9%	8,4%	8,2%	7,3%

Future Performance Analysis

Revenue Analysis

Our sales forecasts, focusing on a geographical approach, are based on: 1) Regions of DOS openings; 2) New average selling surface; 3) Growth in Online Sales; 4) New Sales Density; 5) Growth in the wholesale channel;

DOS: According to our estimates, MONC's will open 70 new DOS between 2017E-2022E **(5,37% CAGR 6Y)**: **3** in Italy **(4% of total); 21** in EMEA **(30% of total)**; **26** in Asia and Row **(37% of total)**; **20** in Americas **(29% of total).**

New average selling surface: In line with MONC's Target, new DOS will have an average store size of 265 sqm between 2017E-2022E. For the first 3Y (2017E-2019E) this will be equal to 280 sqm **(+12% than 2016)** while for the last 3Y (2020E-2022E) the size will be equal to 250 sqm.

Growth in Online Sales: Online Sales will have a greater impact on Total Revenues, with a double-digit growth **(+18,78% CAGR 6Y).** Incidence on Total Revenues will grow from **7% in 2016 to 11% in 2022E (+59%).**

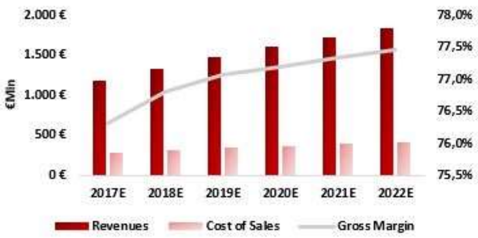
Exhibit : 19

Geographical Breakdown

Source: Team Estimates

Exhibit : 20

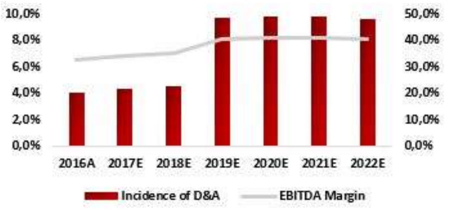
Gross Margin Evolution



Source: Team Estimates

Exhibit : 21

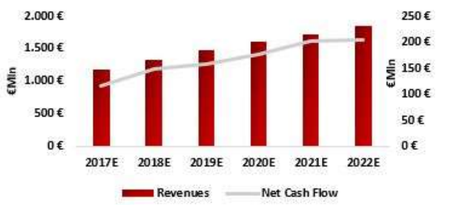
EBITDA evolution



Source: Team Estimates

Exhibit : 22

Net Cash Flow Evolution



Source: Team Estimates

Exhibit : 23

DCF Model

€M	2018E	2019E	2020E	2021E	2022E
Revenues	1.328.052	1.474.453	1.600.542	1.718.739	1.839.097
Growth	12,2%	11,0%	8,6%	7,4%	7,0%
EBIT	405.634	453.645	493.611	531.609	570.388
-Tax	113.578	131.557	148.083	164.799	182.524
NOPAT	292.057	322.088	345.528	366.810	387.864
+D&A	60.431	142.784	156.630	167.333	175.665
-Change in WC	9.192	-786	10.322	3.164	4.016
-CAPEX	173.561	179.843	165.975	157.289	155.181
FCFF	238.468	285.815	325.861	373.690	404.332
Discount Factor	0,93	0,87	0,81	0,76	0,70
Present Value	222.897	249.319	264.845	282.582	284.166
WACC	6,99%	7,15%	7,33%	7,48%	7,60%
Target Price	30,31				

Source: Team Estimates

New Sales Density: Thanks to the increase in average selling surface and in Online Sales, average sales per sqm will grow **from €31.4 k/sqm in 2016 to €34.9 k/sqm in 2022E (+1,75% CAGR 6Y)** while average sales per DOS will increase from **€4.0 mln in 2016 to €5.8 mln in 2022E (+6,18% CAGR 6Y). (see exhibit 17)**

Growth in wholesale channel: Regarding wholesale channel, we estimate that MONC will open new 35 Shop-in Shops, reaching a total number of 77 **(42 in 2016 +10,63% CAGR 6Y)** that will allow Total Wholesale Revenues to grow from **€276.1 mln in 2016 to €333.9 mln in 2022E (+3,21% CAGR 6Y).**

Total Revenues: Total Group Revenues will increase by **9,96% CAGR 6Y** reaching **€1.840 mln** in 2022E, from **€1.040 mln** in 2016.. Retail channel will represent **81.5%** of Total Revenues **in 2022E (€1.499 mln)**, compared to **73,5% in 2016 (+10,88%),** while wholesale channel will represent **18.5%** of Total Revenues **in 2022,** compared to **26,5% in 2016 (-30,19%)** according to **MONC's** strategy. **(see exhibit 18)**

Revenues by Geography: MONC will increase its penetration into **Asia and RoW** where it will generate **€776.7 mln** of Revenues in 2022E **(10,86% CAGR 6Y)** from **€418.5 mln** in 2016, increasing its exposure to this market **(from 40,23% of Total Revenues in 2016 to 42,24%, in 2022E, +4,99%)** and into **Americas** where Revenues will reach the amount of **€338.0 mln in 2022E (+11,56% CAGR 6Y) from €175.2 mln in** 2016 **(from 16,85% of Total Revenues in 2016 to 18,38%** in 2022E**, +9,08%**). At the same time exposure to Italy and EMEA markets will decrease respectively from **13,76% in 2016 to 11,61% in 2022E (-15,63%)** and from **29,16% in 2016 to 27,77% in 2022E.** Despite exposure to these markets will decrease, Total Revenues will grow: Market Revenues in Italy will develop from **€143.2 mln in 2016 to €213.6 mln in 2022E (+6,89% CAGR 6Y), while Market Revenues in EMEA will increase from** €303.3 mln in **2016 to** €510.8 mln **2022E (+9,07% CAGR 6Y). (see exhibit 19)**

Costs and Margin

Gross Margin: During this period Gross margin will increase **from 75,7% in 2016 to 77,5% in 2022E (+2,3%)** driven by decrease in Incidence Of Cost Of Sales on Total Revenues **(see exhibit 20)** that will decrease **from 24,3% in 2016 to 22,5% in 2022E (-7,06%)** due to the fastest-growing of Revenues than Cost Of Sales **(7,62% CAGR 6Y vs 6,91% CAGR 6Y).**

EBITDA: EBITDA Margin will grow **by 23,12% from 32,6% in 2016 to 40,2% in 2022E (see exhibit 21).** This increase will be due to the adoption of IFRS 16 that will require the evaluation of operating leases as financial leases: consequently, the Incidence of Depreciation on Total Revenue will increase between 2018E and 2019E, growing from an average **of 4,3% relative to 2016-2018E to an average of 9,7% relative to 2019E-2022E.**

EBIT: EBIT Margin will grow by **6,99% from 28,6% in 2016 to 30,6% in 2022,** driven by the increase on Gross Margin. During the same period, **Operating Costs will remain stable at 47% on Total Revenues.**

Net Margin: **Net Margin will increase by 1,50% CAGR 6Y** driven by the decrease of the Tax Rate thanks to "Patent Box" (an Agreement signed with Tax Authorities). **The Tax rate will decrease from 33% in 2016 to 26% in 2017E (-21,5%),** but as a prudent estimate we assume that it will grow back to 32% in 2022E**. Net Income will increase from €196.3A mln in 2016 to** €379.6 mln **in 2022E (+11,64% CAGR 6Y).**

Cash flows: In our model, we assume the company will raise its Leasing Debt during the forecasted period to open new DOS **from €415.3A mln in 2016 to €494.3 mln in 2022E (+2,9% CAGR 6Y)** while **Other Financial Debt will decrease by -18,2% CAGR 6Y from €140.6 mln in 2016 to €42.2 in 2022E** according to MONC's zero debt policy. **CAPEX will remain stable to 6% of Total Revenues until 2019E to then decrease to 4% in 2022E**. The decrease will depend by the reduction in New Net Openings between 2020E-2022E respect previous 3Y (2017E-2019E). MONC's **will increase its Net Cash Flow by 12,91% CAGR 6Y from €97.2 mln in 2016 to €201.5 mln in 2022E (see exhibit 22) reaching a Net Accumulated Cash flow of €1.242 mln mainly due to growth in Total Revenues.**

Valuation

The TP resulting from our valuation is **€30.31 which implies a +17.8% potential increase from the actual market price and supports our "BUY" recommendation**. To determine MONC's fundamental value we use a **three-stage DCF model** to take into account **the non -linear trend of the EBIT that shows a rapid acceleration in the first three years and the subsequent normalization in the following two.** To support our "BUY" recommendation, we contrasted our DCF-based valuation with a **Multiples Analysis** (MA). We decided not to consider MA as the primary valuation technique because of **the differences in peers' core business and the better fit of the three-stage DCF model with MONC's ordinary business structure**. As a further check, we also conducted a scenario analysis that considers a great increase of both **average sales per sqm and average size of new DOS as Bull Scenario**, together with a risk of a **decrease of average sales per sqm and a decrease in organic growth as Bear Scenario**. We also consider an opportunity for Moncler **to be an acquisition target by a large company (Kering SA in our simulation).** To conclude, we also stress some key variables of our model by performing a **sensitivity analysis** on WACC, beta, TV WACC and Terminal growth.

DCF Model

We implement a **three-stage DCF model** to evaluate the company's value based on its own fundamentals. Since we believe that Moncler's high growth potential will progressively fade out after 2022E, we considered a **five years steady state at the end of the forecasted period**. Additionally, we believe that this approach mitigates the impact of the Terminal Value (TV) calculation (Exhibit n. 24) , from 2022E on. The **Free Cash Flow to Firm** (FCFF) is computed considering the annual change in taxes, Depreciation & Amortization (D&A), Net Working Capital (NWC) and CAPEX.

First Stage 2017E-2022E: In this stage we consider FCFF resulting from forecasts describe in detail in "Future Performance Analysis" section. We conduct a **WACC computation every year to reflect changes in MONC's Capital Structure during forecasted period**. Our WACC key assumptions for 2018E are represented in **Table 1**.

Second Stage 2023E – 2027E: During these years we think that **MONC's Revenues growth will stabilize to converge towards the level of the long-term perpetuity growth for both online sales and average sales per sqm.** Moreover, we assume that Moncler will tend to evolve into a mature company converging towards industry's multiples,

generating high and stable free cash flows and reducing progressively its CAPEX (**-12.1% 5Y CAGR**) **and NWC** (**-12.31% 5Y CAGR**). At the end of 2027E we estimated that EBIT growth will growth 4.6% (Appendix n.6). We also set a time-invariant WACC as we estimate that MONC's capital structure will not change significantly.

Third Stage – Terminal Value: TV is calculated as a perpetuity formula with TV growth rate (g) computed as the average 2027E-2035E MONC revenues growth rate. It results in a **TV growth rate of 3%**. We consider a **TV WACC of 7.6%, the same value of 2022E**.

Table 1:

Wacc Assumptions

WACC Assumptions		
Risk Free Rate (Rf)	***2,4%***	Weighted average of 10 years Government Bond yields – weights based on geographical distribution of MONC's Revenues (FY 2016)
Equity Risk Premium	***6,4%***	Weighted average of countries risk premia – weights based on geographical distribution of MONC's Revenues
Beta	***1,01***	Computed with a linear regression between MONC's stock price weekly returns and weekly returns of a proprietary Luxury Index (Appendix ...)
Ke	***8,9%***	Capital Asset Pricing Model: Rf + β ∗ EquityRiskPremium
Kd	***2,9%***	Calculated as Risk free rate + Spread. Spread is calculated applying our own rating on MONC's based on its financial structure, compared with the yield curve of the Luxury Sector. We assign MONC a Baa2 rating which translate into a gross Kd of 4,4%.
Tax Rate	***26,0%***	Taking into consideration the favourable tax regime of "Patent Box"

Source: Team Estimates

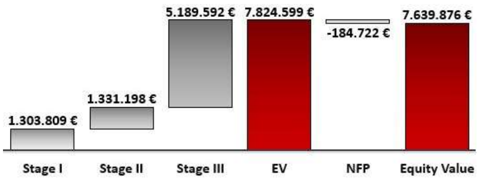
Multiple Analysis

Peer selection: **For its niche production and high margins Moncler doesn't have any direct competitor.** As such, for our analysis we considered a sample of 14 companies which belong to the Luxury & Apparel Industry that we have included **into our Luxury Index** (see Appendix n. 8).

Methodology: To evaluate MONC's Market Value we consider its historical multiples (from 2013 to 2016) calculating the premium that the market assigned every year to the company compared **to the median of comparables' multiples**. Then, we calculate the **average value of the premiums and multiplied it to MONC's 2013-2016 multiple's average finding what we assume is its fair value**. We then compute the Market Value multiplying the **average balance sheet's value of our forecasted period (2018E-2022E)** by the fair value of multiple. To conclude, after repeating this process **for each multiple**, we calculate the **average of Market Values found through this process**.

Exhibit : 24

DCF Bridge Analysis



Source: Team Estimates

Multiples Analysis Target Price: From our analysis, we calculate the following values of multiples: **26x P/E**, **4.6x Price/Sales**, **4.7x EV/Sales** and, finally, **14.5x EV/EBITDA**. We decided to use two multiples related to Assets and two multiples related to the earning power **to minimize any distortions that may result from using only one or few of them**. By applying this approach, **we derive a Market Value of €8.1 bln** which implies a **TP of €32.2** (i.e. a potential upside of 25% compared to MONC's stock price on the date of our analysis).

Conclusion: As shown in Exhibit n. 25, **MONC has been trading at higher multiples since its listing**. We believe these multiples to be justified by **outstanding results achieved by the management and by the improvement in profitability, which is going to persist in the long term**. In fact, MONC's P/E multiple is one of the higher in Luxury Industry reflecting the fact that **the company may continue to enjoy the same positive prospects in the future**. Moreover, **we do not believe there are any serious risks that could pose a threat to the achievement of management objectives**. For these reasons, **we initiate our coverage with a "BUY" recommendation**.

Exhibit : 25

Multiples Analysis

Year	*P/E*	*P/SALES*	*EV/SALES*	*EV/EBITDA*
2013				
Moncler	43,89	6,80	7,23	21,89
Median Value	22,80	2,94	3,01	12,08
Market Premium	92,50%	131,29%	140,20%	81,21%
2014				
Moncler	21,4	4,0	4,3	12,9
Median Value	21,1	2,6	2,7	12,1
Market Premium	1,5%	54,4%	63,0%	6,2%
2015				
Moncler	19,3	3,7	3,9	11,7
Median Value	20,9	2,1	2,1	9,4
Market Premium	-7,9%	79,0%	84,2%	24,3%
2016				
Moncler	20,9	4,0	3,9	11,8
Median Value	21,0	2,3	2,4	10,6
Market Premium	-0,5%	75,0%	59,5%	11,8%
Average Median Value	**21,5**	**2,5**	**2,5**	**11,0**
Average Market Premium	21,4%	84,9%	86,7%	30,9%
FAIR VALUE	**26,0**	**4,6**	**4,7**	**14,5**
MONC's average forecasted value	339.761 €	1.592.177 €	1.592.177 €	631.546 €
Average Market Value	8.106.796 €			
# of shares	252.098			
Target Price	32,2 €			

Source: Team Estimates

Scenario Analysis

In order to further assess the impact of our model's assumptions on the target price, we perform a scenario analysis in which we stress key inputs of our model: sales density and average size of new DOS openings.

Bull scenario: We forecast an average low double-digit organic Revenue growth **(+11.5% 5Y CAGR, +2.3% higher than the base case scenario)** and an improvement of EBIT margin up to 32.8% in 2018E **(+1.4% higher than base case scenario)**, driven by i) increase in sales density of DOS by **10%** from **€33.7k/sqm** on average **2018E-2022E to 37.0k/sqm** ii) increase in the average size of new DOS by **15%** reaching an average store size of total DOS from **157.2 sqm** to 163 **sqm** between **2018E and 2022E (Exhibit n. 26).**

Exhibit : 26

Bull Case Scenario Analysis

BULL CASE

(€ k)	*2018E*	*2019E*	*2020E*	*2021E*	*2022E*
Sales	1.449.701 €	1.629.458 €	1.781.972 €	1.925.281 €	2.071.230 €
Δ base case	*9,2%*	*10,5%*	*11,3%*	*12,0%*	*12,6%*
EBITDA	529.881 €	675.879 €	743.251 €	802.617 €	862.352 €
margin %	*36,6%*	*41,5%*	*41,7%*	*41,7%*	*41,6%*
EBIT	468.576 €	530.953 €	582.933 €	630.053 €	679.977 €
margin %	*32,3%*	*32,6%*	*32,7%*	*32,7%*	*32,8%*
Net Income	339.387 €	372.430 €	403.103 €	431.466 €	459.591 €
margin %	*23,4%*	*22,9%*	*22,6%*	*22,4%*	*22,2%*
FCFF	273.917 €	330.796 €	379.069 €	433.455 €	471.584 €
Δ base case	35.450 €	44.981 €	53.208 €	59.764 €	67.252 €
Average Sales per sqm (€ k/sqm)	35.7	36.3	37.0	37.7	38.4
Average Store Size (sqm)	149	159	165	169	174
Target Price	**34.7€**				

Source: Team Estimates

Bear scenario: Organic Revenue growth drops to mid single-digit growth (**+4.3% 5Y CAGR, -4.9% lower than the base case scenario**) and EBIT margin progressively deteriorate until reaching the value of 26.1% in 2018E **(26.5% 2022E, -4.5% lower than the base case scenario**) as a consequence of new store's average size reduction by **20%. Indeed, from 2018E to 2022E the** average store size of total DOS decreases from **157.2 sqm to 149 sqm in our bear scenario. At the same time, we consider** a decline of **20%** on **Sales density** in every forecasted year that cause a reduction of its average from €33.7 k/sqm to **€27.0 k/sqm**, given MONC retail expansion strategy and the difficulty to compete against big conglomerates with more bargaining power to secure new prime and larger locations (Exhibit n.27).

Results and Conclusions: Our two scenarios move, from **€30.31 of the base case,** to a range of **€23.08** and **€34.33**, respectively **-10.3% and +33,5%** compared to the current market price €25.72 (as of 02/09/2018) **and -23.8% and +13.3%** compared to our base case scenario.

Exhibit : 27

Bear Case Scenario Analysis

BEAR CASE

(€ k)	*2018E*	*2019E*	*2020E*	*2021E*	*2022E*
Sales	1.104.465 €	1.204.179 €	1.292.828 €	1.375.069 €	1.458.784 €
Δ base case	*-16,8%*	*-18,3%*	*-19,2%*	*-20,0%*	*-20,7%*
EBITDA	347.019 €	455.044 €	489.053 €	522.507 €	551.180 €
margin %	*31,4%*	*37,8%*	*37,8%*	*38,0%*	*37,8%*
EBIT	288.194 €	315.971 €	338.592 €	363.771 €	386.405 €
margin %	*26,1%*	*26,2%*	*26,2%*	*26,5%*	*26,5%*
Net Income	208.399 €	218.766 €	231.257 €	246.477 €	258.670 €
margin %	*18,9%*	*18,2%*	*17,9%*	*17,9%*	*17,7%*
FCFF	171.164 €	203.950 €	231.840 €	270.251 €	289.838 €
Δ base case	-67.304 €	-81.864 €	-94.021 €	-103.440 €	-114.494 €
Average Sales per sqm (€ k/sqm)	26.0	26.5	27,0 €	27.6	28.1
Average Store Size (sqm)	143	148	150	152	154
Target Price	**23.08**				

Source: Team Estimates

Other Opportunities Valuation - Potential Acquisition -

In addition to the potential organic growth of the business, which we evaluated through a three-stage DCF model, we have also valued the **possibility that Moncler could become a potential acquisition target from a big conglomerate**. Indeed, large groups such as Kering or LVMH which includes several fashion brands **to diversify their business,** might be interested to take over a strong Italian brand like Moncler. Moreover, the company **doesn't have a proper competitor on the luxury market relative to its core business**. Being an acquisition target would allow Moncler to reinforce its worldwide presence and create synergies in areas like purchasing and distribution. This scenario may allow the actual shareholders to monetize the value created transforming MONC into a strong and respected brand in the luxury sector.

Methodology: We assess the potential value creation resulting from the sale of the 100% of the company by **analyzing multiples' values of past acquisitions in the industry and evaluating potential synergies coming from an acquisition of the company by Kering Group SA**. In fact, we believe that the strong presence of Italian brands within

Exhibit : 28

Historical multiples of luxury industry transaction

BUYER	TARGET	TARGET EV/EBITDA	EV/EBITDA AFTER ACQUISITION	PREMIUM
KERING SA	Volcom Inc.	10.29x	15.8x	53,5%
KERING SA	Puma AG	19.78x	13.8x	-30,2%
KERING SA	Gucci		15.4x	
LVMH	Pepe Jeans London		20.7x	
LVMH	Bulgari	19.8x	34.3x	73,2%
LVMH	Glenmorangie	11x	24.8x	125,5%
	Median Value	**15,4x**	**18.25x**	**63,4%**

Source: Team Estimates

Exhibit : 29

Value Creation from potential acquisition

Value creation from potentital acquisition (2019E-2027E)	
Average Sales Growth YoY (%)	*5,1%*
Average Costs Synergies	*4,4%*
Average WACC	*7,5%*
Net present value	**203.444 €**
TV Growth	*4,0%*
TV WACC	*7,6%*
Terminal Value	**583.993 €**
# of Shares	*252.098*
Upside	**3,12 €**
Potential Target Price	**33,43 €**

Source: Team Estimates

Exhibit : 30

Delta Wacc

TERMINAL GROWTH \ DELTA WACC	*-2,00%*	*-1,50%*	*-1,00%*	*-0,50%*	***0,0%***	*0,5%*	*1,00%*	*1,50%*	*2,00%*
1,75%	26,40	26,21	26,02	25,83	25,64	25,46	25,28	25,10	24,92
2,00%	27,20	27,00	26,79	26,59	26,39	26,20	26,01	25,82	25,63
2,25%	28,09	27,86	27,65	27,43	27,22	27,01	26,80	26,60	26,40
2,50%	29,06	28,82	28,58	28,35	28,12	27,89	27,67	27,45	27,24
2,75%	30,13	29,87	29,62	29,36	29,12	28,87	28,63	28,40	28,16
3,02%	31,42	31,13	30,85	30,58	**30,31**	30,04	29,78	29,52	29,26
3,25%	32,67	32,36	32,05	31,75	31,45	31,16	30,88	30,60	30,32
3,50%	34,17	33,83	33,49	33,16	32,83	32,52	32,20	31,89	31,59
3,75%	35,89	35,50	35,13	34,76	34,40	34,04	33,69	33,35	33,02
4,00%	37,85	37,42	36,99	36,58	36,18	35,78	35,39	35,01	34,64
4,25%	40,12	39,62	39,15	38,68	38,22	37,77	37,34	36,91	36,49

Source: Team Estimates

Exhibit : 31

Terminal Value Wacc

BETA \ TV WACC	*7,00%*	*7,15%*	*7,30%*	*7,45%*	***7,6%***	*7,8%*	*7,90%*	*8,05%*	*8,20%*
0,71	37,80	36,77	35,82	34,93	34,12	33,32	32,59	31,90	31,25
0,77	36,90	35,90	34,97	34,10	33,32	32,54	31,83	31,16	30,53
0,83	36,02	35,05	34,14	33,30	32,54	31,78	31,08	30,43	29,82
0,89	35,17	34,22	33,34	32,52	31,77	31,04	30,36	29,73	29,13
0,95	34,34	33,42	32,56	31,76	31,04	30,32	29,66	29,04	28,46
1,01	33,52	32,63	31,79	31,02	**30,31**	29,61	28,97	28,37	27,81
1,06	32,87	32,00	31,18	30,42	29,73	29,05	28,42	27,84	27,29
1,11	32,23	31,38	30,58	29,84	29,16	28,49	27,88	27,31	26,77
1,15	31,73	30,89	30,11	29,38	28,72	28,06	27,46	26,90	26,36
1,21	31,00	30,18	29,42	28,71	28,06	27,42	26,84	26,29	25,77
1,27	30,28	29,49	28,74	28,05	27,42	26,80	26,23	25,70	25,19

Source: Team Estimates

the Kering group and the intention of this to arrive at the same level as the competitor LVMH could lead Kering SA to acquire MONC. Moreover, the excellent MONC's financial position makes it an ideal target.

Multiples M&A: **We use the EV/EBITDA multiple** since EBITDA is less affected by different levels of international accounting and tax regimes. We analyze the values of this multiple deriving from the previous acquisitions made by the two big players in the luxury industry (i.e. Kering SA and LVMH). As shown on exhibit n.28, **the median value of this multiple is of 18.25x** taking into account a sample of six acquisitions. Considering that the value of **MONC'S 16.8x EV/EBITDA for FY1 obtained from our analysis, we believe that a target EV/EBITDA multiple of 18.25x may be a realistic level for a potential takeover of the Company**. Using this target multiple, the computed **EV of €8.5 bln** would **increase the target price of the stock up to €33.74** (with a potential upside margin of +31.2% compared with the actual market price).

Potential Synergies: We also analyze the impact of Moncler's entry into the Kering group and the possible synergies that could be created from the acquisition. As shown on Exhibit n. 29, **we estimate an average level of costs synergies of 4.4%** (during the period from 2019E to 2027E), **deriving from the reduction of distribution costs, sales costs** and higher bargaining power that may lead to an improvement of margin especially in wholesale segment. Further, we estimate an average **YoY Revenues growth of 5.1%** (during the same period) which can be achieved by combining the managerial and financial capabilities of the two companies. Through this process, we compute a **potential TP of 33.31€ which implies an EV of €8.4bln**.

Results: Considering our valuations, we think that a possible **sale of the company could be considered as an option by the shareholders on values close to the estimated EV of €8.5 bln**.

Sensitivity Analysis

To properly evaluate the company, **we stress some of the key variables on which our DCF model is based.** First, we set 8 relative changes to be applied on each period's base case WACC (2017-2021), to evaluate scenarios of improvement or worsening of the global macroeconomic conditions, which may involve **changes in the risk-free rates** or in the **countries' equity risk premiums.** Moreover, we also set possible changes of **TV growth** in the **range 1.75% - 4.25%,** given the relevant impact of TV on our model (66.32% of the entire valuation). We determined a TV growth of 3.02% as the average of our estimate growth of MONC's revenue from 2027E of 2034E. As shown in exhibit n.30 since in more than 75% of cases the value that we extrapolate from the sensitivity analysis is 10% higher than the current market price of €25.72 (as of 02/09/2018), **our "BUY" recommendation is well supported.** Further, we **verify changes in our TP relative with changes of Beta and TV WACC. On the former, we compute** it through **a regression model** based on an **index composite with most important brands** in the luxury industry (see **Appendix n.8**). On the latter, we consider the 2022E WACC as TV WACC but, given the significant impact of this variable on TV, **we set a possible range from 7% of 8,2%.** As in the previous analysis, only a very large, combined, negative variation of the two variables could cause a change in our recommendation which remain **"BUY" in 74 of 99 cases considered in our sensitivity analysis: in fact, in 74 cases the TP would be more than 10% higher than the actual market price (Exhibit n.31).** In addition to the reaction to main explanatory variables, we have checked the sensitivity of the stock price to our choice of specifying annual values of WACC to account for changes in the firm's financial structure. To check this assumption, **we have contrasted the estimate based on time-varying WACC values with the baseline estimate based on TV WACC.** Results are not significantly different (TP €29.9, -1.3% base case) **and support our assumption of using specific annual values of WACC.**

Investment Risks

Macro	**[M1] Regulatory Risk:** The rules on taxes, competition, composition of products and the environment are particularly important in the context in which MONC operates. The enactment of new regulations to the current legislation could impose on the group the adoption of more stringent standards, which could entail costs for adapting production methods or product. Geographic and products diversification represents the best way to deal with regulatory risk.
	[M2] Risk from evolution of tourist flow: Similarly, to most luxury players, MONC's sales are exposed to global shoppers. Tourism now accounts for up to 40% of global luxury spending with the largest tourist groups being the Chinese. Any macro or political factors which may change consumer travelling preferences could impact on our forecasts.
	[M3] Macro environment and consumer sentiment: A change in the global GDP outlook and in luxury consumer confidence could have a significant impact on the company's expansion strategy and top-line performance. Given the high exposure in the Asian markets (40.23% of total revenues 2016), a decline of the Chinese economy could slow down sales growth and best in class margin. The Chinese GDP has shown remarkable growth over the past years, but it is slowing down (CNY GDP 6.8% CAGR 2013-2017). In our assumption one of the most pressing risk is the increasing debt level in China: the total Chinese debt has for some time breached the 200% GDP ceiling, but more concerning is the indebtedness of larger companies (many of them state-owned) which in 2016 reached a share 170% of GDP.
Strategic	**[S1] Risks related to dependence by key figures:** Despite the robustness of the management team, investors might perceive the group as highly dependent on Chairman and CEO Remo Ruffini. Mr Ruffini is an important figure for MONC and is a key figure behind the group's strategy. Any potential departure could generate fear in the company's ability to achieve its goals through a forward-looking vision. The company may mitigate such risk proposing a visible succession plan.
	[S2] Generic competition: Given the capabilities of online distribution and more effective marketing opportunities (including social media), companies and customers have less need for physical stores. The emergence of the multi-brand online channel (YOOX.com, NetAPorter.com, etc) has helped smaller brands with no scale or limited physical footprint to increase visibility online and have easier access to consumers, meaningfully lowering barriers to entry to a sector that, historically, had been characterized by high barriers (i.e. brand *heritage*, store network in 'high-end' retail locations.).
	[S3] Risks connected with the distributive network: Over the years, MONC has demonstrated the ability to open new profitable stores in the most prestigious locations in the world. However, the competition among luxury goods operators to secure these positions is very strong and the retail business is characterized by a higher incidence of fixed costs, mainly linked to leases. For this reason, it cannot be excluded that in the future the Group may encounter difficulties in opening new stores or experience a slowdown in sales, with negative consequences on potential revenues and operating margins. We estimate that a decline of 20% in the average store size will reduce total revenues by 1.3% bringing 2018E EBIT margin from 30.5% to 29.8%. Furthermore, if we assume a 20% drop in sales of new stores compared to old ones, there would be a 1.15% reduction of average sales per sqm, and this would result in -€11m retail revenues (-3.2% compared to our estimates for 2018E.).

	[S4] Costs of innovation: MONC is simultaneously looking for ways to reduce store operating costs, re-evaluate store networks and innovate the in-store experience to attract customers. The desire to improve margins and control brand presentation are causing MONC to move to direct-to-consumer-model with the aim to create an integrated shopping journey across touchpoints. However, omnichannel efforts have often proved difficult to deliver profitably due to the relative high technological, operational and organizational costs.
Operational	**[O1] Brand and Customer Loyalty Risks:** The ability to acquire more information, such as the ease of comparison allowed by tools such as smartphones, has made consumers less brand loyal. “Millennials” are very price sensitive, but they also base more of their purchasing decisions on whether a company’s practices and mission align with their values. Brand awareness, product innovation and category expansions are key to keeping old customers and at the same time attract new generations.
	[O2] Seasonality Risk: While management is focused on diversifying the product base away from the core outwear segment, sales are still concentrated in the A/W collections, mainly due to the classic MONC down jacket. This creates a high seasonality effect in revenues, earnings and working capital. Sales or inventory risks may rise if a warmer than usual A/W season occurs.
	[O3] Product diversification & Margin sustainability: MONC's has excellent operating margins which already leads peers, however the costs required to sustain the brand's growth and the diversification into lower-margin product categories such as footwear, knitwear or accessories poses risk to the sustainability of its best-in-class margin.
Financial	**[F1] Forex Risk:** MONC’s activities are exposed to foreign currency risk mainly through the Yen, U.S. Dollar, Chinese Renminbi and Hong Kong Dollar. The disconnect between global revenues and a high euro cost base has expanded considerably since 2011 due to the fact that the company has reduced its European sales exposure to 43% in 2016 while its manufacturing is primarily done in Italy and Eastern Europe. Even though there is a possibility that its operating margin could come under pressure as the stronger euro reduces revenue growth, (which likely will slow toward the peer average as its business matures) we believe that brand appeal and more own-retail give MONC flexibility on pricing to help manage margin.
	[F2] Credit risk: MONC does not have significant concentrations of financial assets (trade receivables and other current assets) that involve a high credit risk. In addition, the amount of outstanding receivables is constantly monitored, so that the Group's exposure to bad debts is not significant and the historical percentages of losses are very low.
	[F4] Solvency Risk & Capital Structure: MONC has kept a solid capital structure during the last 5 years (avg 0.91 Debt/Equity). The constant ability to generate positive cash flows over time allows the company both to progressively reduce its dependence on debt and to maintain great flexibility in the context of highly volatile markets.

Other Headings

Exhibit : 32

Board of Directors composition as February 21th 2018

Member	Office
Remo Ruffini	Chairman and CEO
Virgine Sarah Sandrine Morgon	Deputy Chairman
Nerio Alessandri	Independent Director
Juan Carlos Torres Carretero	Director
Luciano Santel	Executive Director
Sergio Buongiovanni	Executive Director
Marco Diego De Benedetti	Lead Independent Director
Gabriele Galateri di Genola	Indipendent Director
Diva Moriani	Indipendent Director
Stephanie Phair	Indipendent Director
Guido Pianaroli	Indipendent Director

Source: Company Data

Exhibit: 33

BoD Breakdown by Gender

Source: Company Data

Exhibit: 34

Average age

Source: Company Data

Corporate Governance

MONC’s is organised on the basis of a traditional management and control organisational model with a Shareholders’ meeting, a Board of Directors and a Board of Statutory auditors. KPMG S.p.A was appointed as independent auditor for the separate and consolidated financial statements for the years 2013 to 2021. The company adheres to the “Codice di Autodisciplina” (Italian Code of Conduct for listed companies) and it publishes the report on CG and ownership structure since 2014. The BoD, compliant with the balance between genders, is actually composed of eleven directors, six of which independent (see Exhibit 32-33-34).Regarding to the powers and authority of the board members, there are 3 executive and 8 non-executive Directors. As Mr. Ruffini holds both the positions of Chairman and CEO, on April 21, 2016, to improve the Company governance, the BoD appointed the independent director Marco De Benedetti as Lead Independent Director in compliance with the recommendations contained the Corporate Governance Code. Two Committees were established to support the Board of Directors, vested with consulting and advisory functions: the **Control, Risks, and Sustainability Committee** and the **Nomination and Remuneration Committee**. Regarding the remuneration policy MONC implements two different remuneration schemes in order to attract and motivate top professionals: i) all Directors receive a **fixed compensation** proportional to the commitment required, in relation also to their participation into the Board’s committees ii) Managing Directors, other Executive Directors and Key-Managers receive an additional **variable component**, designed to reward expected short-term (MBO) and medium-long term results (Stock-Options plans)(see Appendix). The Policy provides for Directors and Key-Manager to receive additional remuneration if they have the role of directors within the Company’s subsidiaries.

Corporate Social Responsibility

MONC is a member of several associations and initiatives for the promotion of the Italian fashion industry, in the fight against counterfeiting, trademark protection and promotion of women’s leadership and talent. MONC is also involved in supporting the medical-scientific sector through funding and grants to various cancer prevention and research projects promoted by the **Umberto Veronesi Foundation** and the IEO *(Istituto Europeo di Oncologia* – European Institute of Oncology), and through donations to a number of associations and foundations involved in medical research such as **amfAR Foundation**, aimed at finding a broadly applicable cure for HIV by 2020. MONC sustains initiatives fostering the growth of local communities, also via partnerships with associations and non-profit organisations such as Francesca Rava Foundation – N.P.H. Italia Onlus, by donating down jackets to students and teachers from schools affected by the earthquake in the towns of Norcia, Cascia, and Arquata (Italy), and by fully funding the construction of the new elementary school in Cascia. In 2015 MONC produced its first **Sustainability Report,** which describes the main environmental, social and business initiatives, and also publishes the results achieved in relation to **Sustainability Plan** objectives. The Report is published annually and is prepared in accordance with the Sustainability Reporting Guidelines (version G4) issued in 2013 by the Global Reporting Initiative (GRI). The data and information disclosed was gathered and processed by a **governance structure** with dedicated bodies supervising and managing sustainability issues, starting from the **Sustainability Unit** to the **Control, Risks, and Sustainability Committee** established as a committee of the BoD with three non-executives, independent Directors. MONC is compliant with the **Code of Ethics**, a set of principles and guidelines that inspire and guide the way the Company operates, as well as the conduct of its employees and of those who collaborate with the Company. The Code is also a fundamental and integral part of the **Organisation, Management, and Control Model** adopted in accordance with Italian Legislative Decree 231/2001. In addition, in November 2016, MONC approved a **Supplier Code of Conduct**, which addresses a responsible purchasing which suppliers and sub-contractors are contractually required to comply with.

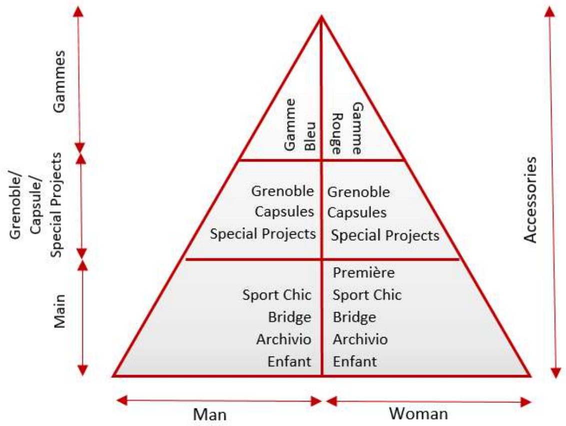
Appendix - Table of Contents

1. Collections

Moving from its **mountain** origins, since 1980' MONC has started developing the duvet model to make it adaptable to the **city** environment. Remaining close to its *heritage* while continuing to focus on innovation, design and quality, the Group has enlarged its offer with collections spanning from ***haute couture*** to a more **technical range** and has also started a diversification of the product portfolio tapping into **neighbouring categories** coordinated with its core product, such as knitwear, footwear, eyewear and recently a dogwear capsule collection. To reduce its exposure to **seasonality**, MONC launched its first Spring/Summer collection in 2010 but it mainly stepped up its efforts in 2011 with the launch of a *Long Saison* line, a light jacket suitable for all seasons which is the main driver for a seasonal rebalancing, with Q3 being the important Wholesale quarter and Q4 the Retail quarter. MONC's collections now cover several segments of the luxury pyramid.

1.*Gamme Rouge* and *Gamme Bleu*

The *Gammes* are *haute-couture* and **tailor made collections produced in Italy** and characterized by craftsmanship, exclusivity of the products and extremely selective distribution through the most prestigious boutiques in the world. *Gamme Rouge*, dedicated to women, was launched in 2006 and is currently designed by Giambattista Valli. The garments of this collection meet high quality criteria and are based on a careful study of design and maximum care in the production. *Gamme Bleu*, dedicated to men, was introduced in 2009 and designed by Thom Browne. It represents a perfect combination of a tailored approach with the sporting style of the brand. The *Gamme Rouge* collections are presented during Paris Fashion Week, while the *Gamme Bleu* collections at Milan Fashion Week, with the purpose of promoting the image and perception of the brand. The outerwear is priced on average at €1.800. On November 13th, the group announced the end of the collaboration with Giambattista Valli and Thom Browne, **so the next Spring/Summer 2018 collections will be the last ones.**



2. *Main*

The Main collection is MONC's most **popular line** and consists of urban products that combine high quality standards with the opportunity of various uses. *Main*'s products combine **knitwear, trousers, skirts, hats, shoes and accessories** and are divided into: **Archive, Bridge, Sport Chic, Première and Enfant. Archive** is the entry point to the brand and includes the most iconic and figurative products inspired by the historical tradition, characterized by a purely sporting line that covers all seasons of the year, despite having as its core element the nylon down jacket. All products inspired by the Archive have always had, and continue to have, the classic MONC logo. But MONC'S collections include also many "no-logo" and "less visible logo" products. The products of the **Bridge** segment constitute a 'bridge' between the Archive segment and the Sport Chic, in which MONC is also introducing a "less visible" external logo. The **Sport Chic** segment is dedicated to the urban and working environment and it is the result of the union between a strong research in fabrics and a relevant push in innovation. **Première** products, dedicated to women, represent the most classic, elegant and refined segment of the Main collection. The products are characterized by elegant and refined lines which are an evolution of the traditional down jacket. Première is the highest priced line of the core collections. **Enfant** line, in the **junior** and **baby** segments, offers a reinterpretation of the adult offer and is priced at c. €400. On average, the core collections are priced at between €650-850 for Outerwear and c. €140 for accessories.

3. Grenoble

Grenoble collection was founded in 2010 as a **sporty and technical collection** for men and women. Inspired by Moncler ski *heritage*, but with an innovative design intended for *outdoor* sports, now *Grenoble* offers an assortment of products, both for the fall/winter and the Spring/Summer season that match to the outerwear other categories such as trousers, sweaters, shirts and polo shirts as well as gloves, scarves and hats. *Grenoble* is aimed at a medium-high segment of the luxury goods market. Its range is priced between the *Premiere* and the *Gammes*, with outerwear priced on an average at c. €1,300 and accessories (i.e. scarves and gloves) at c. €200. It is distributed only through selected DOS and wholesalers in order to preserve the exclusivity of the collection.

4. Accessories: *à marcher* and *à porter*

The accessories collection includes the *à marchèr* line, **footwear** for men and women, and *à portèr* line, consisting of **bags, backpacks, luggage and small leather goods**. The diversification into shoewear, notably the winter/outdoor, suitable for cities as well as luxury ski resorts, grew double-digit during Q2 and Q3 2017 and continues to grow faster a bit behind knitwear.

5. Eyewear

In the first quarter of 2013, MONC established a *joint venture* with Allison (the 5th largest eyewear manufacturer worldwide) to develop the presence of the brand in the eyewear industry for the design, manufacture and distribution of **sunglasses** and **watches**. The first sunglasses collection produced by Allison was presented at the Milan International Optics Exhibition while the first visual collection was presented at the Silmo in Paris in September 2013.

6. *Special Projects* and *Capsule Collections*

MONC *Special Projects* are the result of ad hoc collaborations with *avantguard* fashion designers. Characterised by the innovative design, the aim of the projects is to obtain a product that can also inspire some of the other lines. The first collaborations led to the creation of collections with limited pieces, characterized by a strong reference to oriental style and culture, Japanese in particular. Even in 2017 several projects were tested (i.e. 'Moncler destination HK', 'Freeze for freeze' etc) as well as *capsule collections* together with other brands (i.e. Moon Boot, Kith, Poldo dog couture etc).

2. Value Chain

MONC's product are designed, manufactured and distributed according to the guidelines of an operating model characterized by the direct supervision of all the critical phases of the production and distribution chain. This model can be divided into the following main phases:

1. Style and collection development

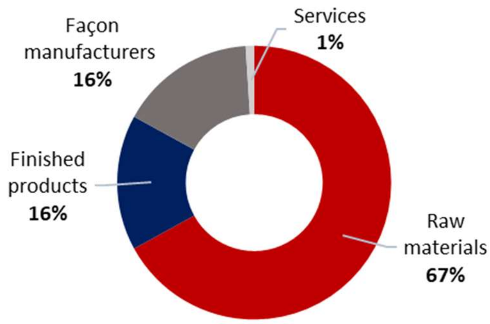
For each new Spring/Summer and Fall/Winter collection, the first phase of the development process is represented by the *debriefing*, that is the analysis of the performance of the past collection, developed and sold in the previous season, with both a quantitative (i.e. data on sales and prices by model and market) and qualitative approach (i.e. wearability, materials used, colours and technical characteristics). From the data analysed during the debriefing, a subsequent *briefing* is carried out, to define: the structure of the collections in terms of the number of items by product category, function and price range (so-called *merchandising grid*), and the guidance on materials (i.e. fabrics, accessories, yarns) to be used and on models to be reproduced in the new collection. The designers prepare and propose the *mood-board* that contains the elements that characterize the collection (i.e. materials, colors, shapes, setting). The Creative Department evaluates and finally approves the *mood-board*.

2. Collection presentation, sales to the wholesale channel and orders for the retail channel

MONC proceeds to the organization of events in order to present the collection to wholesale customers, during which orders are also collected. Regarding the retail distribution network, the style division, defines the *master order*, which includes the garments representative of the collection's style that each store must have. The retail organizational unit processes the execution of the related orders.

3. Raw material purchases and production planning

Raw material suppliers mainly provide fabrics, down, leathers, accessory components (buttons, zips, ribbons, elastics, etc.), and furs. Fabrics are sourced primarily from Japan and Italy. Suppliers of accessory components are almost exclusively Italian. Furs are sourced primarily in Europe, while down is purchased from European and North American suppliers with supply chains in both Europe and Asia. To ensure that MONC products are promptly placed on the markets, a first launch of production is carried out after the purchase of the raw materials, based on orders collected in previous years and related to the Spring/Summer or Fall/Winter collections. During the sales campaign, there are subsequent production launches based on preliminary data collected on the new orders. Finally, a last production launch is carried out according to the relative final data of the orders.

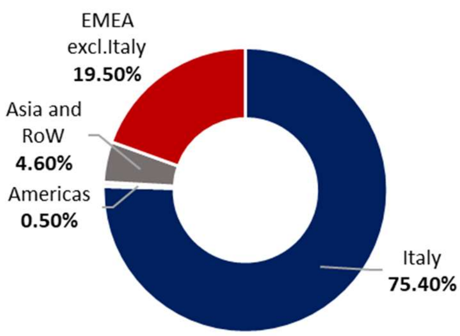


Source: Company Reports

4. Production

MONC directly manages the creative phase, the purchase of raw materials, as well as the development of prototypes, while the "cut-make-trim" phase (*façon*) of the production stage is shared between third party manufacturers and internal capacity. ***Façon* manufacturers**, mostly located in Eastern Europe, are specialist garment manufacturers with high technical know-how that MONC supplies with raw materials and entrusts with the manufacture of its final products. MONC's **internal production** takes place in the new manufacturing plant, established in Romania on March 24 2016. This is part of a wider industrial project which aims to further consolidate MONC's significant know-how in down jackets technology and to expand its direct production capacity. Only the high-end lines, *Gamme Rouge* and *Gamme Bleu*, are produced in Italy with a fully manual manufacturing technique that can guarantee the highest levels of finished product quality inspired by French and Italian *haute couture.*

Cut-and-sew knitwear (especially T-shirts and polo shirts), hats, scarves, gloves, footwear, handbags, and small leather goods are mainly produced by **finished products suppliers.** They source the raw materials themselves following MONC standards, with the exception of down, nylon, and logoed materials, which are provided directly by the Company. Most of them are located in Europe, while a few are in Turkey. Soft accessories (hats, gloves, and scarves) are mostly supplied by Italian companies with a high level of specific know-how, while footwear and handbags are produced by European suppliers, most of which are also Italian. MONC's **suppliers** can be divided into four categories: **raw materials, *façon*, finished products and services**. The company's top **50** suppliers account for **about 70% of the total value of orders** and the Group is careful to diversify its purchases across a number of partners and by regions in order to avoid potential business risks.



Source: Company Reports

5. Quality check

Quality checks take place **three** times during the entire process. **Before selecting a production supplier**, MONC's quality assurance experts verify the supplier's technological capacity and its ability to produce garments that meet the quality standards required by the brand. **Before starting the production process**, every model undergoes a series of fittings to verify every detail and consistency with design and model specifications. **Prior to sale**, all products undergo a final inspection to verify aesthetics, quality, size and the presence of proper labels and tags. In this final stage, the anti-counterfeiting protocol is checked and activated using sophisticated last-generation technology. The quality of the down, nylon, and all other fabrics, as well as the other raw materials used, is crucial to guarantee the excellence of the final product. MONC requires and checks that all its **down** suppliers comply with the strict requirements of the **DIST Protocol (Down Integrity System and Traceability),** while accessory components used in production are tested to ensure their technical compatibility with fabrics and garment care.

6. Logistic

The Group's logistics system is divided in two segments. The **industrial level** covers **production processes** and is organised around a single hub, located in Castel San Giovanni (Piacenza, Italy), that receives raw materials from suppliers and forwards them to *façon* manufacturers. The **commercial level** covers **product distribution** and involves multiple hubs all managed by the main hub in Castel San Giovanni. These hubs receive finished products from suppliers and then forward them to their final destination. Because of the diverse environmental impact of the different logistic devices, the Group makes an effort to limit the use of air freight in favour of shipments by sea, and has also redesigned the packaging used to transport finished goods to reduce the volumes of shipped goods, thus **reducing the number of transport vehicles employed**.

7. Marketing and communication

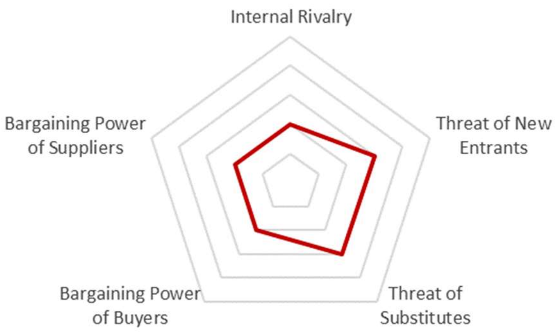
Communication activities cover all the different phases of the value chain: from the presentation of new collections, to retail and wholesale distribution. These activities include **advertising** in specialized magazines and newspapers (*above the line*) as well as the organization of **events** and promotions, sponsorships (*below the line*) and innovative advertising campaigns. Furthermore, in order to make the brand highly recognizable in all its sales points in the world, MONC is equipped with one internal *visual merchandising* team dedicated exclusively to window displays' dressing and placing the products inside the sales points. MONC's products visibility is promoted through fashion shows during the **Milan, Paris and New York fashion weeks**, with a total of five each year (two in Paris for the presentation of Moncler *Gamme Rouge*, two in Milan for Moncler *Gamme Bleu* and one in New York for Moncler Grenoble). For the growing role of digital communication, MONC increased the budget for online campaign planning in 2016 to stress the digital marketing activities in all **social networks** and **online sales channels**.

8. Distribution

MONC sells its products through two main distribution channels: **retail (203 DOS 2017E**) and **wholesale (52 mono-brand *Shop-in-Shop* 2017E)**. With an average DOS size of **138 sqm 2017E,** the retail distribution network is directly managed by the Group and includes free-standing stores, *concessions* in the department stores, *travel retail stores*, outlets and **e-commerce. E-commerce** refers to sales collected from the website **moncler.com** and other important multi-brand online channels (i.e. YOOX.com, NetAPorter.com, MyTheresa.com, Stylebop.com etc). With an average size of **30-50sqm**, the **wholesale channel** pertains to stores managed by third parties that sell MONC's products either in **mono-brand** spaces (i.e. *shop-in-shop*) or inside **multi-brand** stores, like corners or dedicated spaces inside luxury department stores (i.e. Bergdorf Goodman, Bloomingdale's, Neiman Marcus, Harrods, Tsum, Harvey Nichols etc).

3. Porter 5 Forces Analysis

MONC's Business: Porter's Five Forces		Intensity
Internal Rivalry	There are several methods to compete on the market and applying the lowest prices is not the only strategy that can be adopted for achieving significant economic results: high quality, technology, exclusivity and product differentiation can represent a competitive advantage in this industry. So, luxury brands leveraging into their brand loyalty, set prices based on the prestige perceived by their customers, rather than taking their competitors into consideration. MONC's competitive area is populated by a few *big* global operators and various *niche* operators, strongly concentrated in Western Europe, mainly in Italy and France. MONC's main source of rivalry is linked to its retail expansion strategy and to the ability to fight against big conglomerates with more bargaining power to secure new prime and larger locations (average store size up to **165 sqm 2022E**).	
Threat of New Entrants	Since the acquisition by Remo Ruffini in 2003, control over manufacturing and distribution, through the expansion of the DOS network, have been considered a critical element of the strategy as they raise **barriers to entry** and support **pricing power** and product differentiation. Similar to its luxury peers, MONC outsources part of its production to third party producers and to other suppliers of final products. Differently from most of its luxury peers who outsource to Italian and French ateliers (i.e. Ferragamo, Tod's, Cucinelli etc.), MONC manufacturers are mainly located in Eastern Europe. Today, a new entrant, attracted by the high profitability of Outerwear, may enter the market easily and grow quickly as there it is not necessary a substantial investment in manufacturing and in directly operated stores; this makes **barriers to entry relatively low**. In addition, digital technologies facilitate new entrants: the internet-based business has low entry barriers and new players can easily enter the online sector. As MONC operates in technology driven products, the threat of new entrants could be higher in North America, a market historically focused on value and technology, despite the recent creation of an industrial-technological research and development hub for down jackets in Romania.	
Threat of Substitutes	Virtually there are no substitutes for a luxury brand like MONC as each brand is unique and cannot be replaced with another one. Actually, there are non-luxury brands, such as The North Face, Arc'teryx, Canada Goose, Patagonia and many others which offer products with the same functional features as most MONC products. Nevertheless, the different distribution strategy, heavily exposed to the WHS channel, and the focus on technology rather than design, are key differences between these peers and MONC. However, it should be considered that, especially in emerging markets like China, the quality of counterfeit products has been improving over the past few years: they are almost identical to the real product and often only experts are able to spot the difference between genuine and fake luxury products. In the specific context of the battle against counterfeiting, MONC has equipped its products with anti-counterfeiting tools and developed several on-line and off-line brand protection activities.	
Bargaining Power of Buyers	MONC's target customers are a *niche* group compared to other fashion companies. The bargaining power of buyers is high when the products are manufactured by several small companies and when switching costs are low so that they can easily change their purchasing behaviour by switching among different suppliers. However, in the case of luxury and fashion, once the costumer has decided the desired product, he/she becomes a pure price-taker, for the benefit of the Company. In addition, MONC's exposure on Outerwear and duvet jacket, where consumers tend to over spend and for which they are over-proportionately willing to pay a premium, lead to a solid pricing power and enable the brand to reach high margins	
Bargaining Power of Suppliers	To avoid dependency on few suppliers, MONC diversifies its purchases across a number of partners. At year-end 2016, approximately 412 suppliers were involved in the manufacture of MONC's products. Over the years, the brand has rationalised its supply chain by progressively reducing the number of suppliers, in an effort to gain greater control over supply. Suppliers are grouped into four categories: raw materials, *façon*, finished products, and services. Currently the top 50 suppliers account for about 70% of the total value of orders. Specifically, on raw materials, the most important input costs for duvet jackets are down feathers, nylon and cotton. The costs of all these materials have been fairly stable during the last years and the risk coming from their price's fluctuations has been offset by MONC's pricing power.	



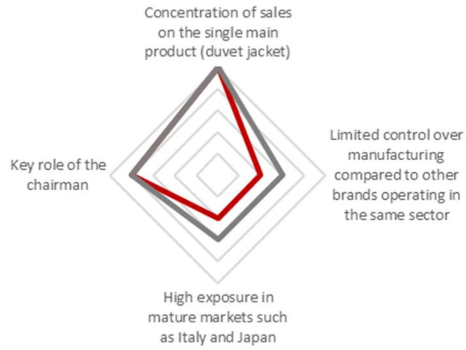
Source: Our Estimates

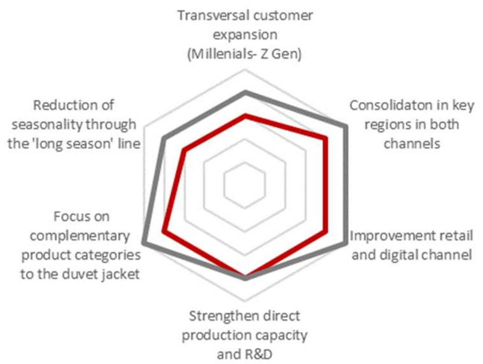
4. SWOT Analysis

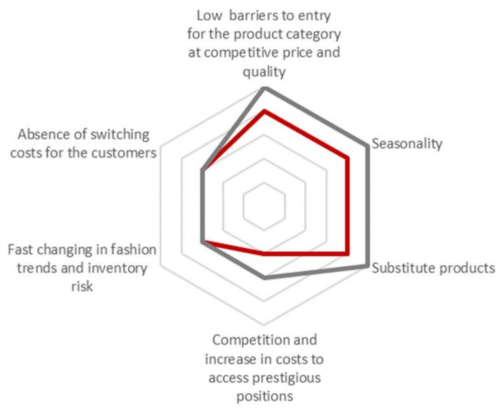
SWOT analysis interpretation

MONC's Points: in this section a value between 1-5 is associated to each line of the SWOT analysis to show MONC's positioning in terms of ability to leverage strengths and opportunities and suffer from weaknesses and threats.
Effect on Returns: to each item is associated a specific EoR value between 1.5 in order to show how the item should be addressed by MONC: a higher EoR than MONC's point means that the company should keep exploiting its strength/opportunity or undertake measure to reduce its weaknesses or exposure to future threats; lower values imply the item has lower importance in generating returns and should not be given more strategic importance. EoR values are assigned based on an overall assessment of MONC'S characteristics.

Strenghts: 4.3/5	MONC'S Points	Effect on Returns
Brand Identity	5	5
Leader positioning in the production of the duvet jacket	5	5
Product quality, technology and innovation	4	5
Control over the product offer and its distribution	4	5
High margins, returns and FCFF generation	4	5
Internal training of employees	4	3
Style of leadership	4	4
Weaknesses: 3.3/5	**MONC'S Points**	**Effect on Returns**
Concentration of sales on the single main product (duvet jacket)	5	5
Limited control over manufacturing compared to other brands operating in the same sector	2	3
High exposure in mature markets such as Italy and Japan	2	3
Key role of the chairman	4	4
Opportunities: 3.6/5	**MONC'S Points**	**Effect on Returns**
Transversal customer expansion (Millenials- Z Gen)	3	4
Consolidaton in key regions in both channels	4	5
Improvement retail and digital channel	4	5
Strengthen direct production capacity and R&D	4	4
Focus on complementary product categories to the duvet jacket	4	5
Reduction of seasonality through the '*long season*' line	3	4
Threats: 3.3/5	**MONC'S Points**	**Effect on Returns**
Low barriers to entry for the product category at competitive price and quality	4	5
Seasonality	4	5
Substitute products	4	5
Competition and increase in costs to access prestigious positions	2	3
Fast changing in fashion trends and inventory risk	3	3
Absence of switching costs for the customers	3	3







5. Competitive Analysis

Brand	Remarks
Burberry	From our point of view, Burberry is the closest competitor of MONC in the industry, as its trench coat is the closest substitute to a MONC's downed jacket. Another comparison can be drawn between the 2 brands in terms of product distribution: both companies has pushed into the retail channel, moving from a wholesale model to their own retail network.
Brunello Cucinelli	Cucinelli is part of the absolute luxury segment. MONC and Cucinelli share a well-known Italian heritage, and both offer high quality products in their respective categories. Cucinelli is world famous for its knitwear and coats, even though it has tried over the last years to diversify their lineups with several new types of garments, in a similar way MONC is doing with their downed jackets
Salvatore Ferragamo	Another brand sharing the common Italian heritage, Ferragamo is considered a budget competitor; furthermore, Ferragamo with respect to MONC is more internationally known, with a wider owned retail shop network. Furthermore, Ferragamo has been able over the years to diversify its range of products, offering not only shoes and other leather products but also apparel products, accessories and fragrances. Currently, shoes (which is the core business of the company) make up 42 % of total revenues. MONC duvet jacket represents about 70% of total revenues.
Tod's	Tod's product distribution model is not very different from MONC; they are pushing on the retail channel with the intent to reduce their dependence from the wholesale, in order to obtain greater pricing control. Both companies are highly dependent on the Italian/ European market.
Hermès International SA	Hermès is considered among the highest and most exclusive, if not the most exclusive, luxury brand. Its product range is very large, including outerwear too. However, Hermès' focus is more on apparel and accessories, thus being a direct competitor to MONC's products, while at the same time being a very important budget competitor.
Prada	Outerwear is not Prada's core business, so the company is mostly a budget competitor. Prada and MONC directly compete over apparel.
Hugo Boss	This brand is focused on a different kind of consumer compared to MONC. Hugo Boss is mostly known for its main brand menswear, who is mostly dedicated to people enjoying linear but sophisticated styles.
Ralph Lauren	Due to its stylistic similarities, Ralph Lauren is a direct competitor to MONC in the apparel sector.
LVMH	LVMH is a conglomerate of several brands, many of which are in some ways direct competitors to MONC in the apparel and accessory segment. No brands in the LVMH portfolio focus directly on the outerwear sector, but many of them are so large and well known that have their own outerwear lines.
Kering	Kering is the second conglomerate of many brands, the most famous among them are Gucci, Alexander McQueen, Balenciaga, Saint Laurent, Stella McCartney, etc). As with LVMH, it lacks a brand mainly focused on outerwear, while having many different lineups competing against MONC products in the apparel and accessories sectors.
Societè financiere Richemont	Richemont brands are the among the highest status simbol and are MONC's budget competitor. The brand conglomerate include several brands representing the highest level of luxury.
PVH	Pvh is another conglomerate with a portfolio of brands like Calvin Klein, Tommy Hilfiger, Michael Kors etc. As with the other conglomerates, they have different brands specialized in different product categories competing with MONC products in the apparel and accessories segment. The main difference with the above conglomerates is that Pvh is not a total luxury conglomerate. This makes Pvh a more budget competitor relative to the others.
Canada Goose Holdings	Canada Goose is the most direct competitor of MONC when it comes to the down jacket. However, Canada Goose offers a more technical product while MONC down jacket is more fashion-oriented than technical. Despite the differences between the two products and the fact MONC is a luxury fashion while Canada Goose is more main stream, this company represents a strong competitor for MONC in the American market.

Multiple Analysis

Company	2YF EBIT Margin	1FY EV/ SALES	2FY EV/ SALES	Sales 1-Y g%	Sales 3-Y g%	1FY P/E	3FY P/E	1FY EPS	2FY EPS	1FY Net Margin	2FY Net Margin
Moncler	**29,2%**	**5,89x**	**5,20x**	**18,3**	**21,5**	**29,11x**	**26,59x**	**0,98**	**1,07**	**20,2%**	**20,2%**
Burberry Group	16,2%	2,08x	2,10x	-0,1	13,3	19,32x	19,86x	0,91	0,88	11,1%	12,0%
Christian Dior	20,3%	1,24x	1,09x	28,2	38,4	24,41x	22,57x	12,69	13,72	5,1%	5,2%
LVMH	20,4%	2,90x	2,67x	13,4	39,2	22,34x	20,53x	11,12	12,10	12,5%	12,8%
Tod's	12,0%	2,03x	1,97x	-2,9	3,7	26,25x	24,43x	2,26	2,42	7,8%	8,2%
Hermes	33,0%	7,93x	7,43x	9,9	40,6	38,22x	36,90x	11,65	12,06	21,9%	21,7%
Kering	21,7%	3,32x	3,02x	18,9	42,5	21,30x	19,26x	18,43	20,39	14,9%	15,2%
Prada	13,5%	2,75x	2,66x	-10,1	-9,7	33,35x	28,63x	0,10	0,11	8,4%	9,4%
Salvatore Ferragamo	12,2%	2,67x	2,63x	0,4	9,9	28,88x	29,94x	0,78	0,75	9,5%	9,0%
Brunello Cucinelli	12,8%	3,59x	3,25x	10,6	40,7	37,73x	35,83x	0,70	0,73	9,7%	9,1%
HUGO BOSS	12,7%	1,90x	1,84x	0,2	7,3	20,48x	19,47x	3,56	3,75	8,9%	9,2%
Canada Goose H.	20,9%	8,75x	7,02x	34,5	28,7	64,58x	49,68x	0,42	0,55	13,8%	14,4%
Ralph Lauren A	10,8%	1,24x	1,23x	-11,6	-2,6	17,81x	17,12x	4,76	4,95	8,0%	8,3%
Average	**17,2%**	**3,37x**	**3,07x**	**9,2**	**21,6**	**29,56x**	**27,02x**	**5,61**	**6,04**	**11,0%**	**11,2%**
Median	**14,9%**	**2,71x**	**2,64x**	**9,9**	**13,3**	**25,33x**	**23,50x**	**2,91**	**3,09**	**9,6%**	**9,3%**

Source: Factset, Our Estimates

Company	1FY EV/EBITDA	2FY EV/EBITDA	EBITDA 1-Y g%	EBITDA 3-Y g%	1FY EBITDA Margin	2FY EBITDA Margin	1FY EV/ EBIT	2FY EV/ EBIT	EBIT 1-Y g%	EBIT 3-Y g%
Moncler	**17,66x**	**15,55x**	**21,0**	**45,7**	**33,4%**	**33,5%**	**20,28x**	**17,83x**	**21,1**	**44,1**
Burberry Group	9,61x	9,61x	0,0	10,7	21,6%	21,8%	12,63x	12,94x	6,2	14,8
Christian Dior	5,11x	4,47x	29,2	38,4	24,3%	24,4%	6,19x	5,37x	31,9	37,1
LVMH	11,73x	10,62x	17,1	43,6	24,8%	25,1%	14,48x	13,06x	18,1	45,2
Tod's	12,21x	11,52x	0,3	-1,7	16,7%	17,1%	17,62x	16,42x	2,6	-5,0
Hermes	20,87x	19,96x	11,5	43,8	38,0%	37,2%	23,53x	22,49x	11,4	43,4
Kering	13,55x	12,13x	56,1	72,8	24,5%	24,9%	15,64x	13,89x	65,0	75,6
Prada	14,05x	12,61x	-29,1	-41,6	19,6%	21,1%	22,89x	19,67x	-38,7	-55,0
Salvatore Ferragamo	15,22x	15,73x	-11,4	4,9	17,6%	16,7%	20,67x	21,59x	-14,5	-2,8
Brunello Cucinelli	20,82x	18,62x	-21,1	43,0	17,3%	17,5%	28,40x	25,52x	-27,6	35,7
HUGO BOSS	10,40x	9,91x	-5,7	-14,7	18,3%	18,5%	15,40x	14,51x	-7,8	-24,9
Canada Goose H.	39,12x	30,36x	153,6	132,0	22,4%	23,1%	41,26x	33,60x	170,0	133,9
Ralph Lauren A	8,11x	7,94x	-5,5	-15,9	15,3%	15,4%	11,74x	11,32x	-4,6	-26,3
Average	**15,06x**	**13,62x**	**19,5**	**20,7**	**21,7%**	**21,9%**	**19,20x**	**17,53x**	**21,9**	**17,3**
Median	**12,88x**	**11,83x**	**0,2**	**10,7**	**20,6%**	**21,5%**	**16,63x**	**15,46x**	**4,4**	**14,8**

Source: Factset, Our Estimates

Company	Gross Margin	EBIT %	EBITDA %	SG&A Expense	ROA	ROE	WC Turnover	D/E	Dividend Payout Ratio
Moncler	**72,3%**	**28,6%**	**32,6%**	**454,1**	**18,1%**	**31,4%**	**4,45x**	**20,0%**	**22,8**
Average	**56,1%**	**16,3%**	**20,8%**	**4.058,5**	**10,1%**	**18,2%**	**4,74x**	**53,3%**	**52,6**
Median	**61,1%**	**15,0%**	**20,3%**	**1.657,6**	**7,7%**	**16,7%**	**3,82x**	**24,2%**	**50,5**
Burberry Group	68,6%	16,8%	22,5%	1.684,2	12,1%	17,9%	2,63x	2,3%	61,0
Christian Dior	65,0%	19,3%	23,7%	19.596,0	3,4%	19,1%	6,53x	76,6%	41,9
LVMH	65,3%	18,6%	22,9%	17.538,0	6,8%	15,7%	5,71x	28,0%	50,5
Tod's	27,2%	15,3%	19,9%	117,4	6,1%	8,9%	2,24x	24,2%	64,9
Hermes	64,4%	32,8%	36,7%	1.545,3	19,7%	27,1%	2,06x	0,9%	35,6
Kering	46,9%	14,3%	17,8%	3.919,7	3,4%	7,4%	16,70x	48,1%	70,2
Prada	65,6%	13,9%	20,7%	1.657,6	6,1%	9,4%	3,29x	24,2%	112,6
Salvatore Ferragamo	62,9%	18,3%	22,6%	636,9	17,4%	32,1%	3,66x	17,5%	38,4
Brunello Cucinelli	36,7%	13,4%	17,8%	102,4	8,7%	17,8%	3,86x	47,8%	29,9
Hugo Boss	61,1%	13,2%	18,3%	1.281,7	10,5%	21,0%	6,62x	23,1%	92,9
Canada Goose H.	49,9%	13,7%	15,7%	97,3	9,2%	34,7%	2,74x	391,1%	0,0
Ralph Lauren A	56,9%	9,7%	14,2%	2.969,6	2,4%	3,9%	4,01x	23,9%	114,5
PVH	52,9%	9,3%	13,2%	3.237,9	5,1%	12,0%	6,24x	67,7%	2,2
Michael Kors	54,5%	21,4%	26,0%	1.385,9	28,5%	39,5%	3,82x	8,0%	0,0
Cie Financiere Richemont	63,7%	15,0%	20,3%	5.108,2	5,7%	7,6%	1,07x	16,9%	81,2

Source: Factset, Our Estimates;

6. Financial Analysis

Balance Sheet

Amounts in milion euros	2013A	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E
Non-Current Assets										
Property, plant and equipment - net	58,2	77,3	102,2	123,9	140,3	154,5	642,5	649,7	639,6	621,2
Brands and other intangible assets - net	252,7	258,8	268,0	266,9	271,8	276,9	280,7	282,8	282,8	280,7
Deferred tax assets	25,1	46,0	66,0	74,7	84,5	95,7	108,3	122,7	138,9	157,2
Goodwill	155,6	155,6	155,6	155,6	155,6	155,6	155,6	155,6	155,6	155,6
Other Non-Current Assets	11,7	17,3	22,7	24,7	26,4	28,1	29,8	31,2	32,5	33,8
Other leases Assets	188,0	205,2	360,3	415,3	429,6	454,7	0,0	0,0	0,0	0,0
Total Non-Current Assets	**503,4**	**554,8**	**614,5**	**645,8**	**678,6**	**710,7**	**1.216,8**	**1.241,9**	**1.249,4**	**1.248,5**
Total Non-Current Assets (Leasing Debt)	**691,3**	**760,0**	**974,8**	**1.061,1**	**1.108,2**	**1.165,5**	**1.216,8**	**1.241,9**	**1.249,4**	**1.248,5**
Current assets										
Inventories and work in progress	77,2	122,8	134,1	135,8	165,5	181,8	195,7	214,1	227,9	241,8
Trade account receivable	76,5	86,6	89,8	104,9	113,6	119,4	123,9	129,5	133,1	136,8
Income taxes	21,4	5,9	4,2	5,6	9,3	6,2	6,3	6,8	7,2	6,6
Other Current Assets	41,9	33,5	21,0	13,4	12,7	12,1	11,5	10,9	10,3	9,8
Cash and Cash Equivalent	105,3	123,4	148,6	243,4	0,5	0,9	1,3	1,7	2,2	2,8
Financial Current Assets	0,0	0,0	0,0	3,0	3,2	3,3	3,5	3,7	3,9	4,0
Total Current Assets	**322,3**	**372,3**	**397,6**	**506,0**	**304,7**	**323,7**	**342,1**	**366,7**	**384,6**	**401,9**
TOTAL ASSETS	**825,6**	**927,1**	**1.012,1**	**1.151,8**	**983,4**	**1.034,4**	**1.558,9**	**1.608,6**	**1.634,0**	**1.650,4**
TOTAL ASSETS (Leasing Debt)	**1.013,6**	**1.132,3**	**1.372,4**	**1.567,1**	**1.412,9**	**1.489,2**	**1.558,9**	**1.608,6**	**1.634,0**	**1.650,4**
Equity										
Share capital	50,0	50,0	50,0	50,0	50,5	51,1	51,4	51,9	52,2	52,3
Share premium reserve	107,0	107,0	108,3	109,2	133,2	160,5	177,4	203,4	218,1	231,6
Other reserves	74,4	132,1	220,0	348,2	524,3	764,7	1.036,4	1.331,6	1.649,9	1.991,0
Net result, Group share	76,1	130,3	167,9	196,0	260,7	293,7	317,2	340,3	363,1	384,6
Equity, Group share	**307,5**	**419,5**	**546,2**	**703,5**	**968,7**	**1.270,0**	**1.582,5**	**1.927,2**	**2.283,3**	**2.659,5**
Non controlling interests	3,1	1,1	0,6	119,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL EQUITY	**310,6**	**420,6**	**546,8**	**822,5**	**968,7**	**1.270,0**	**1.582,5**	**1.927,2**	**2.283,3**	**2.659,5**
Non-Current Liabilities										
Long-term borrowings (Leasing Debt)	162,4	164,8	307,9	341,2	360,8	382,0	403,8	411,4	412,7	415,2
Long-term borrowings	160,1	154,2	127,0	75,8	53,9	35,2	427,8	427,4	423,5	422,5
Provisions non-current	3,2	3,1	5,7	11,9	7,5	7,5	7,5	7,5	7,5	7,5
Pension funds and agents leaving indemnities	6,5	5,1	4,6	5,3	6,0	6,9	7,8	8,9	10,2	11,7
Deferred tax liabilities	72,6	74,4	68,8	71,0	73,2	75,6	78,0	80,5	83,1	85,7
Other Non-Current Liabilities	1,9	3,5	6,2	12,0	12,9	13,7	14,5	15,2	15,8	16,5
Total Non-Current Liabilities (Leasing Debt)	**406,5**	**405,2**	**520,2**	**517,2**	**514,3**	**520,8**	**535,6**	**539,5**	**540,1**	**543,9**
Total Non-Current Liabilities	**244,1**	**240,4**	**212,3**	**176,0**	**153,4**	**138,8**	**535,6**	**539,5**	**540,1**	**543,9**
Current liabilities										
Short-term borrowings (Leasing Debt)	25,6	40,4	52,4	74,1	68,7	72,8	76,9	78,4	78,6	79,1
Short-term borrowings	116,2	80,3	71,2	64,8	59,2	53,1	124,9	121,5	117,4	114,0
Trade accounts payables	107,1	112,3	113,0	132,6	157,2	170,2	189,3	203,0	217,3	230,8
Income taxes	13,9	43,6	36,6	24,6	29,7	33,6	31,1	29,7	31,0	31,4
Other Current Liabilities	33,6	30,0	32,2	50,3	53,8	54,1	57,6	60,4	63,1	65,8
Total Current Liabilities	**296,5**	**306,5**	**305,4**	**346,4**	**368,6**	**383,8**	**402,8**	**414,7**	**428,9**	**442,0**
Total Current Liabilities	**270,9**	**266,2**	**253,0**	**272,3**	**299,8**	**311,0**	**402,8**	**414,7**	**428,9**	**442,0**
TOTAL LIABILITIES AND EQUITY	**825,6**	**927,1**	**1.012,1**	**1.270,7**	**1.422,0**	**1.719,8**	**2.520,9**	**2.881,4**	**3.252,4**	**3.645,3**
TOTAL LIABILITIES AND EQUITY (Leasing Debt)	**1.013,6**	**1.132,3**	**1.372,4**	**1.686,0**	**1.851,6**	**2.174,5**	**2.520,9**	**2.881,4**	**3.252,4**	**3.645,3**

Source: Company Reports, Our Estimates

Income Statement

Amounts in million euros	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E	2022E
Revenues	580,6	694,2	880,4	1040,3	1183,7	1328,1	1474,5	1600,5	1718,7	1839,1
Cost of sales	-166,5	-192,5	-225,5	-252,3	-280,3	-308,0	-338,3	-365,2	-389,6	-414,6
Cost of Sales (Leasing Debt)	-182,8	-218,1	-265,9	-304,7	-354,4	-376,7	-411,1	-442,1	-468,0	-493,2
Gross profit	**414,1**	**501,7**	**654,9**	**788,0**	**903,4**	**1020,0**	**1136,1**	**1235,4**	**1329,1**	**1424,5**
Gross profit (Leasing Debt)	397,8	476,1	614,5	735,6	829,3	951,3	1063,4	1158,5	1250,7	1345,9
Selling expenses	-147,6	-183,0	-253,4	-312,4	-351,6	-391,8	-433,5	-467,4	-500,2	-533,3
Selling expenses (Leasing Debt)	-129,4	-153,6	-209,0	-252,8	-269,2	-314,5	-351,6	-380,8	-412,0	-444,9
Advertising and promotion expenses	-36,0	-46,1	-79,5	-94,1	-106,5	-119,5	-132,7	-144,0	-154,7	-165,5
General and administrative expenses	-57,9	-66,0	-57,8	-68,1	-80,5	-91,6	-106,2	-115,2	-125,5	-137,9
Non-recurring expenses	-6,1	-5,0	-11,4	-15,7	-12,3	-11,5	-10,1	-15,1	-17,2	-17,4
Operating Result (EBIT)	**166,4**	**201,6**	**252,7**	**297,7**	**352,5**	**405,6**	**453,6**	**493,6**	**531,6**	**570,4**
Adjusted EBIT	**172,5**	**206,6**	**264,1**	**313,4**	**364,8**	**417,1**	**463,8**	**508,7**	**548,8**	**587,7**
Operating result (EBIT) (leasing debt)	168,4	205,3	256,8	304,9	360,8	414,2	462,7	503,2	541,4	580,2
Depreciation, amortization and impairment	19,2	26,3	36,0	41,7	50,9	60,4	142,8	156,6	167,3	175,7
Depreciaton (Leasing Debt)	35,5	51,9	76,4	94,1	125,0	129,2	142,8	156,6	167,3	175,7
EBITDA	**185,6**	**227,8**	**288,7**	**339,4**	**403,4**	**466,1**	**596,4**	**650,2**	**698,9**	**746,1**
Adj EBITDA	**191,7**	**232,9**	**300,1**	**355,1**	**415,7**	**477,5**	**606,6**	**665,4**	**716,1**	**763,4**
EBITDA (Leasing Debt)	203,8	257,2	333,1	399,0	485,8	543,4	605,5	659,9	708,7	755,9
Financial income	0,6	6,1	4,3	0,5	4,5	5,9	5,0	4,9	6,3	6,7
Financial expenses	-21,8	-12,2	-6,0	-5,1	-4,9	-3,6	-11,9	-12,4	-11,7	-11,5
Financial expenses (Leasing debt)	-23,8	-15,9	-10,1	-12,3	-13,2	-12,2	-11,9	-12,4	-11,7	-11,5
Earning Before Taxes	**145,2**	**195,5**	**251,0**	**293,1**	**352,1**	**407,9**	**446,8**	**486,1**	**526,2**	**565,6**
Adjusted Earning Before Taxes	**151,4**	**200,5**	**262,4**	**308,8**	**364,4**	**419,4**	**456,9**	**501,2**	**543,4**	**582,9**
Income taxes	-50,8	-65,4	-83,1	-96,8	-91,5	-114,2	-129,6	-145,8	-163,1	-181,0
Implied Tax Rate %	35%	33%	33%	33%	26%	28%	29%	30%	31%	32%
Net Income	**94,4**	**130,1**	**167,9**	**196,3**	**260,5**	**293,7**	**317,2**	**340,3**	**363,1**	**384,6**
Net profit/(loss)- minority interests	-2,3	0,2	0,0	-0,3	0,2	0,0	0,0	0,0	0,0	0,0
Adjustments	-1,7	-1,4	-3,1	-4,3	-3,4	-3,2	-2,8	-4,2	-4,7	-4,8
Adjusted Net Income	**96,6**	**134,0**	**176,1**	**207,4**	**269,7**	**302,0**	**324,5**	**351,3**	**375,5**	**397,2**
Net result from discontinued operations	-16,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Result, Group Share	**78,4**	**130,1**	**167,9**	**196,3**	**260,5**	**293,7**	**317,2**	**340,3**	**363,1**	**384,6**
Net Profit/(Loss), Group	**76,1**	**130,3**	**167,9**	**196,0**	**260,7**	**293,7**	**317,2**	**340,3**	**363,1**	**384,6**

Source: Company Reports, Our Estimates

Cash Flow Statement

Amount in million euros	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E
EBIT	**201,6**	**252,7**	**297,7**	**352,5**	**405,6**	**453,6**	**493,6**	**531,6**	**570,4**
Depreciation and amortization	26,3	36,0	41,7	50,9	60,4	142,8	156,6	167,3	175,7
Income Taxes	-65,4	-83,1	-96,8	-91,5	-114,2	-129,6	-145,8	-163,1	-181,0
Net-Operating Self-Financing	**162,4**	**205,6**	**242,6**	**311,8**	**351,8**	**466,9**	**504,4**	**535,8**	**565,1**
Change in Pension funds and agents leaving indemnities	-1,3	-0,5	0,7	0,7	0,9	1,0	1,1	1,3	1,5
Changes in trade payables	5,2	0,6	19,6	24,6	12,9	19,1	13,7	14,3	13,5
Changes in other current liabilities	-3,7	2,2	18,1	3,4	3,4	3,4	2,9	2,6	2,6
Changes in other non-current liabilities	1,6	2,7	5,8	0,8	0,8	0,8	0,7	0,6	0,6
Changes in tax liabilities	26,1	-30,8	-20,0	-6,2	-1,9	-12,8	-13,7	-12,7	-14,8
Changes in inventories	-45,6	-11,2	-1,8	-29,6	-16,3	-13,9	-18,4	-13,8	-13,9
Changes in trade receivables	-10,1	-3,2	-15,1	-8,8	-5,8	-4,5	-5,6	-3,6	-3,7
Changes in other non-current assets	8,3	12,6	4,6	0,5	0,5	0,4	0,4	0,4	0,3
Changes in other current assets	-5,6	-5,4	-2,0	-1,7	-1,7	-1,7	-1,4	-1,3	-1,3
Operating Cash Flow	**137,5**	**172,6**	**252,6**	**295,7**	**344,7**	**458,9**	**484,1**	**523,6**	**550,0**
Changes in tangible and intangible assets	-50,2	-67,7	-63,6	-72,2	-79,7	-179,8	-166,0	-157,3	-155,2
Proceeds from sale of tangible and intangible fixed assets	3,2	4,3	10,4	0,0	0,0	0,0	0,0	0,0	0,0
Changes in investing activities	-4,3	-2,6	-9,1	0,0	0,0	-454,7	0,0	0,0	0,0
Changes in non-recurring asset	-0,1	2,6	6,2	-7,5	0,0	0,0	0,0	0,0	0,0
Unlevered Free Cash Flow	**86,1**	**109,2**	**196,5**	**216,0**	**265,0**	**-175,7**	**318,1**	**366,3**	**394,8**
Short term borrowings variation	-5,9	-27,2	-51,2	-22,0	-18,7	392,6	-0,4	-3,9	-1,0
Long term borrowings variation	-35,9	-9,1	-6,4	-5,6	-6,0	71,7	-3,4	-4,1	-3,4
Dividends paid to shareholders	0,0	0,0	0,0	-78,2	-102,8	-120,5	-136,1	-145,2	-173,1
Dividend payout ratio	0,0	0,0	0,0	0,3	0,4	0,4	0,4	0,4	0,5
Financial Income	6,1	4,3	0,5	4,5	5,9	5,0	4,9	6,3	6,7
Financial Expenses	12,2	6,0	5,1	4,9	3,6	11,9	12,4	11,7	11,5
Free Cash Flow To Equity	**38,2**	**71,1**	**134,3**	**266,3**	**345,4**	**402,3**	**442,9**	**498,2**	**558,7**
Changes in Equity	-20,1	-41,7	-39,6	4,4	7,5	-4,8	4,3	-7,1	-8,6
Net Cash Flow	**18,1**	**29,5**	**94,8**	**270,7**	**352,9**	**397,5**	**447,2**	**491,1**	**550,0**
Net Cumulated Cash Flow	**123,4**	**152,9**	**243,4**	**514,2**	**867,0**	**1264,5**	**1711,7**	**2202,8**	**2752,9**

Source: Company Reports, Our Estimates

Ratio Analysis

	2013A	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E
ROCE (with *Leasing debt*)	24,1%	26,5%	25,9%	28,1%	31,7%	34,6%	37,2%	39,1%	41,9%	45,1%
ROIC (with *Leasing debt*)	7,7%	13,7%	14,4%	14,8%	19,1%	19,2%	19,1%	18,7%	18,6%	19,0%
ROE	24,5%	35,7%	34,7%	31,4%	32,6%	29,4%	26,4%	23,9%	22,1%	20,9%
ROA	9,2%	14,9%	17,3%	18,1%	20,9%	20,2%	16,7%	14,2%	13,9%	13,6%
Tax rate	35,0%	33,4%	33,1%	33,0%	26,0%	28,0%	29,0%	30,0%	31,0%	32,0%
Asset Turnover (Rev/Assets)	70,3%	74,9%	87,0%	90,3%	88,3%	85,9%	66,0%	65,0%	64,0%	63,3%
Capex/D&A	179,0%	191,1%	187,9%	152,4%	141,9%	131,9%	56,8%	51,1%	46,2%	41,9%
Interest Coverage Ratio	764,0%	1656,9%	4228,9%	5855,3%	7178,4%	11099%	3806,8%	3917,0%	4467,8%	4892,9%
Payout Ratio	0,0%	19,2%	17,9%	17,8%	30,0%	32,0%	35,0%	38,0%	40,0%	45,0%

Source: Factset, Our Estimates

Multiples Analysis

	2013A	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E
Total Share Outstanding (mln)	250,00	250,00	250,12	249,21	249,70	252,10	254,83	256,53	259,12	260,59
Diluted Share Outstanding (mln)	250,00	250,00	250,09	251,34	252,10	254,83	256,53	259,12	260,59	262,86
Market capitalization (mln)	3.950,00	2.780,00	3.231,16	4.119,44	6.512,18	6.574,71	6.645,91	6.690,18	6.757,77	6.796,29
Gross Debt (including *Leasing Debt*)	464,32	439,77	558,49	555,92	542,62	543,07	552,66	548,90	540,95	536,54
Net Financial Position (including *Leasing Debt*)	359,02	316,35	409,89	312,53	184,72	37,69	-109,34	-288,40	-497,30	-705,94
Enterprise Value	3590,98	2463,65	2821,28	3806,92	6327,45	6537,02	6755,26	6978,58	7255,08	7502,23
Price/Sales	6,8x	4,0x	3,7x	4,0x	5,5x	4,9x	4,4x	4,1x	3,9x	3,6x
Price/Earnings	43,9x	21,4x	19,3x	20,9x	25,0x	22,1x	20,7x	19,4x	18,4x	17,4x
Price/Book Value	12,9x	6,6x	5,9x	5,9x	7,3x	6,0x	5,1x	4,4x	3,9x	3,5x
Dividend Yield	0,63%	1,08%	1,08%	1,09%	1,19%	1,57%	1,83%	2,04%	2,17%	2,56%
Dividends per Share	€0,10	€0,12	€0,14	€0,18	€0,31	€0,40	€0,47	€0,53	€0,56	€0,66
EV/EBIT	24,2x	14,5x	13,3x	13,5x	18,0x	16,1x	14,9x	14,1x	13,6x	13,2x
EV/EBITDA	21,9x	12,9x	11,7x	11,8x	15,7x	14,0x	11,3x	10,7x	10,4x	10,1x
EV/Sales	7,2x	4,3x	3,9x	3,9x	5,3x	4,9x	4,6x	4,4x	4,2x	4,1x
EBIT per Share	€0,69	€0,83	€1,02	€1,18	€1,40	€1,59	€1,77	€1,90	€2,04	€2,17
EPS	0,39	0,52	0,67	0,78	1,04	1,16	1,24	1,33	1,40	1,48
EPS diluted	0,36	0,52	0,67	0,78	1,03	1,15	1,24	1,31	1,39	1,46

Source: Factset, Our Estimates

7. Relative Valuation

To support our DCF model, we perform an assessment based on stock market multiples. For its niche production and high margins Moncler doesn't have any direct competitor, hence we consider a sample of 14 companies belonging to our Luxury Index (see Appendix 8.). **We decided not to consider industry's multiples because the industry includes companies not related with MONC**. We focus on four different historical multiples: **P/E, P/Sales, EV/Sales** and **EV/EBITDA**. Calculating in each year (from 2013 to 2016) the medians of the competitors' multiples, **we observe how MONC has always had multiples greater than median values**. This observation highlights that **MONC can be considered a growing company**, compared to an **industry** that can already be defined as **mature**. So, as shown in the following table, **for each multiple we calculate the average market premium for the period considered (2013-2016) and add it to the average values of the multiple of MONC, during the same period, reaching its fair value**. To compute MONC's Market Value for each multiple **we consider the average of the Balance Sheet's values in our estimates for MONC in the next 5 years (2018E-2022E). The weight assigned to each multiple is equally weighted**.

2013A	*P/E*	*P/SALES*	*EV/SALES*	*EV/EBITDA*
MONCLER	***43,9x***	***6,8x***	***7,2x***	***21,9x***
BURBERRY GROUP	22,8x	2,7x	2,5x	9,9x
SALVATORE FERRAGAMO	30,9x	3,7x	3,8x	18,9x
PRADA	22,4x	3,9x	3,9x	12,1x
HUGO BOSS	21,7x	2,9x	3,0x	12,9x
TOD'S	27,8x	3,8x	3,7x	16,5x
LVMH	19,3x	2,3x	2,5x	10,1x
KERING SA	341,4x	1,9x	2,4x	11,2x
CHRISTIAN DIOR SE	17,1x	0,8x	1,6x	8,6x
HERMES INTERNATION SCA	34,7x	7,4x	7,8x	21,4x
RALPH LAUREN CORPORATION	21,2x	2,3x	2,1x	10,6x
COMPAGNIE FINANCIERE RICHEMONT SA	16,8x	3,4x	3,0x	11,1x
MICHEAL KORS HOLDING LIMITED	28,1x	5,3x	7,1x	22,7x
PVH CORP	69,5x	1,2x	1,6x	12,4x
Median Value	***22,8x***	***2,9x***	***3,0x***	***12,1x***
Market Premium	***92,5%***	***131,3%***	***140,2%***	***81,2%***

Source: Factset, Our Estimates

2014A				
MONCLER	***21,4x***	***4,0x***	***4,3x***	***12,9x***
BURBERRY GROUP	19,0x	3,1x	2,9x	12,3x
SALVATORE FERRAGAMO	22,0x	2,6x	2,7x	12,5x
PRADA	25,5x	3,2x	3,2x	11,9x
HUGO BOSS	21,1x	2,7x	2,8x	12,13
TOD'S	22,7x	2,3x	2,2x	9,69
LVMH	11,7x	2,2x	2,4x	10,28
KERING SA	35,1x	2,0x	2,5x	12,59
CHRISTIAN DIOR SE	18,2x	0,8x	1,7x	7,1
HERMES INTERNATION SCA	35,8x	7,5x	7,5x	21,14
RALPH LAUREN CORPORATION	18,8x	2,0x	1,8x	9,79
COMPAGNIE FINANCIERE RICHEMONT SA	18,5x	3,6x	3,2x	11,94
MICHEAL KORS HOLDING LIMITED	28,4x	5,8x	4,4x	13,21
PVH CORP	20,9x	1,1x	1,5x	12,39
Median Value	***21,1x***	***2,6x***	***2,7x***	***12,13***
Market Premium	***1,5%***	***54,4%***	***63,0%***	***6,2%***

Source: Factset, Our Estimates

2015A				
MONCLER	***19,3x***	***3,8x***	***3,9x***	***11,7x***
BURBERRY GROUP	22,7x	2,4x	2,2x	9,4x
SALVATORE FERRAGAMO	21,2x	2,6x	2,6x	12,1x
PRADA	20,9x	1,9x	2,0x	8,8x
HUGO BOSS	16,5x	1,9x	2,0x	9,1x
TOD'S	24,1x	2,2x	2,1x	9,7x
LVMH	20,4x	2,1x	2,2x	9,6x
KERING SA	31,2x	1,7x	2,9x	12,3x
CHRISTIAN DIOR SE	13,2x	0,9x	1,6x	6,9x
HERMES INTERNATION SCA	33,5x	6,8x	7,9x	22,1x
RALPH LAUREN CORPORATION	16,7x	1,5x	1,4x	8,1x
COMPAGNIE FINANCIERE RICHEMONT SA	28,2x	3,6x	3,2x	11,3x
MICHEAL KORS HOLDING LIMITED	15,4x	3,2x	1,7x	5,2x
PVH CORP	10,7x	0,8x	1,1x	8,5x
Median Value	***20,9x***	***2,1x***	***2,1x***	***9,4x***
Market Premium	***-7,9%***	***79,0%***	***84,2%***	***24,3%***

Source: Factset, Our Estimates

2016A				
Moncler	***20,9x***	***4,0x***	***3,9x***	***11,8x***
BURBERRY GROUP	19,5x	2,8x	2,4x	10,8x
SALVATORE FERRAGAMO	18,7x	2,6x	2,7x	11,8x
PRADA	34,9x	3,1x	3,1x	15,2x
HUGO BOSS	20,8x	1,5x	1,5x	8,4x
TOD'S	23,6x	2,0x	2,1x	10,4x
LVMH	22,9x	2,4x	2,6x	11,1x
KERING SA	32,6x	2,2x	2,6x	14,5x
CHRISTIAN DIOR SE	16,9x	0,8x	1,4x	5,8x
HERMES INTERNATION SCA	37,0x	7,9x	8,5x	23,1x
RALPH LAUREN CORPORATION	21,1x	1,1x	1,1x	7,4x
COMPAGNIE FINANCIERE RICHEMONT SA	21,0x	3,0x	2,5x	10,6x
MICHEAL KORS HOLDING LIMITED	12,7x	2,3x	1,6x	5,4x
PVH CORP	13,3x	0,9x	1,2x	9,3x
Median Value	***21,0x***	***2,3x***	***2,4x***	***10,6x***
Market Premium	***-0,5%***	***75,0%***	***59,5%***	***11,8%***

Source: Factset, Our Estimates

	P/E	P/SALES	EV/SALES	EV/EBITDA
Average Median Value	**21,5**	**2,5**	**2,5**	**11,0**
Average Market Premium	21,4%	84,9%	86,7%	30,9%
FAIR VALUE	**26,0**	**4,6**	**4,7**	**14,5**
MONC's average forecasted values (2018E-2022E)	339.761 €	1.592.177 €	1.592.177 €	631.546 €
Average Market Value	8.106.796 €			
# of shares	252.098			
Target Price	**32,2 €**			

Source: Our Estimates

We think that Target Price obtained from relative valuation (€32.2, +6.2% higher than base case) provide a fair valuation of the company. In fact, we believe these multiples to be justified by outstanding results achieved by the management and by the improvement in profitability, which is going to persist in the medium-long term.

8. WACC Computation

1) Risk-Free rate

We compute the risk-free rate considering the weighted average value of 10Y government bonds of the countries that cover 60% of MONC's Revenues. The weights are based of MONC's Revenues exposure in these countries' in 2016.

(€ thousands)	*Interest rate*	*Revenues*	*Weight*
Risk Free Rate China 10Y	***3,9%***	179.974 €	*29,3%*
Risk Free Rate United States 10Y	***2,8%***	162.289 €	*26,4%*
Risk Free Rate Italy 10Y	***2,0%***	143.563 €	*23,4%*
Risk Free Rate Japan 10Y	***0,1%***	82.185 €	*13,4%*
Risk Free Rate Germany 10Y	***0,7%***	46.814 €	*7,6%*
RISK FREE RATE	***2,4%***	***614.824 €***	***100,0%***

Source: Damodaran, "Country Default Spreads and Risk Premiums"

2) Equity Risk Premium

We calculate Equity Risk Premium (ERP) as weighted average of countries risk premia **on MONC's Revenues geographical exposure in 2016**. To calculate Rest of World's ERP, we calculate the weighted average of ERP weighted on GDP of these countries *(Source: Damodaran, "Country Default Spreads and Risk Premiums")*. Equity Risk Premium is compute adding default spread to the mature market premium. Australia, Canada, Denmark, Germany, Netherlands, Norway, Sweden, Switzerland and United States are considered Risk-free countries (market risk premia pair of 5.08%) (Source: Damodaran, *"Country Default Spreads and Risk Premiums"*).

	Equity Risk Premium	*Weight on Total Revenues*
Equity risk Premium China	5,89%	17,30%
Equity risk Premium United States	5,08%	15,60%
Equity risk Premium Italy	7,27%	13,80%
Equity risk Premium Japan	5,89%	7,90%
Equity risk Premium Germany	5,08%	4,50%
Equity risk Premium India	7,27%	3,60%
Equity risk Premium United Kingdom	5,65%	3,40%
Equity risk Premium France	5,65%	3,20%
Equity risk Premium Other States	7,39%	30,70%
EQUITY RISK PREMIUM	***6,4%***	***100,0%***

Source: Damodaran, "Country Default Spreads and Risk Premiums"

3) Beta

In order to compute MONC's Beta **we decide to create a proprietary Luxury Index**. We compose an equally weighted Index **formed by 14 brands** present in the Luxury Industry. The brands that we include in the Luxury Index are shown in the Table below. **Then, we calculare the trend of the index from 16/12/2013 (listing day) 02/09/2018 up to considering a weekly time interval and the median value of constituents' variations**.

Source: Our Estimates

BLOOMBERG TICKER	*NAME*	*1Y PERFORMANCE*
BOSS:GR	HUGO BOSS	*22,6%*
BRBY:LN	BURBERRY GROUP PLC	*-7,0%*
TOD:IM	TOD'S	*-9,8%*
MC:FP	LVMH	*28,8%*
KER:FP	KERING SA	*66,9%*
SFER:IM	SALVAT. FERRAGAMO	*-15,1%*
BC:IM	BRUNELLO CUCINELLI	*30,0%*
CDI:FP	CHRISTIAN DIOR SE	*53,9%*
RMS:FP	HERMES INTERNATION SCA	*7,1%*
1913:HK	PRADA SPA	*0,3%*
RL:US	RALPH LAUREN CORPORATION	*33,5%*
GOOS:CN	CANADA GOOSE HOLDINGS INC	*84,8%*
CFR:SW	COMPAGNIE FINANCIERE RICHEMONT SA	*13,5%*
KORS:US	MICHEAL KORS HOLDING LIMITED	*57,9%*
PVH:US	PVH CORP	*65,3%*

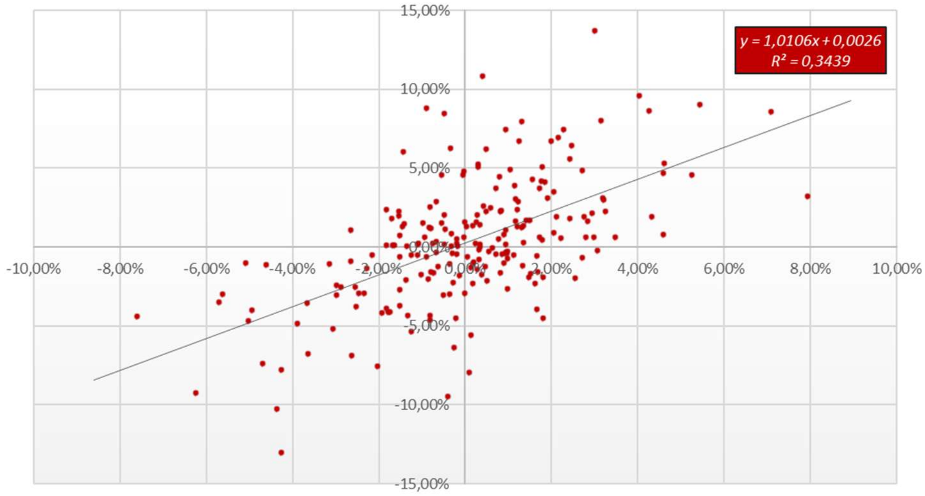
Source: Factset

As shown in the graphic above, **MONC presents a good correlation with our index**. Moreover, we choose to not include MONC in the Luxury Index in order not to affect its trend with MONC's own stock performance.

To estimate Beta, we use a **weekly price regression between the % var. of MONC stock's price and the % var. of our Luxury Index**. To compute weekly % var. of Index we take as a reference **both the mean and the median of the weekly variations of the stocks included in that**. We use this method to estimate MONC Beta since the difficulty in finding comparables with the same operational and financial structure and with the same core business. We also try to estimate MONC Beta using a regression model between weekly % var. of its stocks and the % var. of FTSE MIB and Index Italian Brands. The coefficients of determination that we find are shown in table below.

INDEX	REGRESSION LINE	BETA	CORRELATION	R^2
LUXURY INDEX (median variation)	y = 1,0106x + 0,0026	**1,01**	0,59	**0,344**
LUXURY INDEX (average variation)	y = 0,9692x + 0,0025	**0,97**	0,56	**0,315**
FTSE MIB	y = 0,5528x + 0,0028	**0,55**	0,38	**0,147**
ITALIAN BRANDS	Y = 0,9736X + 0,0029	**0,97**	0,55	**0,300**

Source: Our Estimates



Source: Our Estimates

From our findings, highlighted in table above, **we assume that our Luxury Index is appropriate to valuate MONC**. As such, in our model we assume a **MONC Beta Levered of 1.01**, which is the value that has greater significance among our regression models (**R^2: 0.344**).

4) *Cost of Equity*

Considering a **Risk-free rate of 2.4%**, an Equity Risk Premium of 6.4% and a Beta Levered equal to 1.01 we compute a **Cost of Equity amounted to 8.9%** using the **Capital Asset Pricing Model** formula.

5) *Cost of Debt*

In order to calculate MONC's cost of debt we use a Altman's Z-Score scoring method for the purpose of computing its rating. MONC's Altman Z-Score on 30/06/2017 is of 10.02 (Source: FactSet) which translates into an AAA rating (S&P). To check this result, we also calculate rating by using the interest coverage ratio. With this method, we find that most of the luxury companies in our coverage have an AAA rating as shown by table below.

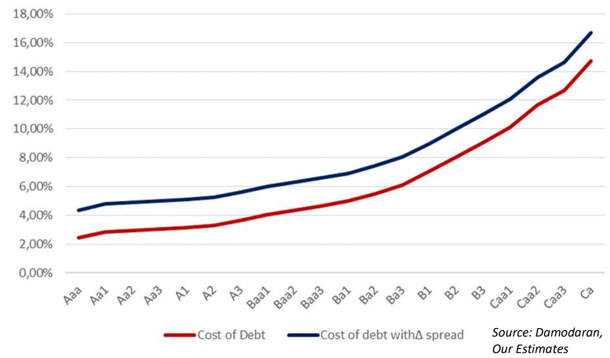
Company	Interest Coverage ratio	LT Debt/E ratio	Damodaran Rating	As of:
MONCLER	171.0x	10%	AAA	30/06/2017
HUGO BOSS	53,5x	23%	AAA	30/06/2017
BURBERRY	303.0x	0%	AAA	30/09/2017
TOD'S	21.6x	16%	AAA	30/06/2017
LVMH	75.2x	24%	AAA	31/12/2017
KERING GROUP	18.9x	36%	AAA	31/12/2017
BRUNELLO CUCINELLI	10.88	24%	AAA	30/06/2017
DIOR	65.0x	77%	AAA	30/06/2017
HERMES	812.6x	0%	AAA	31/12/2016
PRADA	28.8x	19%	AAA	31/07/2017
RALPH LAUREN	42.5x	9%	AAA	30/12/2017
CANADA GOOSE	10.6x	56%	AAA	31/12/2017
RICHEMONT	34.5x	3%	AAA	30/09/2017
MICHEAL KORS	200.2x	0%	AAA	30/09/2017
PVH	7.1x	61%	AA	29/10/2017

Source: Factset

We decide to follow the standard rule according to which companies do not receive a rating higher than their own country. Therefore, we calculate a new cost of debt's curve that take into consideration country risk. So, we assign MONC an AAA rating with a new cost of debt of 4.37% (i.e. Kd of Italian government bond) giving it implicitly Baa rating (i.e. rating of Italian Government Bond) with a spread towards the risk-free rate of 195 basis points. The new cost of debt curve for Luxury Industry is the following:

Rating	Risk-free rate	Default Spread BPS (update 1/1/18)	Spread	Cost of Debt	Δ Spread	Cost of debt considering delta spread
Aaa	2,42%	0	0,00%	2,42%	1,95%	4,37%
Aa1	2,42%	41	0,41%	2,83%	1,95%	4,78%
Aa2	2,42%	51	0,51%	2,93%	1,95%	4,88%
Aa3	2,42%	62	0,62%	3,04%	1,95%	4,99%
A1	2,42%	72	0,72%	3,14%	1,95%	5,09%
A2	2,42%	87	0,87%	3,29%	1,95%	5,24%
A3	2,42%	123	1,23%	3,65%	1,95%	5,60%
Baa1	2,42%	164	1,64%	4,06%	1,95%	6,01%
Baa2	2,42%	195	1,95%	4,37%	1,95%	6,32%
Baa3	2,42%	226	2,26%	4,68%	1,95%	6,63%
Ba1	2,42%	256	2,56%	4,98%	1,95%	6,93%
Ba2	2,42%	308	3,08%	5,50%	1,95%	7,45%
Ba3	2,42%	369	3,69%	6,11%	1,95%	8,06%
B1	2,42%	462	4,62%	7,03%	1,95%	8,99%
B2	2,42%	564	5,64%	8,06%	1,95%	10,01%
B3	2,42%	667	6,67%	9,09%	1,95%	11,04%
Caa1	2,42%	769	7,69%	10,11%	1,95%	12,06%
Caa2	2,42%	923	9,23%	11,65%	1,95%	13,60%
Caa3	2,42%	1025	10,25%	12,67%	1,95%	14,62%
Ca	2,42%	1230	12,30%	14,72%	1,95%	16,67%

Source: Damodaran



Source: Damodaran, Our Estimates

6) WACC

Taking into account a 8.9% of Cost of Equity (Appendix n.4) and a 4.37% Cost of Debt (Appendix n.5), resulting from our analysis, and a 28% of tax rate, taking into account the favourable regime of "Patent Box" to which the company had access in 2017E, we compute a 2018E WACC of 6.99%. Considering the variability of Moncler's capital structure and tax rate during the forecasted years, we calculate a different WACC for each year. The assumptions for every year are shown in the table below.

WACC Calculations	2018E	2019E	2020E	2021E	2022E
Equity	**1.089.135 €**	**1.281.237 €**	**1.489.994 €**	**1.701.049 €**	**1.904.279 €**
Beta	1,01	1,01	1,01	1,01	1,01
Risk Free Rate	2,42%	2,42%	2,42%	2,42%	2,42%
Market Risk Premium	6,41%	6,41%	6,41%	6,41%	6,41%
Cost of Equity	***8,9%***	***8,9%***	***8,9%***	***8,9%***	***8,9%***
Debt	**543.074 €**	**552.664 €**	**548.898 €**	**540.952 €**	**536.536 €**
Cost of Debt	***4,4%***	***4,4%***	***4,4%***	***4,4%***	***4,4%***
Marginal Tax Rate	28,0%	29,0%	30,0%	31,0%	32,0%
Post Tax cost of debt	3,15%	3,10%	3,06%	3,02%	2,97%
E/(D+E)	66,73%	69,86%	73,08%	75,87%	78,02%
D/(D+E)	33,27%	30,14%	26,92%	24,13%	21,98%
WACC	***6,99%***	***7,15%***	***7,33%***	***7,48%***	***7,60%***

Source: Our Estimates

We mantain Beta stable at the value that we compute with our regression model since, in theory, the long-term Beta of all companies tend to value of 1. Since we think that in the coming years MONC will witness stabilization its growth we think that this value of Beta may be suitable for the Company during the next five years. However, to check how our target price would change if the Beta changes we perform a sensitivity analysis which consider a change of this variable.

BETA \ TV WACC	7,00%	7,15%	7,30%	7,45%	**7,6%**	7,8%	7,90%	8,05%	8,20%
0,71	37,80	36,77	35,82	34,93	34,12	33,32	32,59	31,90	31,25
0,77	36,90	35,90	34,97	34,10	33,32	32,54	31,83	31,16	30,53
0,83	36,02	35,05	34,14	33,30	32,54	31,78	31,08	30,43	29,82
0,89	35,17	34,22	33,34	32,52	31,77	31,04	30,36	29,73	29,13
0,95	34,34	33,42	32,56	31,76	31,04	30,32	29,66	29,04	28,46
1,01	33,52	32,63	31,79	31,02	**30,31**	29,61	28,97	28,37	27,81
1,06	32,87	32,00	31,18	30,42	29,73	29,05	28,42	27,84	27,29
1,11	32,23	31,38	30,58	29,84	29,16	28,49	27,88	27,31	26,77
1,15	31,73	30,89	30,11	29,38	28,72	28,06	27,46	26,90	26,36
1,21	31,00	30,18	29,42	28,71	28,06	27,42	26,84	26,29	25,77
1,27	30,28	29,49	28,74	28,05	27,42	26,80	26,23	25,70	25,19

Source: Our Estimates

As shown in the table above, all other things being equal, even if Beta increases up to 1.15 our "BUY" recommendation would be maintained. Therefore, this result support our decision to keep Beta stable during the forecast period.

9. DCF Model

(€ mln)	*2018E*	*2019E*	*2020E*	*2021E*	*2022E*	*2023E*	*2024E*	*2025E*	*2026E*	*2027E*
Sales	**1.328.052 €**	**1.474.453 €**	**1.600.542 €**	**1.718.739 €**	**1.839.097 €**	**1.955.767 €**	**2.070.792 €**	**2.180.544 €**	**2.289.571 €**	**2.392.602 €**
Sales growth (%)	*12,2%*	*11,0%*	*8,6%*	*7,4%*	*7,0%*	*6,3%*	*5,9%*	*5,3%*	*5,0%*	*4,5%*
EBIT	**405.634 €**	**453.645 €**	**493.611 €**	**531.609 €**	**570.388 €**	**608.285 €**	**645.848 €**	**681.982 €**	**718.077 €**	**748.884 €**
% margin	*30,5%*	*30,8%*	*30,8%*	*30,9%*	*31,0%*	*31,1%*	*31,2%*	*31,3%*	*31,4%*	*31,3%*
% growth	*15,1%*	*11,8%*	*8,8%*	*7,7%*	*7,3%*	*6,6%*	*6,2%*	*5,6%*	*5,3%*	*4,3%*
Tax Rate	28,0%	29,0%	30,0%	31,0%	32,0%	32,0%	32,0%	32,0%	32,0%	32,0%
Tax	113.578 €	131.557 €	148.083 €	164.799 €	182.524 €	194.651 €	206.671 €	218.234 €	229.785 €	239.643 €
NOPAT	**292.057 €**	**322.088 €**	**345.528 €**	**366.810 €**	**387.864 €**	**413.634 €**	**439.177 €**	**463.748 €**	**488.292 €**	**509.241 €**
% growth	*12,0%*	*10,3%*	*7,3%*	*6,2%*	*5,7%*	*6,6%*	*6,2%*	*5,6%*	*5,3%*	*4,3%*
D&A	129.164 €	142.784 €	156.630 €	167.333 €	175.665 €	184.412 €	193.595 €	203.236 €	213.356 €	223.980 €
Change in Working Capital	-9.192 €	786 €	-10.322 €	-3.164 €	-4.016 €	-3.816 €	-3.434 €	-3.091 €	-2.472 €	-1.978 €
% of change in sales	*6,4%*	*-0,5%*	*8,2%*	*2,7%*	*3,3%*	*3,3%*	*3,0%*	*2,8%*	*2,3%*	*1,9%*
Capital Expenditure	-173.561 €	-179.843 €	-165.975 €	-157.289 €	-155.181 €	-136.904 €	-124.248 €	-109.027 €	-91.583 €	-71.778 €
% of sales	*13,1%*	*12,2%*	*10,4%*	*9,2%*	*8,4%*	*7,0%*	*6,0%*	*5,0%*	*4,0%*	*3,0%*
Free Cash Flow to Firm	**238.468 €**	**285.815 €**	**325.861 €**	**373.690 €**	**404.332 €**	**457.327 €**	**439.177 €**	**463.748 €**	**488.292 €**	**509.241 €**
Discount factor	0,93	0,87	0,81	0,76	0,70	0,65	0,61	0,56	0,52	0,49
Present Value of Cash Flows	**222.897 €**	**249.319 €**	**264.845 €**	**282.582 €**	**284.166 €**	**298.718 €**	**266.609 €**	**261.648 €**	**256.046 €**	**248.177 €**

Stage I *(2018E-2022E)*	1.303.809 €
Stage II (Steady State) *(2023E-2027E)*	1.331.198 €
Terminal Value	5.189.592 €
Terminal WACC	*7,6%*
Terminal Growth Rate	*3,0%*
Enterprise Value	**7.824.599 €**
Net Financial Position	-184.722 €
Market Value	**7.639.876 €**
# of share	252.098 €
Target Price	***30,31 €***
Current Price (EUR)	***25,72 €***
Premium/(Discount) to current (%)	**17,83%**

Source: Our Estimates

	Forecast Revenues' growth rate
2028E	4,1%
2029E	3,6%
2030E	3,3%
2031E	3,0%
2032E	2,7%
2033E	2,4%
2034E	2,2%
Average	**3,0%**

Source: Our Estimates

DCF:

I Stage: We have decided to divide our DCF into three stages to be able to minimize the distortion that comes from the calculation of the terminal value as a perpetual annuity. During the years of the first stage (2018E-2022E) we expect Moncler to continue to grow driven both by the increase in sales coming from online and sales coming from DOS, particularly thanks to MONC's "Retail Excellence" program whose excellent results started in the last year (2017E). We think that the sales density per square meter can continue to drive the growth of MONC for at least another two years. In fact, in 2018E and 2019E we assume that Revenues growth will remain stable at low double-digit. Moreover, we think that the new project "Moncler Genius" will bring innovation and curiosity around the brand and will help to keep EBIT's growth over the double digit. Between 2020 and 2022 we think Moncler can be transformed from a growing company to a mature company. We think that this process will be result of the reduction of the push from online sales and to stabilization of the number of new DOS openings per year.

II Stage: During these years, we think the effect of online growth will reduce and the new openings will coincide with important relocations. Revenues and Ebit growth will decrease towards the Terminal growth rate. CAPEX will decrease until reaching 3% of total Revenues.

Terminal Value: we calculate TV as a perpetuity formula considering 2027E FCFF with Terminal Growth Rate of +3.0% compute as the average growth of forecast MONC Revenues from 2028E to 2034E, as shown in Table above. Moreover, we consider a TV WACC of 7.6%, taking into consideration the value of terminal year 2027E.

Other Sensitivity Analysis: In addition to the reaction to main explanatory variables, we check the sensitivity of the stock price to our choice of specifying annual values of WACC to account for changes in the firm's financial structure. **We compare the estimate based on time-varying WACC values with the baseline estimate based on TV WACC.** Results are not significantly different (TP €29.9, -1.3% base case) **and support our assumption of using specific annual values of WACC, reflecting our specific assumptions, and confirm our "BUY" recommendation.**

	2018E	*2019E*	*2020E*	*2021E*	*2022E*	*2023E*	*2024E*	*2025E*	*2026E*	*2027E*
TV WACC	**7,60%**	**7,60%**	**7,60%**	**7,60%**	**7,60%**	**7,60%**	**7,60%**	**7,60%**	**7,60%**	**7,60%**
Free Cash Flow to Firm	238.468 €	285.815 €	325.861 €	373.690 €	404.332 €	457.327 €	439.177 €	463.748 €	488.292 €	509.241 €
Discount factor	0,93	0,86	0,80	0,75	0,69	0,64	0,60	0,56	0,52	0,48
Present Value of Cash Flows	221.631 €	246.880 €	261.598 €	278.815 €	280.378 €	294.736 €	263.055 €	258.160 €	252.632 €	244.869 €

Stage I	1.289.302 €
Stage II	1.313.453 €
Terminal Value	**5.120.411 €**
Terminal WACC	*7,6%*
Terminal Growth Rate	*3,0%*
Enterprise Value	**7.723.165 €**
Net Debt / (Cash)	**-184.722 €**
Market Value	7.538.443 €
# of share	252.097,77
Value Per Share (EUR)	**29,90 €**
Current Price (EUR)	**25,72 €**
Premium/(Discount) to current (%)	**16,26%**

Source: Our Estimates

10. Other opportunities - M&A -

To conclude our initiation of coverage, we analyse the case in which MONC may be seen as a potential acquisition target by a larger group.

After analysing the structure of the two large main groups in Luxury Industry (LVMH and Kering) and after observing the peculiarities of both, we think that the Kering group can be a much more credible buyer than LVMH group. This assumption is based on the following reasons:
1) The strong presence of Italian brands within the group (Gucci, Bottega Veneta, Pomellato, Brioni…);
2) Kering group's ambition to reach the same level as its main competitors (primarily LVMH) and to have 2-3 more brands that generate Revenues over 1 billion in the next 10 years (as the president and CEO Pinault stated in a recent interview) (*Source: Corriere Della Sera*);
3) The theme of sustainability of which Kering is a spokesman for and which is taking on an increasingly role in MONC (also thanks to "Protocollo DIST", Down Integrity System & Traceability, that rule the methods of breeding and respect of animals, the traceability and the technical quality of the feather);

Furthermore, the excellent financial position of Moncler that would make it possible a re-leveraging of the capital structure, makes this company particularly suitable for a potential acquisition.

Multiple Analysis of past transactions:
We assess the potential value creation resulting from the sale of the 100% of the company by analysing multiples' values of past acquisitions in the industry.

BUYER	TARGET	TARGET EV/EBITDA	EV/EBITDA AFTER ACQUISITION	PREMIUM
KERING SA	Volcom Inc.	10.29x	15.8x	53,5%
KERING SA	Puma AG	19.78x	13.8x	-30,2%
KERING SA	Gucci		15.4x	
LVMH	Pepe Jeans London		20.7x	
LVMH	Bulgari	19.8x	34.3x	73,2%
LVMH	Glenmorangie	11x	24.8x	125,5%
	Median Value	15,4x	18.25x	63,4%

Source: Factset

We consider the EV/EBITDA multiple since EBITDA is less affected by different levels of international accounting and tax regimes. We analyse the values of this multiple deriving from the previous acquisitions made by the two big players in the luxury industry (i.e. Kering SA and LVMH). As shown in table above, the median value of this multiple is of 18.25x taking into account a sample of six acquisitions. Considering that the value of MONC'S 16.8x EV/EBITDA for FY1 obtained from our analysis, we believe that a target EV/EBITDA multiple of 18.25x may be a realistic level for a potential takeover of the Company. Using this target multiple, the computed EV of €8.5 bln would increase the target price of the stock up to €33.74 (with a potential upside margin of +31.2% compared with the actual market price).

Potential Synergies analysis:
To calculate the impact of a potential acquisition of MONC by Kering, we evaluate the operating synergies and the increase in sales that could be obtained in the years following the acquisition.

	2019E	2020E	2021E	2022E	2023	2024	2025	2026	2027
INCREMENTAL REVENUES	**51.606 €**	**72.024 €**	**94.531 €**	**101.150 €**	**117.346 €**	**113.894 €**	**109.027 €**	**114.479 €**	**119.630 €**
Growth YoY (%)	*3,5%*	*4,5%*	*5,5%*	*5,5%*	*6,0%*	*5,5%*	*5,0%*	*5,0%*	*5,0%*
COST SYNERGIES	*2,0%*	*2,5%*	*3,5%*	*4,5%*	*5,0%*	*5,0%*	*5,5%*	*6,0%*	*6,0%*
EBIT	**20.361 €**	**30.095 €**	**43.418 €**	**50.533 €**	**58.624 €**	**56.899 €**	**54.468 €**	**57.192 €**	**59.765 €**
D&A	1.999 €	2.819 €	3.681 €	3.865 €	4.694 €	5.125 €	4.906 €	5.152 €	5.383 €
Taxes on Ebit	3.990 €	3.097 €	4.153 €	4.608 €	11.679 €	11.367 €	10.912 €	11.489 €	11.982 €
Delta NWC	28 €	-464 €	-174 €	-221 €	-229 €	-189 €	-155 €	-124 €	-99 €
Capex	3.148 €	4.321 €	5.199 €	5.058 €	4.107 €	3.417 €	2.726 €	2.290 €	1.794 €
FCFF	**11.251 €**	**19.393 €**	**30.210 €**	**36.782 €**	**37.915 €**	**36.802 €**	**35.770 €**	**38.138 €**	**40.507 €**
WACC	**7,15%**	**7,33%**	**7,48%**	**7,60%**	**7,60%**	**7,60%**	**7,60%**	**7,60%**	**7,60%**
Discounted FCFF	10.500 €	16.835 €	24.332 €	27.444 €	26.292 €	23.718 €	21.425 €	21.231 €	20.957 €
	3,87%	**3,91%**	**3,89%**	**3,82%**	**4,00%**	**4,50%**	**4,50%**	**4,50%**	**4,50%**
TV WACC	*7,6%*								
TV Growth	*4,0%*								
I stage	79.110 €								
II stage	113.623 €								
Terminal Value	563.200 €								
Number of Shares	**252.098 €**								
Upside	**3,00 €**								
Target Price	**33,31 €**								

Source: Our Estimates

Incremental Revenues: We estimate that the increase in sales can take place gradually as the synergies created by the two companies become operative. We think that the double-digit growth in revenues that we expect for 2019E and 2020E will reduce the benefits that would derive from the acquisition, while we estimate that the synergies will start to have a greater positive impact when Revenues start to stabilize, in our base case model, from 2021 onwards. Therefore, we model an increase in the path of growth for Revenues until 2023 and then a gradual stabilization towards the long-term growth rate of 4%.

Cost synergies: After analysing the cost structure of MONC, we estimate that that the higher synergies could be created relatively to the reduction of costs associated with the distribution network and the reduction of costs associated with Brand's advertising, which, would have a greater impact, becoming part of a larger entity. Moreover, MONC would also have higher bargaining power that may lead to an improvement of margin especially in wholesale segment. We estimate that these synergies can constantly increase over the years (*6% in 2027E*).

CAPEX and D&A: We estimate an average Capex % on Revenues of 5.65% up to 2022E, aligned with Company's prospects, and a gradual reduction in the following years. We also forecast an average depreciation rate of 4.2% from 2019E to 2027E.

Results: Using data presented in the table above, we compute that a potential acquisition by Kering could increase the value of the stock up to a Target Price of €33.31 which translate into an upside of 9.9% compared to our base case TP (of € 30.31 and an upside of 31.2% vs the actual stock price).

Other synergies and Sensitivity Analysis: We also perform a sensitivity analysis to calculate how the Target Price would vary taking into account changes in the level of synergies and the % Growth YoY compared to our base case estimate. We think that the level of synergies could be higher than those considered in our base case (e.g., more synergies may emerge from the sharing of the management know-how and from greater financial capabilities of the combined entity). On the other hand, we don't believe that there could be major negative effects if the acquisition were to take place.

Increase / Decrease of % of Cost Synergies for each year	Increase / decrease of % Growth YoY for each year								
	-2,0%	-1,5%	-1,0%	-0,5%	0,0%	0,5%	1,0%	1,5%	2,0%
-1,00%	31,90 €	32,16 €	32,42 €	32,69 €	32,95 €	33,21 €	33,47 €	33,73 €	34,00 €
-0,75%	31,95 €	32,23 €	32,50 €	32,77 €	33,04 €	33,31 €	33,58 €	33,85 €	34,12 €
-0,50%	32,01 €	32,29 €	32,57 €	32,85 €	33,13 €	33,41 €	33,69 €	33,97 €	34,25 €
-0,25%	32,06 €	32,35 €	32,64 €	32,93 €	33,22 €	33,51 €	33,80 €	34,09 €	34,37 €
0,00%	32,12 €	32,41 €	32,71 €	33,01 €	***33,31 €***	33,61 €	33,90 €	34,20 €	34,50 €
0,25%	32,17 €	32,48 €	32,78 €	33,09 €	33,40 €	33,71 €	34,01 €	34,32 €	34,63 €
0,50%	32,23 €	32,54 €	32,86 €	33,17 €	33,49 €	33,80 €	34,12 €	34,44 €	34,75 €
0,75%	32,28 €	32,60 €	32,93 €	33,25 €	33,58 €	33,90 €	34,23 €	34,55 €	34,88 €
1,00%	32,33 €	32,67 €	33,00 €	33,34 €	33,67 €	34,00 €	34,34 €	34,67 €	35,00 €

Source: Our Estimates

11. Investment Risks

	RARE	UNLIKELY	POSSIBLE	LIKELY	ALMOST CERTAIN
SEVERE	**-Solvency risk**				
MAJOR		**-Risk connected with the distributive network**	**- Seasonality risk** **-Risk related to dependence by key figures**	**-Cost of innovation**	**-Generic competition**
MODERATE	**-Third party producers risk**		**-Regulatory risk** **-Brand and customer loyalty risk** **-Product deversification & Margin sustainability**	**-Risk from evolution of tourist flow**	**-Forex risk**
MINOR	**-Suppliers risk**	**-Credit risk**		**-Interest rate risk**	
NOT SIGNIFICANT					

Source: Our Estimates

12. Corporate Governance

Board of Directors

Member	Office	In charge as of	In charge until	List (M/m)	Executive	Non executive	Independent	No. of other charges	Attendance
Remo Ruffini	Chairman and CEO	20.04.2016	Appr. 2018 FS	M	x			4	9/9
Virginie Sarah Sandrine Morgon	Director	20.04.2016	Appr. 2018 FS	M		x		12	8/9
Nerio Alessandri	Director	20.04.2016	Appr. 2018 FS	M		x	x	10	7/9
Juan Carlos Torres Carretero	Director	08.11.2016	Appr. 2018 FS	M		x		6	2/2
Luciano Santel	Director	20.04.2016	Appr. 2018 FS	M	x			2	8/8
Sergio Buongiovanni	Director	20.04.2016	Appr. 2018 FS	M	x			2	9/9
Marco Diego De Benedetti	Director	20.04.2016	Appr. 2018 FS	M		x	x	12	7/9
Gabriele Galateri di Genola	Director	20.04.2016	Appr. 2018 FS	M		x	x	12	6/9
Diva Moriani	Director	20.04.2016	Appr. 2018 FS	M		x	x	9	7/9
Stephanie Phair	Director	20.04.2016	Appr. 2018 FS	M		x	x	1	7/8
Guido Pianaroli	Director	20.04.2016	Appr. 2018 FS	M		x	x	0	7/8

Source: Company Reports

The BoD currently consists of **three executive and eight non-executive** Directors, including **six** directors as **independent**. The following offices reports to Mr. Remo Ruffini, Chairman and CEO: the Secretariat to the Chairman, the Secretariat to the Board of Directors, the Technical Secretariat, Investor Relations and Strategic Planning, Marketing & Communication, Creative Direction and the Internal Audit function. On April 21, 2016, to improve the Company's corporate governance practices, the BoD appointed the independent director Marco De Benedetti as Lead Independent Director.

Compliance with "Codice di Autodisciplina"

The company voluntarily adheres to the "Codice di Autodisciplina" (Italian Code of Conduct for listed companies) and since 2014 it publishes the report on CG and ownership structure, based on the principle of "*comply or explain*" which underlies the Corporate Governance Code and in line with EU Recommendation no. 208/2014. In order to verify the commitment of the Company to the Code, the table below summarizes the main articles for which MONC is compliant.

Article	Compliance	Description
If the Board is composed by more than 7 members, there should be at least 2 independent directors	✓	The BoD currently in office consists of 11 members, including 6 directors holding the independence requirements
Gender equilibrium: at least 1/3 of the Board members should belong to the less represented gender	✓	The BoD is compliant with the discipline regarding the balance between genders, since the less represented gender represents 27% of the members of the Board
Separation of Chairman and CEO position in order to guarantee impartiality and balance required from the chairman of the BoD.	✗	Remo Ruffini is both Chairman and CEO of the company
Composition of the BoD in terms of professional competence, experience, gender of its members and number of years as director.	✓	The members of the Board of Directors have skills to satisfy an adequate level of diversity in terms of age, gender and training and professional experience. The average age is between 31 and 40 years for the 9% of the members, between 41 and 50 years for the 18% of the members and older than 50 years for the residual 73%
The Board shall designate an independent director as LID in the event that the chairman of the Board of Directors is the CEO of the company.	✓	Presence of Marco De Benedetti as Lead Independent Director since April 2016 with fixed salary and no variable compensation linked to the company results
Committees should be composed in major part by independent directors	✓	The Nomination and Remuneration Committee and the Control, Risks and Sustainability Committee are composed of three non-executive directors, the majority of whom are independent
No director shall participate in meetings of the Remuneration committee in which proposals are formulated to the Board of Directors relating to his/her remuneration.	✓	Directors do not participate in the meetings of the Nomination and Remuneration Committee where proposals are formulated on their own remuneration
The Board of Directors evaluate whether to adopt a plan for the succession of executive directors	✓	The BoD adopted on February 28, 2017 a leadership continuity plan in case of early termination of the Managing and Executive Directors, prior to the normal expiry of the office
The Board's members are elected following the voting list system (Directors equal in number to the total number of members to be elected, less one, shall be drawn from the list which received a majority of the votes cast, the remaining director shall be drawn from the minority list)	✗	All Directors elected from majority list
The Board shall issue guidelines regarding the maximum number of offices as director or statutory auditor for specific types of companies	✓	Directors can hold from two to five management and control positions in other companies in case of Executive Director and up to a maximum of eight offices in case of Non-Executive Director
The company should provide information on the number and average duration of meetings of the Board as well as the related percentage of attendance of each director	✓	During FY 2016 nine Meetings of the BoD were held, with an average duration of about two hours) and an average attendance of 88%. Four meetings are scheduled for the year 2017

Source: Company Reports

Remuneration policy

MONC implements **two** different compensation schemes: i) all directors receive a **fixed compensation** proportional to the commitment required, in relation also to their participation into the Board's committees. Non-executive directors and independent directors receive only a fixed salary component, that is not linked to economic results nor to specific objectives of the Company, and they do not benefit from remuneration plans based on Stock Options; i) Managing Directors, other Executive Directors and Key-Managers receive an additional **variable component**, designed to reward expected short-term (**MBO**) and medium-long term results (**Stock-Options Plans**). Management By Objectives is a short-term incentive that allows to receive from about 20% up to a maximum annual incentive of 40% of the fixed component. It is aimed to incentivized the achievement of economic and financial results including primarily the Group's consolidated EBITDA as well as possible strategic and operative objectives. Stock Options plans represent the second component of the variable remuneration scheme. Currently there are four Stock Option plans: Stock Option 2014-2018 plan "Top Management and Key people" and "Corporate Structure", "2015 Performance Stock Option Plan" and "2016-2018 Performance Shares Plan". The options' prices are set at the fair value using the Black-Scholes method and they include different vesting periods. Each beneficiary may exercise the options on condition that a specific clause of performance, related to Group's consolidated EBITDA or based on the EPS index, is achieved during the vesting period. The Policy provides for Directors and Key- Manager to receive additional remuneration if they have the charge of directors within the Company's subsidiaries.

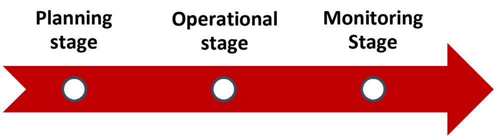
Remuneration of BoD (thousands €)

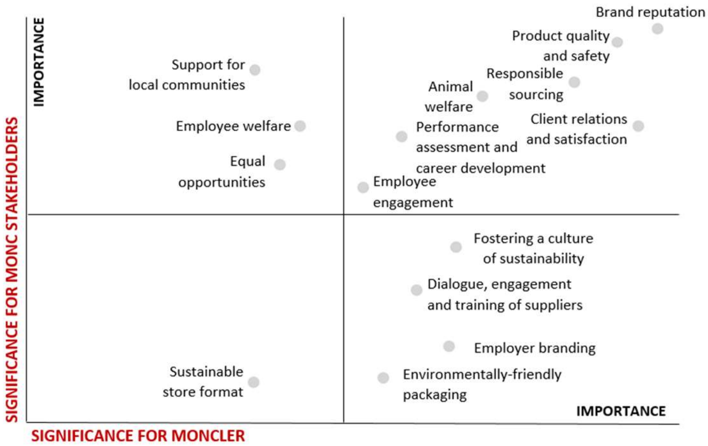
Member	Office	Fixed remuneration	Remuneration for serving on committees	Variable remuneration (non-equity)		Non-monetary benefits	Total	Fair value of equity remuneration
				Bonus and other incentives	Profit sharing			
Remo Ruffini	Chairman and CEO	1,527,574	0	1,500,000	0	5,953	3,033,527	2,639,353
Virgine Sarah Sandrine Morgon	Deputy Chairman	17,574	13,484	0	0	0	31,057	0
Nerio Alessandri	Independent Director	36,967	6,066	0	0	0	43,033	0
Juan Carlos Torres Carretero	Director	2,896	0	0	0	0	2,896	0
Luciano Santel	Executive Director	448,77	0	256,728	0	6,182	711,68	1,093,555
Sergio Buongiovanni	Executive Director	323,585	0	190,4	0	12,978	526,962	904,485
Marco Diego De Benedetti	Lead Ind. Director	31,508	37,418	0	0	0	68,926	0
Gabriele Galateri di Genola	Indipendent Director	36,967	16,516	0	0	0	53,484	0
Diva Moriani	Indipendent Director	31,508	26,967	0	0	0	58,475	0
Stephanie Phair	Indipendent Director	27,869	0	0	0	0	27,869	0
Guido Pianaroli	Indipendent Director	27,869	12,623	0	0	0	40,492	0

Source: Company Reports

13. Corporate Social Responsibility

Since 2015 MONC produces the **Sustainability Report,** which describes the main environmental, social and business initiatives, and also publishes the results achieved in relation to **Sustainability Plan** objectives. The Plan focuses on promoting occupational health and safety, fostering a responsible supply chain respectful of animal welfare, mitigating environmental impacts, increasing client satisfaction, promoting the social and economic development of local communities. The Sustainability Planning consists of **three different stages** which involve dedicated bodies of the governance structure:





Source: Company Reports

1. **Planning stage**: The Sustainability Unit defines the medium and long-term sustainability guidelines and the associated action relying on the advice of the **Sustainability Steering Committee**, which analyses its contents and feasibility. The final stage involves the Plan's assessment by the **Control, Risks, and Sustainability Committee**, which verifies its consistency with Group strategy and gives its opinion to the Board of Directors, which is responsible for final approval.
2. **Operational stage:** Within each department have been identified a number of "Ambassadors", who have the necessary resources, tools, and knowhow to implement the Plan and are responsible for raising awareness of social and environmental issues within their own areas.
3. **Monitoring stage:** the Sustainability Unit, to ensure adherence to the commitments made, asks for regular progress reports on projects, and updates the Control, Risks, and Sustainability Committee accordingly.

In 2015 the Sustainability Unit performed the first **materiality analysis** that takes into account the standpoint not only of the company but also of its stakeholders. The analysis' results are summarized in the matrix above which identifies 15 aspects with material impact on the economic, social and environmental performance of the Company or that may substantially influence stakeholders' perceptions and decisions.

Source: Company Reports

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