

# Prada (1913 HK)

## The drags are probably worse than SARS

**Downgrade to HOLD and trimmed TP to HK\$ 22.84**, based on 33x FY20E P/E (changed from 1.3x 2 years PEG due to slower growth ahead). We believe Prada is negatively impacted by the coronavirus in China and overseas (esp. Japan and Italy) in 1H20E and further drag is still possible. We think its valuation at 36x FY20E P/E, is rich (vs Peers' average of 29x), PEG at 2.0x (vs median of 1.6x).

- **More negative than SARS, because of: 1) greater China mix and 2) outbreak in overseas.** Referencing to SARS, sector correction for luxury brands was 27% during Nov 2002 to Apr 2003 and average sales growth was 9% YoY decline in 1H03. We believe the negative impact would be worse during this COVID-19 period, because: 1) China's contribution is a lot higher at ~20% of total sales (doubled vs 2003, by our est.) and 2) the overseas coronavirus cases in South Korea, Italy, even Germany and France have been piling up since late Feb. Note that Japan, China and Italy made up 49% of Prada's sales in FY18, by CMBIS est.
- **We expect the recovery pace to be slow and gradual.** Again, referring to SARS in 2003, sales growth for luxury brands did not return to positive growth quickly. Major brands reported 2.2% YoY decline in 2H03, following a 9.4% YoY drop in 1H03 (Fig 14-15), as it took time for the economy and consumer sentiment to recover. Also, we think travel restrictions imposed by various governments and advises of World Health Organization (on China, Korea, Italy, etc) will substantially discourage travelling worldwide. According to ForwardKeys, a travel analytic company that analyses millions of daily flights and hotel bookings data, stated that the outbound flights from China had dropped by 58% (during 20 Jan to 9 Feb) and 56% (during 1 Mar to 30 Apr, future bookings), pointing to weakened tourist spending in 2Q20E.
- **Having Raf Simons as co-creative director, in our view, is a positive.** Raf Simons will join Prada on 2 Apr 2020 (not a surprise). Raf Simons is one of the most influential designers, who were at Christian Dior and Calvin Klein. Some says he was too artistic but we think, may well be what Prada need. Nonetheless, share prices for Dior and PVH Corp did well during his terms.
- **Downgrade to HOLD and cut TP to HK\$ 22.84.** We adjusted FY19E/ 20E/ 21E EPS estimates by 0.5%/ -18.4%/ -14.3%, to factor in 1) losses of China and sales and operating leverage and 2) reduction of tourists spending worldwide. We downgrade Prada to HOLD and trimmed TP to HK\$ 22.84, based on 33x FY20E P/E, with a 18% 2 years adj. EPS CAGR. The old TP was based on 1.3x 2 years PEG and implied a 37x FY20E P/E.

### Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (EUR mn)	3,056	3,142	3,185	3,087	3,333
YoY growth (%)	(4.0)	2.8	1.4	(3.1)	8.0
Net profit (EUR mn)	249	205	255	197	248
EPS (EUR)	0.097	0.080	0.100	0.077	0.097
Adj. NP (EUR mn)	249	205	178	197	248
YoY growth (%)	(10.6)	(17.5)	(13.2)	10.6	25.8
Consensus EPS (EUR)	n/a	n/a	0.096	0.086	0.104
P/E (x)	27.5	34.7	28.0	36.2	28.8
P/B (x)	2.4	2.5	2.4	2.4	2.4
Yield (%)	2.8	2.2	2.7	2.1	2.6
ROE (%)	8.4	7.2	8.8	6.7	8.3
Net gearing (%)	3.5	10.7	8.9	2.4	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**HOLD (Down)**

Target Price	HK\$22.84
(Previous TP	HK\$31.39)
Up/Downside	-8.8%
Current Price	HK\$25.05

### Global Luxury Goods Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	64,099
Avg 3 mths t/o (HK\$ mn)	30.36
52w High/Low (HK\$)	33.20/20.75
Total Issued Shares (mn)	2,558.8

Source: Bloomberg

#### Shareholding Structure

Prada Family	79.98%
Invesco Ltd	5.38%
Free Float	14.64%

Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-15.5%	-14.9%
3-mth	-11.1%	-10.3%
6-mth	15.0%	13.2%
12-mth	-0.4%	9.8%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Deloitte & Touche

#### Related Reports

1. Prada (1913 HK, BUY) - Retail turnaround may drive further re-rating - 26 Nov 2019
2. Prada (1913 HK, HOLD) - Growth may resume but valuation is stretched - 2 Aug 2019
3. Prada (1913 HK, SELL) - Rich in valuation plus sluggish growth ahead - 5 Jul 2019

## Earnings revision

**Figure 1: Earnings revision**

(EUR mn)	New			Old			Diff (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	3,185	3,087	3,333	3,185	3,301	3,471	0.0%	-6.5%	-4.0%
Gross profit	2,300	2,241	2,427	2,300	2,397	2,534	0.0%	-6.5%	-4.2%
EBIT	285	279	344	284	337	396	0.5%	-17.3%	-13.1%
Reported Net profit	255	197	248	254	242	289	0.5%	-18.4%	-14.3%
Diluted EPS (EUR)	0.100	0.077	0.097	0.099	0.094	0.113	0.5%	-18.4%	-14.3%
Gross margin	72.2%	72.6%	72.8%	72.2%	72.6%	73.0%	0ppt	0ppt	-0.2ppt
EBIT margin	8.9%	9.0%	10.3%	8.9%	10.2%	11.4%	0ppt	-1.2ppt	-1.1ppt
Net profit att. margin	8.0%	6.4%	7.4%	8.0%	7.3%	8.3%	0ppt	-0.9ppt	-0.9ppt

Source: Company data, CMBIS estimates

**Figure 2: CMBIS estimates vs consensus**

(EUR mn)	CMBI			Consensus			Diff (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	3,185	3,087	3,333	3,201	3,292	3,479	-0.5%	-6.2%	-4.2%
Gross profit	2,300	2,241	2,427	2,309	2,384	2,529	-0.4%	-6.0%	-4.1%
EBIT	285	279	344	307	337	410	-7.0%	-17.4%	-16.0%
Net profit att.	255	197	248	248	221	270	3.0%	-10.7%	-8.1%
Diluted EPS (EUR)	0.100	0.077	0.097	0.096	0.086	0.104	4.4%	-9.9%	-6.4%
Gross margin	72.2%	72.6%	72.8%	72.1%	72.4%	72.7%	0.1ppt	0.2ppt	0.1ppt
EBIT margin	8.9%	9.0%	10.3%	9.6%	10.2%	11.8%	-0.6ppt	-1.2ppt	-1.5ppt
Net profit att. margin	8.0%	6.4%	7.4%	7.7%	6.7%	7.8%	0.3ppt	-0.3ppt	-0.3ppt

Source: Bloomberg, CMBIS estimates

## Assumption

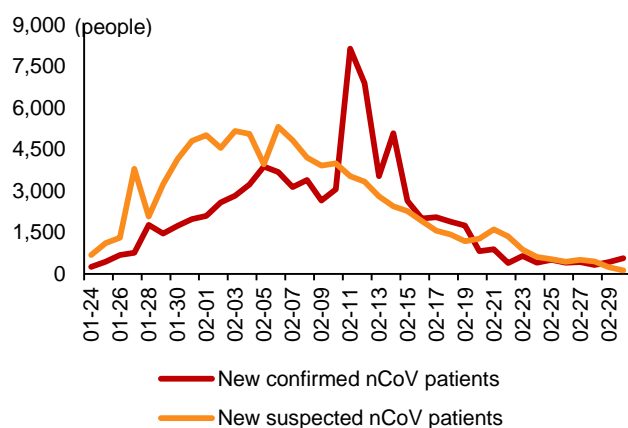
Figure 3: Major assumptions

Major assumptions	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Sales by segment (EUR mn)</b>					
<b>Direct sales</b>	<b>2,444</b>	<b>2,532</b>	<b>2,621</b>	<b>2,558</b>	<b>2,781</b>
<i>Prada</i>	1,991	2,069	2,153	2,103	2,296
<i>Miu Miu</i>	388	400	404	396	424
<i>Other</i>	64	62	64	59	61
<b>Franchise sales</b>	<b>565</b>	<b>566</b>	<b>521</b>	<b>484</b>	<b>507</b>
<b>Royalties</b>	<b>48</b>	<b>44</b>	<b>43</b>	<b>44</b>	<b>45</b>
<b>Total</b>	<b>3,056</b>	<b>3,142</b>	<b>3,185</b>	<b>3,087</b>	<b>3,333</b>
<b>Sales growth by segment (%)</b>					
<b>Direct sales</b>	<b>-7.3%</b>	<b>3.6%</b>	<b>3.5%</b>	<b>-2.4%</b>	<b>8.7%</b>
<i>Prada</i>	-6.1%	4.0%	4.0%	-2.3%	9.2%
<i>Miu Miu</i>	-12.0%	3.0%	1.0%	-2.0%	7.0%
<i>Other</i>	-11.7%	-3.1%	2.6%	-7.2%	2.6%
<b>Franchise sales</b>	<b>11.9%</b>	<b>0.3%</b>	<b>-8.0%</b>	<b>-7.0%</b>	<b>4.7%</b>
<b>Royalties</b>	<b>7.6%</b>	<b>-8.5%</b>	<b>-2.0%</b>	<b>3.0%</b>	<b>2.0%</b>
<b>Total</b>	<b>-4.0%</b>	<b>2.8%</b>	<b>1.4%</b>	<b>-3.1%</b>	<b>8.0%</b>
<b>GP margins</b>	<b>73.5%</b>	<b>72.0%</b>	<b>72.2%</b>	<b>72.6%</b>	<b>72.8%</b>
<b>Opex breakdown by segment</b>					
Design, R & D/ sales	4.3%	4.0%	4.1%	3.8%	4.0%
A & P/ sales	6.0%	6.6%	7.2%	6.5%	6.4%
D & A/ sales	6.4%	6.7%	6.7%	7.0%	6.7%
Labour costs/ sales	17.0%	19.0%	20.6%	20.7%	20.4%
Variable rental/ sales	9.7%	10.5%	10.7%	11.1%	10.9%
Fixed rental/ sales	9.1%	9.0%	9.0%	9.5%	9.2%
Others/ sales	-1.1%	-1.2%	-1.4%	-1.4%	-1.4%
G & A/ sales	5.6%	6.1%	6.2%	6.1%	6.1%
<b>Total</b>	<b>57.0%</b>	<b>60.7%</b>	<b>63.0%</b>	<b>63.3%</b>	<b>62.2%</b>
<b>EBIT margins</b>	<b>11.8%</b>	<b>10.3%</b>	<b>9.2%</b>	<b>9.3%</b>	<b>10.6%</b>
Pre-tax margins	11.6%	9.6%	9.0%	9.1%	10.4%
<b>Effective tax rate</b>	<b>-29.7%</b>	<b>-31.2%</b>	<b>-10.0%</b>	<b>-29.0%</b>	<b>-28.0%</b>
<b>Net profit att. (EUR mn)</b>	<b>249</b>	<b>205</b>	<b>255</b>	<b>197</b>	<b>248</b>
Net profit att. margins	8.1%	6.5%	8.0%	6.4%	7.4%
<b>Net profit att. Growth (%)</b>	<b>-10.6%</b>	<b>-17.5%</b>	<b>24.3%</b>	<b>-22.8%</b>	<b>25.8%</b>
<b>Adjusted NP att. (EUR mn)</b>	<b>249</b>	<b>205</b>	<b>178</b>	<b>197</b>	<b>248</b>
<b>Adjusted NP att. Growth (%)</b>	<b>-10.6%</b>	<b>-17.5%</b>	<b>-13.2%</b>	<b>10.6%</b>	<b>25.8%</b>
<b>Number of stores by brand</b>					
Prada	394	398	402	406	410
Miu Miu	167	166	164	165	168
Others	64	70	72	72	73
Franchises stores	34	34	30	30	30
<b>Sum total</b>	<b>659</b>	<b>668</b>	<b>668</b>	<b>673</b>	<b>681</b>

Source: Company data, CMBIS estimates

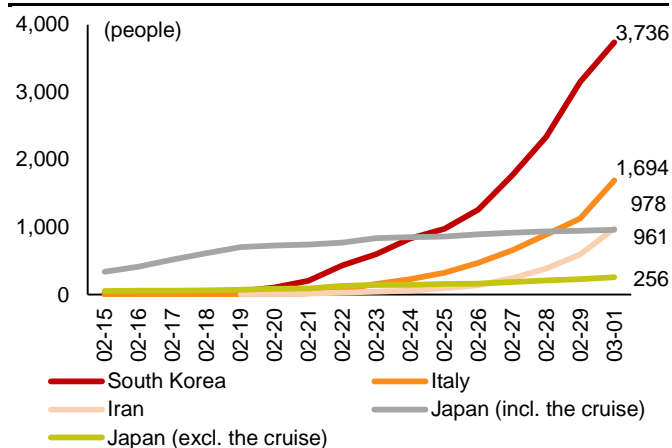
## Focus Charts

Figure 4: New nCov cases are declining in China...



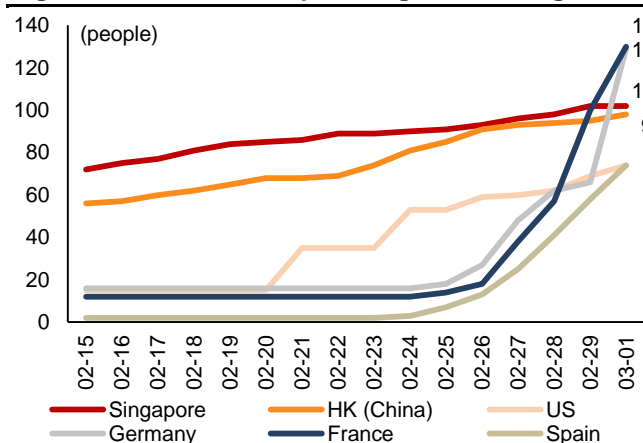
Source: The National Health Commission (NHC), CMBIS estimates

Figure 5: but are surging in S.Korea, Italy and Iran...



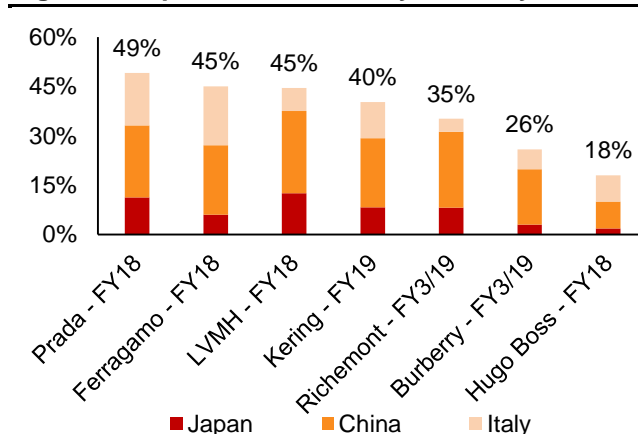
Source: World Health Organization (WHO), CMBIS estimates

Figure 6: and are still spreading in other regions.



Source: World Health Organization (WHO), CMBIS estimates

Figure 7: Japan, China and Italy sales, by brand



Source: Company data, CMBIS estimates

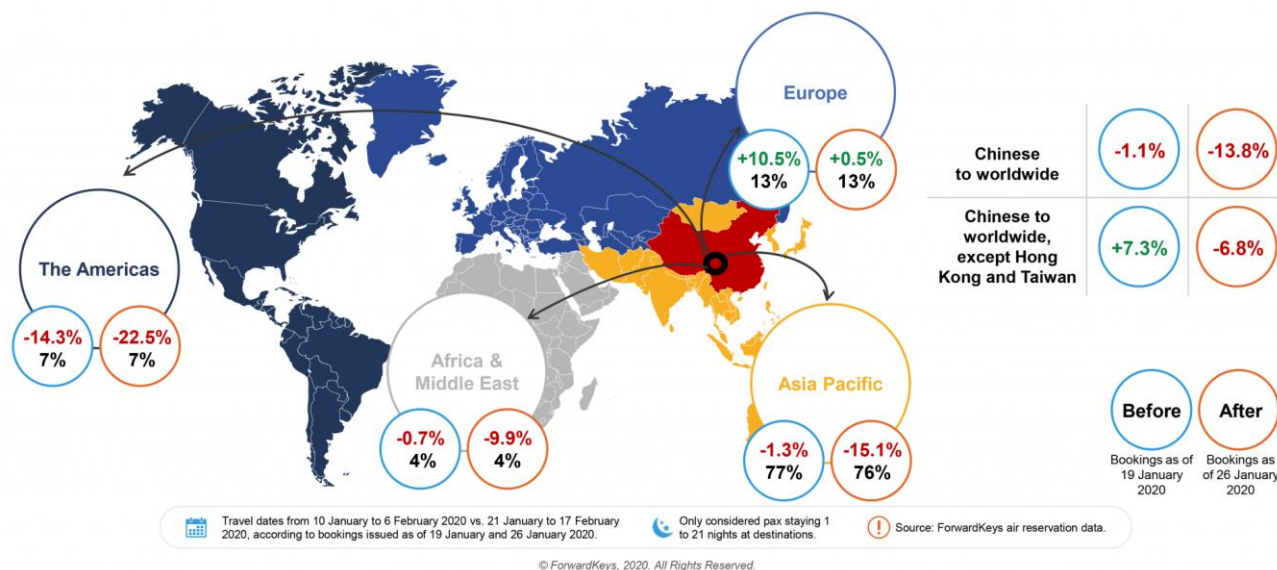
Figure 8: Sales mix by region, by brand

Brand sales by regions	Asia				Total	Japan	China	Italy	Total
	Pacific	Europe	Americas	Others					
Prada - FY18	45%	38%	14%	3%	100%	11%	22%	16%	49%
Ferragamo - FY18	40%	33%	21%	6%	100%	6%	21%	18%	45%
LVMH - FY18	50%	30%	18%	2%	100%	13%	25%	7%	45%
Kering - FY19	42%	37%	19%	1%	100%	8%	21%	11%	40%
Richemont - FY3/19	46%	29%	18%	7%	100%	8%	23%	4%	35%
Burberry - FY3/19	41%	36%	23%	0%	100%	3%	17%	6%	26%
Hugo Boss - FY18	15%	62%	21%	3%	100%	2%	8%	8%	18%
<b>Average</b>	<b>40%</b>	<b>38%</b>	<b>19%</b>	<b>3%</b>	<b>100%</b>	<b>7%</b>	<b>20%</b>	<b>10%</b>	<b>37%</b>

Source: Company data, CMBIS estimates

**Figure 9: Chinese outbound flight traffic growth before and after 2020 CNY**

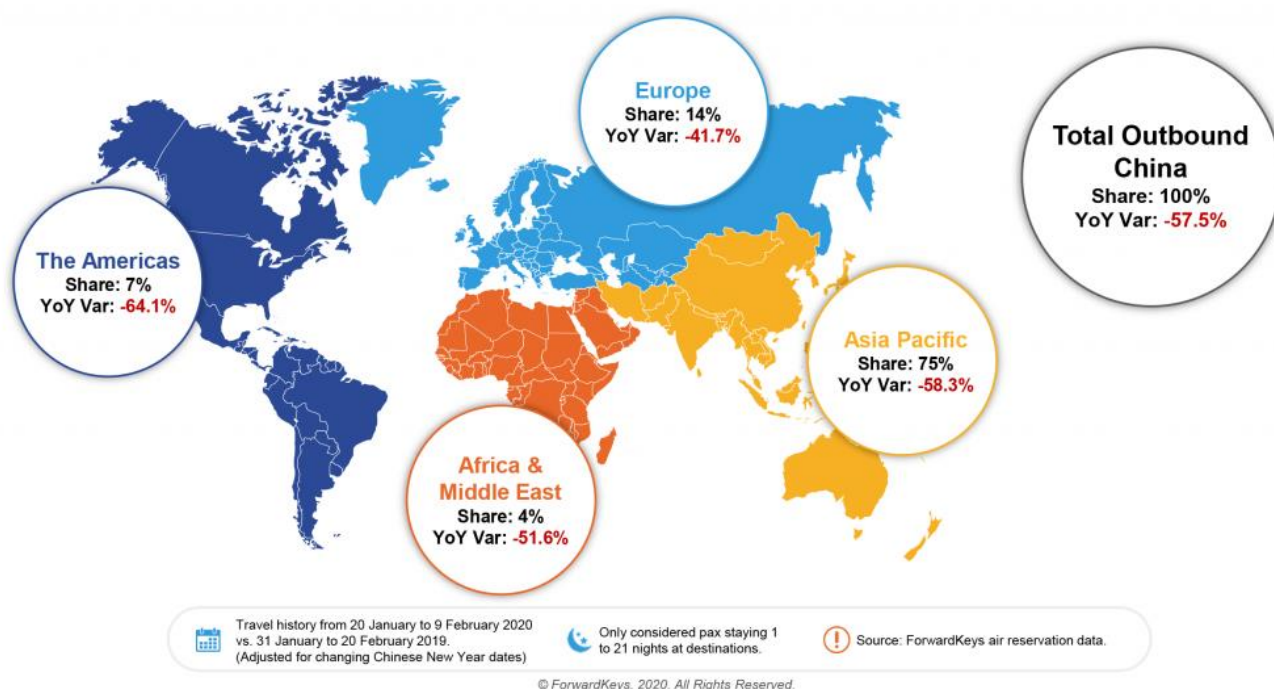
**Chinese air arrivals in worldwide regions for Chinese New Year, before and one week after the travel restrictions**  
Chinese New Year (10 January – 6 February 2020), Bookings made as of 19 January and 26 January 2020. Year-on-Year variation and market shares by region



Source: ForwardKeys, CMBIS

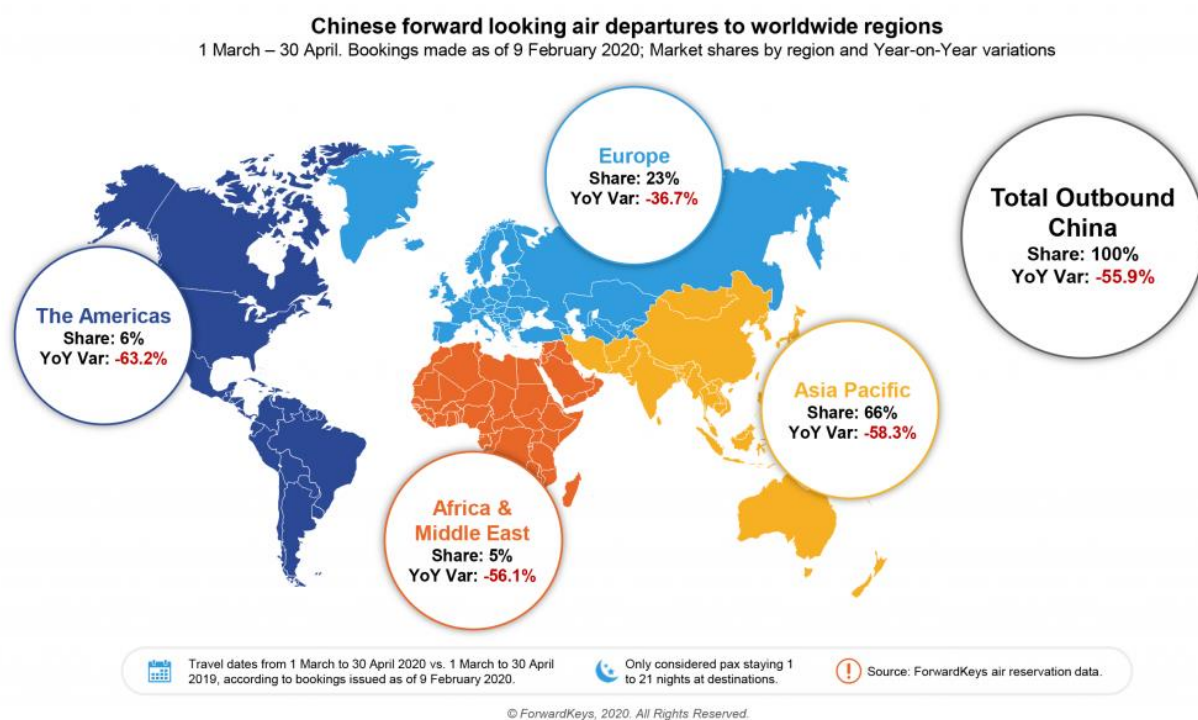
**Figure 10: Outbound flights (from China) traffic growth since 20 Jan 2020**

**Chinese air departures to worldwide regions since 20 January**  
20 January to 9 February 2020; Market shares by region and Year-on-Year variations

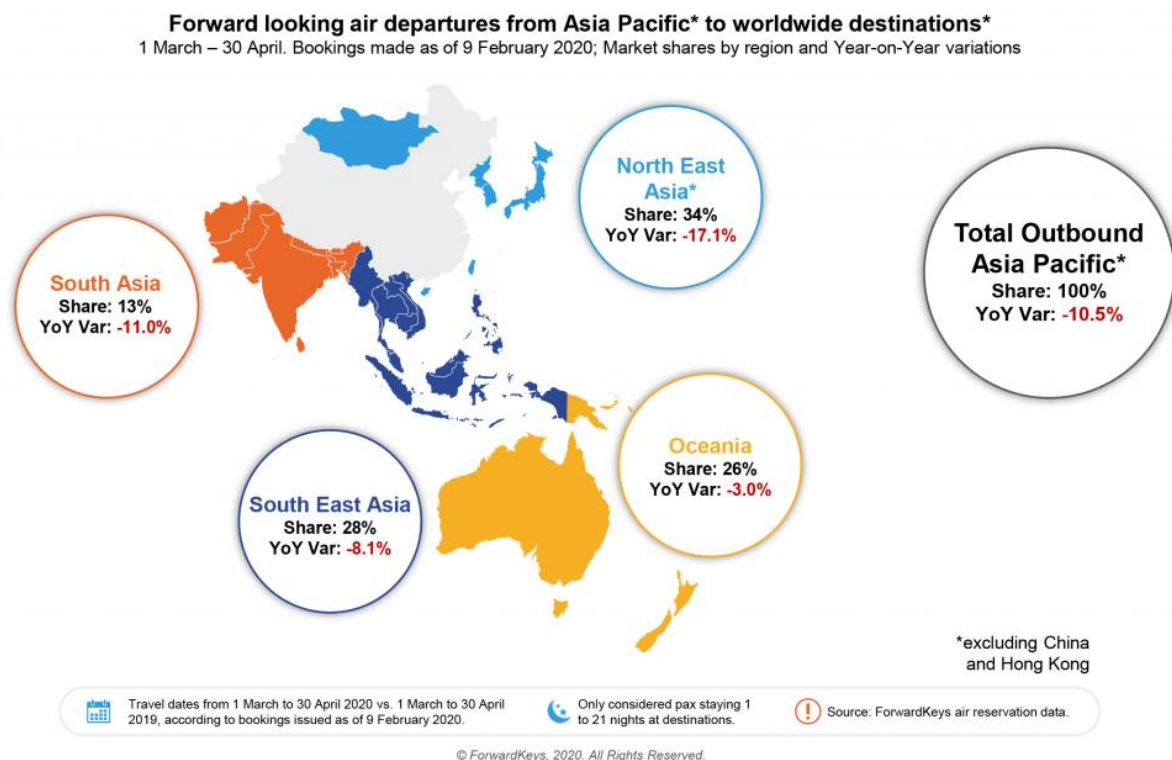


Source: ForwardKeys, CMBIS



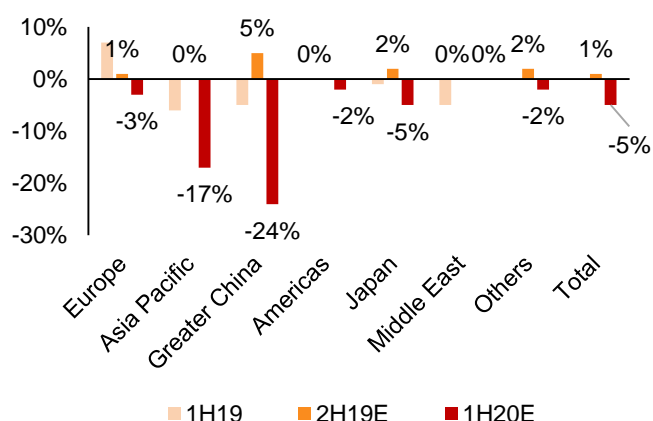
**Figure 11: Outbound flights (from China) traffic growth in Mar 2020 and Apr 2020 (future bookings)**


Source: ForwardKeys, CMBIS

**Figure 12: Outbound flight (from Asia Pacific) traffic growth in Mar 2020 and Apr 2020 (future bookings)**


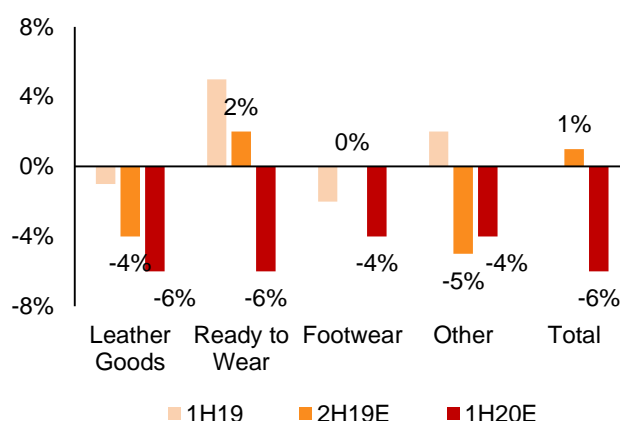
Source: ForwardKeys, CMBIS

Figure 13: Sales growth by region (Constant FX)



Source: Company data, CMBIS estimates

Figure 14: Sales growth by segment (Constant FX)



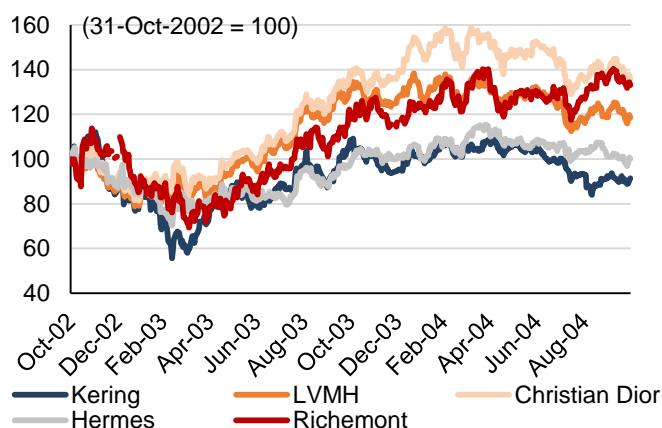
Source: Company data, CMBIS estimates

Figure 15: Sales growth by channel, region, product and brand

Sales growth trend (constant FX)	2H17 Aug-Dec 17	1H18 Jan-Jun 18	FY18 Jan-Dec 18	1H19 Jan-Jun 19	2H19E Jul-Dec 19	1H20E Jan-Jun 20	2H20E Jul-Dec 20
<b>By channel</b>							
Retail	-3%	10%	7%	-3%	4%	-5%	0%
Wholesale	34%	8%	1%	14%	-32%	-17%	8%
<b>Total</b>	<b>1%</b>	<b>9%</b>	<b>6%</b>	<b>0%</b>	<b>1%</b>	<b>-5%</b>	<b>3%</b>
<b>By region</b>							
Europe	6%	7%	3%	7%	1%	-3%	3%
Asia Pacific	1%	14%	10%	-6%	0%	-17%	-3%
Greater China	10%	17%	8%	-5%	5%	-24%	1%
Americas	-3%	8%	4%	0%	0%	-2%	2%
Japan	-6%	9%	7%	-1%	2%	-5%	5%
Middle East	-3%	7%	5%	-5%	0%	0%	4%
Others	-2%	4%	-3%	0%	2%	-2%	8%
<b>Total</b>	<b>1%</b>	<b>9%</b>	<b>6%</b>	<b>0%</b>	<b>1%</b>	<b>-5%</b>	<b>3%</b>
<b>By product</b>							
Leather Goods	0%	8%	6%	-1%	-4%	-6%	4%
Ready to Wear	10%	20%	10%	5%	2%	-6%	3%
Footwear	-4%	4%	2%	-2%	0%	-4%	0%
Other	-5%	2%	7%	2%	-5%	-4%	4%
<b>Total</b>	<b>1%</b>	<b>9%</b>	<b>6%</b>	<b>0%</b>	<b>1%</b>	<b>-6%</b>	<b>3%</b>
<b>By brand</b>							
Prada	4%	10%	7%	1%	2%	-5%	4%
Miu Miu	-10%	8%	2%	-8%	-2%	-5%	3%
Church's	-8%	-4%	-2%	3%	1%	-9%	1%
Other	2%	2%	4%	8%	3%	-10%	2%
<b>Total</b>	<b>1%</b>	<b>9%</b>	<b>6%</b>	<b>0%</b>	<b>1%</b>	<b>-6%</b>	<b>3%</b>

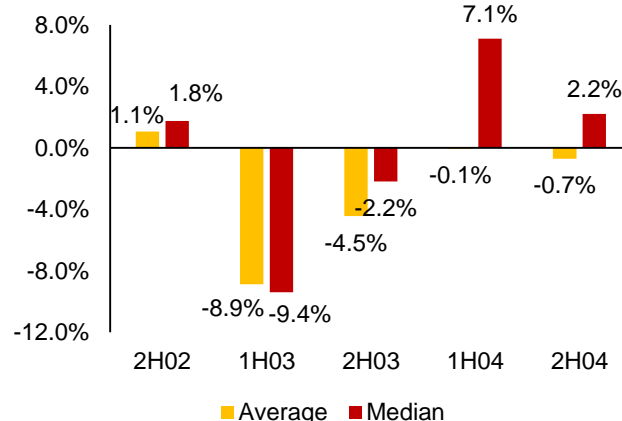
Source: Company data, CMBIS estimates

Figure 16: Share prices during SARS, by brand



Source: Bloomberg, CMBIS estimates

Figure 17: Major brand sales growth during SARS



Source: Company data, Bloomberg, CMBIS estimates, Richemont data was derived by the average of two fiscal years since its year end is at Mar

Figure 18: Sales growth in SARS, by luxury brand

Sales growth	2H02	1H03	2H03	1H04	2H04
Kering	-1.6%	-7.8%	-14.0%	-35.1%	-20.9%
LVMH	5.1%	-10.0%	-2.2%	7.1%	2.2%
Christian Dior	6.0%	-9.4%	-1.9%	8.9%	1.6%
Hermes		-6.1%	3.6%	13.0%	4.4%
Richemont	-5.3%	-11.2%	-7.8%	5.8%	9.1%
<b>Average</b>	<b>1.1%</b>	<b>-8.9%</b>	<b>-4.5%</b>	<b>-0.1%</b>	<b>-0.7%</b>
<b>Median</b>	<b>1.8%</b>	<b>-9.4%</b>	<b>-2.2%</b>	<b>7.1%</b>	<b>2.2%</b>

Source: Company data, Bloomberg, CMBIS estimates, Richemont data was derived by the average of two fiscal years since its year end is at Mar

Figure 19: Raf Simons



Source: Internet, CMBIS

- **Having Raf Simons as co-creative director, in our view, is a positive.** Raf Simons will join Prada on 2 Apr 2020, alongside with Miuccia Prada (not a surprise due to rumors last year) and his first collection will be the SS 2021 Womenswear. Raf Simons is certainly one of the most influential designers nowadays, who were the Creative Director at Christian Dior (2012-2015) and Calvin Klein (2016-2018). Some may say he was too artistic and did not perform well commercially, hence being sacked in a short time. However, in our view, a little bit of informality and ingenious may well be what Prada's product really needs. Nonetheless, share prices for Dior and PVH Corp did perform well during his terms (max gains of 101% and 118% achieved).

Figure 20: Raf Simons's Biography &amp; historical performances

Brands	Ticker	Parent Company	Ticker	Period	Currency	Entry price	Exit price	Share price Chgs	Max gains	Currency	Entry sales	Exit sales	Chgs	Entry EBIT	Exit EBIT	Chgs	Entry NP	Exit NP	Chgs
Raf Simons				1995 - Present															
Raf by Raf Simons				2005 - Present															
Jil Sander		Onward Holdings	8016 JP	Jul 2005 - Feb 2012															
Christian Dior	CDI EU	LVMH	MC FP	Apr 2012 - Oct 2015	EUR	99.4	180.4	81%	101%	EUR mn	27,255	35,081	29%	5,664	6,296	11%	1,355	2,378	75%
Calvin Klein		PVH Corp	PVH US	Aug 2016 - Dec 2018	US\$	96.5	88.7	-8%	118%	US\$ mn	2,923	3,135	7%	413	411	-1%			
Prada		Prada	1913 HK	Starting at Apr 2020	HK\$	?	?	?	?	EUR mn	3,295	?	?	354	?	?	222	?	?

Source: Company data, Bloomberg, CMBIS estimates



Figure 21: Peers' valuation

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down - side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)		ROE (%)	2yrs PEG (x)	Yield (%)
								FY1E	FY2E	FY1E	FY2E	FY1E	FY2E	FY1E
<b>H shares Luxury, Jewellery, Watches</b>														
Prada	1913 HK	HOLD	22.84	25.05	-9%	64,099	Dec-18	28.0	36.2	2.4	2.4	8.4	2.0	2.7
Samsonite	1910 HK	NR	n/a	13.22	n/a	18,939	Dec-18	10.6	11.5	1.2	1.1	10.3	17.9	3.6
Chow Tai Fook	1929 HK	NR	n/a	6.64	n/a	66,400	Mar-19	15.1	12.3	2.1	2.0	15.0	0.7	5.3
Luk Fook	590 HK	NR	n/a	19.32	n/a	11,343	Mar-19	10.0	8.5	1.0	0.9	13.1	0.6	5.1
Chow Sang Sang	116 HK	NR	n/a	9.27	n/a	6,280	Dec-18	6.4	6.0	0.6	0.5	9.6	0.7	6.0
Emperor Watch	887 HK	NR	n/a	0.14	n/a	956	Dec-18	n/a	n/a	n/a	n/a	5.0	0.0	n/a
Oriental Watch	398 HK	NR	n/a	1.68	n/a	958	Mar-19	n/a	n/a	n/a	n/a	6.3	0.0	n/a
Hengdeli	3389 HK	NR	n/a	0.30	n/a	1,399	Dec-18	n/a	n/a	n/a	n/a	1.6	0.0	n/a
<b>Avg.</b>								<b>14.0</b>	<b>14.9</b>	<b>1.5</b>	<b>1.4</b>	<b>8.7</b>	<b>2.7</b>	<b>4.5</b>
<b>Med.</b>								<b>10.6</b>	<b>11.5</b>	<b>1.2</b>	<b>1.1</b>	<b>9.0</b>	<b>0.6</b>	<b>5.1</b>
<b>A-shares Luxury, Jewellery, Watches</b>														
Lao Feng Xiang	600612 CH	NR	n/a	44.75	n/a	20,875	Dec-18	16.4	14.3	3.2	2.7	21.5	1.1	2.3
Chow Tai Seng	002867 CH	NR	n/a	19.51	n/a	15,922	Dec-18	14.4	12.0	3.0	2.4	23.0	0.6	3.0
Leysen Jewelry	603900 CH	NR	n/a	7.93	n/a	3,015	Dec-18	17.2	16.5	1.1	1.0	5.9	1.6	n/a
Guangdong Chj	002345 CH	NR	n/a	3.69	n/a	3,730	Dec-18	13.7	11.7	0.9	0.9	1.2	(5.8)	2.2
Fiyta Holdings	000026 CH	NR	n/a	9.35	n/a	4,277	Dec-18	19.0	15.8	n/a	n/a	7.7	0.9	n/a
Zhejiang Ming	002574 CH	NR	n/a	4.69	n/a	2,765	Dec-18	n/a	n/a	n/a	n/a	3.0	0.0	n/a
Eastern Gold Jade	600086 CH	NR	n/a	2.12	n/a	3,196	Dec-18	n/a	n/a	n/a	n/a	(89.9)	0.0	n/a
<b>Avg.</b>								<b>16.1</b>	<b>14.1</b>	<b>2.1</b>	<b>1.7</b>	<b>(3.9)</b>	<b>(0.2)</b>	<b>2.5</b>
<b>Med.</b>								<b>16.4</b>	<b>14.3</b>	<b>2.1</b>	<b>1.7</b>	<b>5.9</b>	<b>0.6</b>	<b>2.3</b>
<b>International Luxury, Jewellery, Watches</b>														
Prada	1913 HK	HOLD	22.84	25.05	-9%	64,099	Dec-18	28.0	36.2	2.4	2.4	8.4	2.0	2.7
Samsonite	1910 HK	NR	n/a	13.22	n/a	18,939	Dec-18	10.6	11.5	1.2	1.1	10.3	17.9	3.6
LVMH	MC FP	NR	n/a	371.30	n/a	1,619,304	Dec-19	23.5	20.7	4.6	4.0	20.8	1.7	2.0
Kering	KER FP	NR	n/a	499.85	n/a	545,007	Dec-19	18.6	16.3	5.1	4.4	22.9	1.5	2.5
Hermes	RMS FP	NR	n/a	630.40	n/a	574,625	Dec-19	40.4	35.6	8.6	7.4	25.4	3.2	1.1
Richemont	CFR SW	NR	n/a	64.14	n/a	298,638	Mar-19	22.4	19.7	1.9	1.8	8.4	1.3	3.2
Tiffany & Co	TIF US	NR	n/a	133.59	n/a	125,875	Jan-19	29.1	27.4	5.0	4.8	17.7	3.9	1.7
Moncler	MONC IM	NR	n/a	34.56	n/a	77,080	Dec-19	24.1	20.9	5.6	4.8	30.2	1.9	1.5
Burberry	BRBY LN	NR	n/a	1606.50	n/a	64,547	Mar-19	21.0	17.6	4.6	0.4	27.9	1.0	2.7
Ferragamo	SFER IM	NR	n/a	13.66	n/a	19,901	Dec-19	25.3	20.7	2.8	2.6	11.5	1.4	2.4
Essilorluxottica	EL FP	NR	n/a	122.20	n/a	461,888	Dec-18	27.3	25.5	1.6	1.6	7.0	2.9	1.8
Swatch	UHR SW	NR	n/a	219.00	n/a	90,369	Dec-19	16.2	13.6	1.0	0.9	6.5	0.9	3.7
Tod'S	TOD IM	NR	n/a	30.68	n/a	8,767	Dec-18	316.3	122.2	0.9	0.9	0.7	0.7	2.1
Hugo Boss	BOSS GY	NR	n/a	38.69	n/a	23,518	Dec-19	12.1	11.1	2.6	2.5	n/a	1.3	6.8
<b>Avg.</b>								<b>43.9</b>	<b>28.5</b>	<b>3.4</b>	<b>2.8</b>	<b>15.2</b>	<b>3.0</b>	<b>2.7</b>
<b>Med.</b>								<b>23.8</b>	<b>20.7</b>	<b>2.7</b>	<b>2.4</b>	<b>11.5</b>	<b>1.6</b>	<b>2.5</b>

Source: Bloomberg, CMBIS estimates

## Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (EUR mn)	FY17A	FY18A	FY19E	FY20E	FY21E	YE 31 Dec (EUR mn)	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Revenue</b>	<b>3,056</b>	<b>3,142</b>	<b>3,185</b>	<b>3,087</b>	<b>3,333</b>	<b>EBIT</b>	<b>352</b>	<b>307</b>	<b>285</b>	<b>279</b>	<b>344</b>
Direct sales	2,444	2,532	2,621	2,558	2,781	D & A	221	263	307	345	349
Franchise sales	565	566	521	484	507	Change in working capital	(26)	(97)	(7)	25	(48)
Royalties	48	44	43	44	45	Income tax paid	(27)	(94)	(29)	(81)	(97)
						Others	(73)	(176)	(168)	(60)	(56)
<b>Cost of goods sold</b>	<b>(811)</b>	<b>(880)</b>	<b>(885)</b>	<b>(846)</b>	<b>(907)</b>	<b>Net cash from operating</b>	<b>447</b>	<b>202</b>	<b>389</b>	<b>507</b>	<b>492</b>
<b>Gross profit</b>	<b>2,246</b>	<b>2,263</b>	<b>2,300</b>	<b>2,241</b>	<b>2,427</b>	Capex & investments	(212)	(229)	(206)	(191)	(203)
<b>Other income</b>	<b>(8)</b>	<b>(17)</b>	<b>(8)</b>	<b>(8)</b>	<b>(8)</b>	Associated companies	-	-	-	-	-
						Interest received	-	-	-	-	-
<b>Operating expenses</b>	<b>(1,886)</b>	<b>(1,939)</b>	<b>(2,007)</b>	<b>(1,955)</b>	<b>(2,074)</b>	Others	0	19	18	68	27
D & A	(221)	(263)	(307)	(345)	(349)	<b>Net cash from investing</b>	<b>(212)</b>	<b>(209)</b>	<b>(188)</b>	<b>(123)</b>	<b>(176)</b>
Staff costs	(549)	(625)	(682)	(666)	(708)						
S & D costs (ex-staff, D&A)	(867)	(746)	(751)	(705)	(751)	Equity raised	-	-	-	-	-
Admin exp. (ex-staff, D&A)	(249)	(305)	(267)	(240)	(266)	Net change in bank loans	12	(83)	-	-	-
Other operating	-	-	-	-	-	Dividend paid	(308)	(192)	(154)	(191)	(148)
<b>Operating profit</b>	<b>352</b>	<b>307</b>	<b>285</b>	<b>279</b>	<b>344</b>	Others	297	(11)	-	-	-
Finance costs, net	2	(4)	0	1	3	<b>Net cash from financing</b>	<b>0</b>	<b>(286)</b>	<b>(154)</b>	<b>(191)</b>	<b>(148)</b>
JVs & associates	-	-	-	-	-						
Exceptional	-	-	-	-	-	<b>Net change in cash</b>	<b>235</b>	<b>(293)</b>	<b>47</b>	<b>192</b>	<b>169</b>
<b>Pre-tax profit</b>	<b>355</b>	<b>303</b>	<b>285</b>	<b>280</b>	<b>347</b>	Beginning cash balance	722	893	600	647	839
Income tax	(105)	(94)	(29)	(81)	(97)	Exchange difference	(65)	-	-	-	-
Less: Minority interests	0	3	2	2	2	<b>Cash at the end of the year</b>	<b>893</b>	<b>600</b>	<b>647</b>	<b>839</b>	<b>1,008</b>
<b>Net profit</b>	<b>249</b>	<b>205</b>	<b>255</b>	<b>197</b>	<b>248</b>						

Balance sheet						Key ratios					
YE 31 Dec (EUR mn)	FY17A	FY18A	FY19E	FY20E	FY21E	YE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Non-current assets</b>	<b>2,775</b>	<b>2,917</b>	<b>2,860</b>	<b>2,752</b>	<b>2,653</b>	<b>Sales mix (%)</b>					
Fixed asset	1,523	1,577	1,524	1,435	1,351	Direct sales	80.0	80.6	82.3	82.9	83.4
Intangible assets & goodwill	921	920	911	896	884	Franchise sales	18.5	18.0	16.3	15.7	15.2
Prepaid lease payments	2	0	0	0	0	Royalties	1.6	1.4	1.4	1.4	1.4
Interest in joint ventures	8	100	100	100	100		-	-	-	-	-
Other non-current assets	320	320	325	321	318	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Current assets</b>	<b>1,965</b>	<b>1,762</b>	<b>1,817</b>	<b>1,971</b>	<b>2,209</b>	<b>P&amp;L ratios (%)</b>					
Cash and cash equivalents	893	600	647	839	1,008	Gross margin	73.5	72.0	72.2	72.6	72.8
Inventories	570	632	636	608	651	Operating margin	11.5	9.8	8.9	9.0	10.3
Trade and other	290	322	326	316	341	Pre-tax margin	11.6	9.6	9.0	9.1	10.4
Prepayments	6	13	13	12	13	Net margin	8.1	6.5	8.0	6.4	7.4
Other current assets	206	195	195	195	195	Effective tax rate	29.7	31.2	10.0	29.0	28.0
<b>Current liabilities</b>	<b>904</b>	<b>987</b>	<b>932</b>	<b>971</b>	<b>1,009</b>	<b>Balance sheet ratios</b>					
Bank loans	353	421	421	421	421	Current ratio (x)	2.2	1.8	1.9	2.0	2.2
Trade payables	314	315	317	303	325	Quick ratio (x)	2.2	1.8	1.9	2.0	2.2
Accruals & other payables	-	-	-	-	-	Cash ratio (x)	1.0	0.6	0.7	0.9	1.0
Tax payables	68	85	29	81	97	Inventory turnover days	257	262	262	262	262
others	169	165	165	165	165	Trade receivables days	35	37	37	37	37
						Trade payables days	141	131	131	131	131
<b>Non-current liabilities</b>	<b>969</b>	<b>795</b>	<b>795</b>	<b>795</b>	<b>795</b>	Total debt / total equity	35	32	31	31	30
Bank loans	639	487	487	487	487	Net debt / equity ratio (%)	3	11	9	2	Net
Deferred income	-	-	-	-	-						
Deferred tax	32	30	30	30	30	<b>Returns (%)</b>					
Others	298	277	277	277	277	ROE	8.8	7.1	8.7	6.7	8.2
						ROA	5.3	4.4	5.5	4.2	5.1
<b>Minority Interest</b>	<b>22</b>	<b>19</b>	<b>21</b>	<b>22</b>	<b>24</b>	<b>Per share</b>					
<b>Total net assets</b>	<b>2,845</b>	<b>2,878</b>	<b>2,929</b>	<b>2,935</b>	<b>3,035</b>	EPS (EUR)	0.10	0.08	0.10	0.08	0.10
<b>Shareholders' equity</b>	<b>2,845</b>	<b>2,878</b>	<b>2,929</b>	<b>2,935</b>	<b>3,035</b>	DPS (EUR)	0.08	0.06	0.07	0.06	0.07
						BVPS (EUR)	1.11	1.12	1.14	1.15	1.19

Source: Company data, CMBIS estimates

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