

# Prada (1913 HK)

## Surging brand popularity shall lift margins

**Maintain BUY and raised TP to HK\$ 57.80**, based on unchanged 55x FY22E P/E, ~3.5 s.d. above 5 years avg. of 30x. We believe Prada's impressive sales growth momentum in YTD 2021 and the upbeat margin guidance could support investors' confidence and its valuation. Therefore, its current valuation of 46x FY22E P/E, in our view, is still attractive (despite a peers' median of 26x).

- FY20 net losses higher but 2H20 EBIT was decent.** Prada reported net losses of EUR 54mn in FY20, higher than CMBI/BBG est. of EUR 20/43mn net losses. Even though net profit of EUR 126mn in 2H20 was 21% below our est. due to a 4% miss in sales, greater-than-expected finance costs and tax, we believe the stronger-than-expected EBIT margin at 14.5% in 2H20E (vs CMBI est. of 12.8%) was more significant and profound. Also, the proposed dividend per share of EUR 0.035, despite losses, is a positive sign.
- Retail sales in YTD 2021 recovered to 2019 level.** Retail sales decline already improved to LSD in 4Q20 (vs HSD in 3Q20). And this improving trend and momentum in Dec 2020, as stated by management, has sustained into YTD 2021. Hence a MSD growth vs 2020 was registered (and flattish vs 2019), which is encouraging given the high base (~20% growth in Jan 2020) and large number of closed stores (~130 or ~20% of total).
- An upbeat GP margin and a relatively more positive EBIT margin guidance.** Management also announced an upbeat target for GP margin, foreseeing not only a 74.5% in FY21E, but also a 78% by FY22E (in 18-24 months). This, in our view, is supported by rising brand heat, popularity and engagement surged on Instagram, Weibo, Google trends, and also the Prada.com. Therefore, amid greater consumer demand, ASP can be raised through improved product offerings and rising items per ticket. Moreover, despite uncertainties on how tourism is going to recover in FY21E, thanks to better local customers, Chinese and e-commerce demand, management expects the business condition to resume to somewhere between FY19 and 2H20 (was previously expecting a FY19 level). Hence we forecast a 11.5% EBIT margin in FY21E (vs 9.5% in FY19 and 14.5% in 2H20).
- Maintain BUY and raised TP to HK\$ 57.80.** We revised up FY21E/22E EPS estimates by 7%/6%, to factor in higher GP margin and better operating leverage. As we expect Prada to outperform industry onwards (unlike FY14-18), we maintain BUY and lifted TP to HK\$ 57.80, based on unchanged 55x FY22E P/E, ~3.5 s.d. above 5 years average of 30x.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (EUR mn)	3,226	2,423	3,030	3,396	3,648
YoY growth (%)	2.7	(24.9)	25.1	12.1	7.4
Net profit (EUR mn)	256	(54)	195	295	367
EPS (EUR)	0.100	(0.021)	0.076	0.115	0.143
Adj. NP (EUR mn)	179	(54)	195	295	367
YoY growth (%)	(13.0)	(130.3)	(460.5)	51.0	24.4
Consensus EPS (EUR)	n/a	n/a	0.070	0.109	0.153
P/E (x)	55.0	(249.0)	69.1	45.7	36.7
P/B (x)	4.7	4.8	4.6	4.3	4.2
Yield (%)	0.4	0.7	0.9	1.7	2.2
ROE (%)	8.8	(1.9)	6.8	9.8	11.6
Net gearing (%)	14.3	10.7	3.3	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$57.80
(Previous TP)	HK\$54.70
Up/Downside	20.3%
Current Price	HK\$48.05

### Global Luxury Goods Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	122,951
Avg 3 mths t/o (HK\$ mn)	81.30
52w High/Low (HK\$)	51.50/18.38
Total Issued Shares (mn)	2,558.8

Source: Bloomberg

#### Shareholding Structure

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

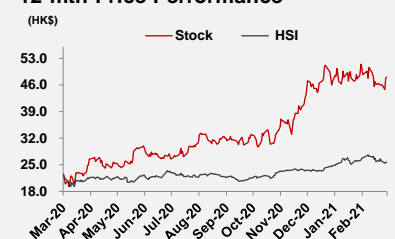
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-4.9%	-1.2%
3-mth	7.0%	-2.2%
6-mth	50.4%	26.5%
12-mth	102.3%	77.7%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Deloitte & Touche

#### Related Reports

- Prada (1913 HK, BUY) – Flattish sales growth achieved in Dec 2020 - 27 Jan 2021
- Prada (1913 HK, BUY) - Returned to profit with strong sales in Jun - 30 Jul 2020
- Prada (1913 HK, HOLD) - Self-upgrades cannot resist sector de-rating - 23 Mar 2020

## Earnings revision

Figure 1: Earnings revision

(EUR mn)	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	3,030	3,396	3,648	3,067	3,437	n/a	-1.2%	-1.2%	n/a
Gross profit	2,257	2,564	2,772	2,285	2,567	n/a	-1.2%	-0.1%	n/a
EBIT	340	476	566	321	453	n/a	5.9%	5.0%	n/a
Net profit att.	195	295	367	182	279	n/a	7.3%	5.7%	n/a
Diluted EPS (EUR)	0.076	0.115	0.143	0.071	0.109	n/a	7.3%	5.7%	n/a
Gross margin	74.5%	75.5%	76.0%	74.5%	74.7%	n/a	0ppt	0.8ppt	n/a
EBIT margin	11.2%	14.0%	15.5%	10.5%	13.2%	n/a	0.8ppt	0.8ppt	n/a
Net profit att. margin	6.4%	8.7%	10.1%	5.9%	8.1%	n/a	0.5ppt	0.6ppt	n/a

Source: Company data, CMBIS estimates

Figure 2: CMBIS estimates vs consensus

(EUR mn)	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	3,030	3,396	3,648	3,049	3,371	3,759	-0.6%	0.7%	-3.0%
Gross profit	2,257	2,564	2,772	2,244	2,494	2,781	0.6%	2.8%	-0.3%
EBIT	340	476	566	306	441	511	11.2%	8.0%	10.8%
Net profit att.	195	295	367	180	279	353	8.5%	5.8%	4.1%
Diluted EPS (EUR)	0.076	0.115	0.143	0.070	0.109	0.153	9.3%	6.2%	-6.5%
Gross margin	74.5%	75.5%	76.0%	73.6%	74.0%	74.0%	0.9ppt	1.5ppt	2ppt
EBIT margin	11.2%	14.0%	15.5%	10.0%	13.1%	13.6%	1.2ppt	0.9ppt	1.9ppt
Net profit att. margin	6.4%	8.7%	10.1%	5.9%	8.3%	7.4%	0.5ppt	0.4ppt	2.6ppt

Source: Bloomberg, CMBIS estimates

## Results Summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H19	2H19	1H20	2H20	1H19 YoY	2H19 YoY	1H20 YoY	2H20 YoY	2H20E CMBI	Actual vs CMBI
Revenue	1,570	1,655	938	1,485	2%	3%	-40%	-10%	1,551	-4%
COGS	(444)	(462)	(277)	(402)					(402)	
Gross profit	1,126	1,194	660	1,083	2%	3%	-41%	-9%	1,149	-6%
<b>GP margins</b>	<b>71.7%</b>	<b>72.1%</b>	<b>70.4%</b>	<b>72.9%</b>					<b>74.1%</b>	
Other income & gains	0	0	0	0					0	
Operating expenses	(975)	(1,038)	(856)	(867)	2%	6%	-12%	-16%	(950)	-9%
<b>Opex / sales</b>	<b>-62.1%</b>	<b>-62.7%</b>	<b>-91.3%</b>	<b>-58.4%</b>					<b>-61.3%</b>	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	150	156	-196	216	0%	-10%	-230%	38%	199	9%
<b>OP margins</b>	<b>9.6%</b>	<b>9.4%</b>	<b>-20.9%</b>	<b>14.5%</b>					<b>12.8%</b>	
Other items	(23)	(24)	(23)	(19)					(21)	
Net finance income	(8)	(17)	(16)	(13)					26	
<b>Net fin. income / sales</b>	<b>-0.5%</b>	<b>-1.1%</b>	<b>-1.7%</b>	<b>-0.9%</b>					<b>1.7%</b>	
Profit after financing costs	120	115	-236	184					204	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	120	115	-236	184	-14%	-29%	-296%	60%	204	-10%
Tax	34	(11)	52	(55)					(46)	
<b>Tax / sales</b>	<b>2.2%</b>	<b>-0.7%</b>	<b>5.5%</b>	<b>-3.7%</b>					<b>-2.9%</b>	
<b>Effective tax rate</b>	<b>28.7%</b>	<b>-10.0%</b>	<b>-22.1%</b>	<b>-29.7%</b>					<b>-22.4%</b>	
Minority interests	(0)	2	(3)	3					(2)	
<b>Net profit att.</b>	<b>155</b>	<b>101</b>	<b>(180)</b>	<b>126</b>	<b>56%</b>	<b>-5%</b>	<b>-216%</b>	<b>25%</b>	<b>160</b>	<b>-21%</b>
<b>NP margins</b>	<b>9.9%</b>	<b>6.1%</b>	<b>-19.2%</b>	<b>8.5%</b>					<b>10.3%</b>	

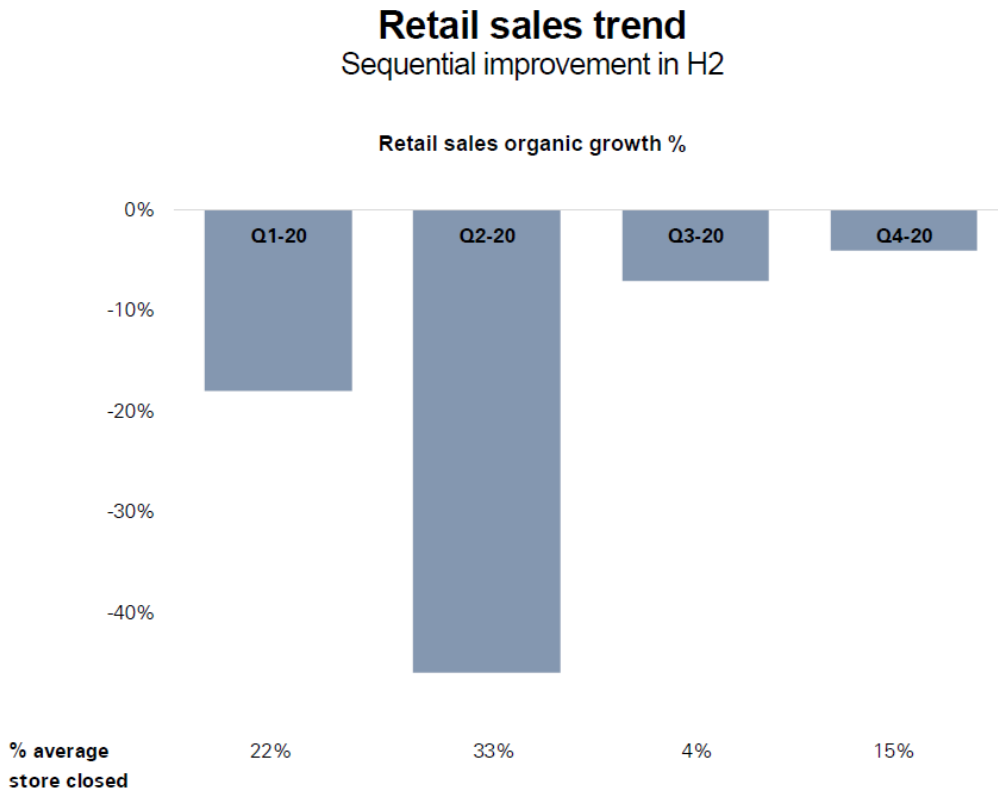
Source: Company data, CMBIS estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY18	FY20	FY21E	FY19 YoY	FY20 YoY	FY21E YoY	FY20E CMBI	Actual vs CMBI
Revenue	3,226	2,423	3,030	3%	-25%	25%	2,488	-3%
COGS	(906)	(679)	(773)				(679)	
Gross profit	2,320	1,743	2,257	3%	-25%	29%	1,809	-4%
<b>GP margins</b>	<b>71.9%</b>	<b>72.0%</b>	<b>74.5%</b>				<b>72.7%</b>	<b>-0.7ppt</b>
Other income & gains	0	0	0				0	
Operating expenses	(2,013)	(1,723)	(1,909)	4%	-14%	11%	(1,806)	-5%
<b>Opex / sales</b>	<b>-62.4%</b>	<b>-71.1%</b>	<b>-63.0%</b>				<b>-72.6%</b>	
Other opex	0	0	0				0	
Operating profit (EBIT)	307	20	349	-5%	-93%	1639%	3	615%
<b>OP margins</b>	<b>9.5%</b>	<b>0.8%</b>	<b>11.5%</b>				<b>0.1%</b>	<b>0.7ppt</b>
Other items	(47)	(42)	(45)				(44)	
Net finance income	(25)	(29)	(31)				10	
<b>Net fin. income / sales</b>	<b>-0.8%</b>	<b>-1.2%</b>	<b>-1.0%</b>				<b>0.4%</b>	
Profit after financing costs	235	-52	273				-32	
Associated coms	0	0	0				0	
Jointly controlled coms	0	0	0				0	
Pre-tax profit	235	-52	273	-22%	-122%	-627%	-32	64%
Tax	23	(3)	(76)				6	
<b>Tax / sales</b>	<b>0.7%</b>	<b>-0.1%</b>	<b>-2.5%</b>				<b>0.3%</b>	
<b>Effective tax rate</b>	<b>9.8%</b>	<b>4.9%</b>	<b>-28.0%</b>				<b>-20.0%</b>	
Minority interests	2	(0)	2				(5)	
<b>Net profit att.</b>	<b>256</b>	<b>(54)</b>	<b>195</b>	<b>25%</b>	<b>-121%</b>	<b>-460%</b>	<b>(20)</b>	<b>166%</b>
<b>NP margins</b>	<b>7.9%</b>	<b>-2.2%</b>	<b>6.4%</b>				<b>-0.8%</b>	<b>-1.4ppt</b>

Source: Company data, CMBIS estimates

Figure 5: Quarterly retail sales growth



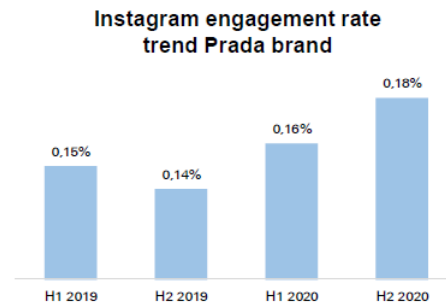
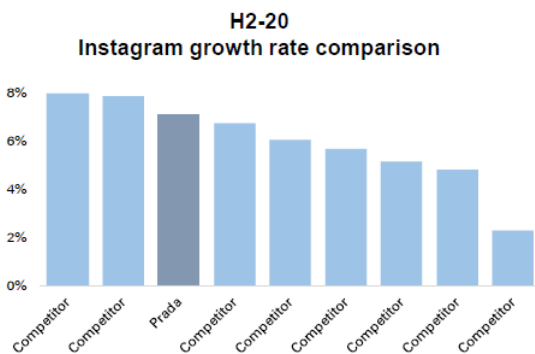
Source: Company data, CMBIS estimates

Figure 6: Rising brand heat

## Prada brand heat strong and accelerating

Data statistics confirming brand momentum

- **Growth rate on Instagram:** Prada ranked **3<sup>rd</sup>** in H2-20 (\*\*)
- **Engagement rate on Instagram:** **+32%** in H2-20 vs. H2-19 (\*\*)
- **Growth rate on Weibo:** Prada ranked **3<sup>rd</sup>** in H2-20 (\*\*)
- **Google search indicator:** **+29%** in H2-20 vs. H2-19; **+41%** in H2-20 vs H1-20 (\*)
- **Site traffic:** **+74%** in H2-20 vs. H2-19 (\*\*\*\*)
- **Chinese Organic Site traffic :** **+71%** in H2-20 vs. H2-19 (\*\*\*\*)



(\*) Google trend  
 (\*\*) Sprinklr – comparing the growth rate of a panel made of 9 luxury peers  
 (\*\*\*\*) Adobe analytics  
 (\*\*\*\*\*) Adobe Analytics – Including only traffic from Search Engine or Direct

Source: Company data, CMBIS estimates

## Assumption

Figure 7: Major assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales by segment (EUR mn)</b>					
<b>Direct sales</b>	<b>2,636</b>	<b>2,115</b>	<b>2,695</b>	<b>3,050</b>	<b>3,290</b>
<i>Prada</i>	2,167	1,765	2,274	2,588	2,797
<i>Miu Miu</i>	404	307	375	412	441
<i>Other</i>	65	43	47	50	52
<b>Franchise sales</b>	<b>547</b>	<b>275</b>	<b>302</b>	<b>313</b>	<b>324</b>
<b>Royalties</b>	<b>42</b>	<b>32</b>	<b>33</b>	<b>33</b>	<b>34</b>
<b>Total</b>	<b>3,226</b>	<b>2,423</b>	<b>3,030</b>	<b>3,396</b>	<b>3,648</b>
<b>Sales growth by segment (%)</b>					
<b>Direct sales</b>	<b>4.1%</b>	<b>-19.8%</b>	<b>27.4%</b>	<b>13.2%</b>	<b>7.9%</b>
<i>Prada</i>	4.7%	-18.5%	28.8%	13.8%	8.1%
<i>Miu Miu</i>	1.0%	-24.0%	22.0%	10.0%	7.0%
<i>Other</i>	4.2%	-33.9%	8.8%	6.5%	4.2%
<b>Franchise sales</b>	<b>-3.3%</b>	<b>-49.7%</b>	<b>9.7%</b>	<b>3.5%</b>	<b>3.5%</b>
<b>Royalties</b>	<b>-4.1%</b>	<b>-24.6%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>
<b>Total</b>	<b>2.7%</b>	<b>-24.9%</b>	<b>25.1%</b>	<b>12.1%</b>	<b>7.4%</b>
<b>GP margins</b>	<b>71.9%</b>	<b>72.0%</b>	<b>74.5%</b>	<b>75.5%</b>	<b>76.0%</b>
<b>Opex breakdown by segment</b>					
Design, R & D/ sales	3.9%	4.2%	3.8%	3.8%	3.9%
A & P/ sales	7.2%	8.5%	7.3%	7.2%	7.2%
D & A/ sales	7.2%	9.3%	7.6%	7.1%	6.8%
Labour costs/ sales	19.1%	24.1%	20.0%	18.8%	18.2%
Variable rental/ sales	10.3%	11.6%	9.8%	10.3%	10.5%
Fixed rental/ sales	8.7%	10.4%	8.8%	8.5%	8.3%
Others/ sales	-1.3%	-1.6%	-1.3%	-1.3%	-1.2%
G & A/ sales	5.7%	6.4%	6.9%	6.7%	6.5%
<b>Total</b>	<b>60.9%</b>	<b>73.0%</b>	<b>63.0%</b>	<b>61.2%</b>	<b>60.2%</b>
<b>EBIT margins</b>	<b>9.5%</b>	<b>0.8%</b>	<b>11.5%</b>	<b>14.3%</b>	<b>15.8%</b>
Pre-tax margins	7.3%	-2.1%	9.0%	12.1%	13.8%
<b>Effective tax rate</b>	<b>9.8%</b>	<b>4.9%</b>	<b>-28.0%</b>	<b>-28.0%</b>	<b>-27.0%</b>
<b>Net profit att. (EUR mn)</b>	<b>256</b>	<b>- 54</b>	<b>195</b>	<b>295</b>	<b>367</b>
Net profit att. margins	7.9%	-2.2%	6.4%	8.7%	10.1%
<b>Net profit att. Growth (%)</b>	<b>24.5%</b>	<b>-121.2%</b>	<b>-460.5%</b>	<b>51.0%</b>	<b>24.4%</b>
<b>Adjusted NP att. (EUR mn)</b>	<b>179</b>	<b>- 54</b>	<b>195</b>	<b>295</b>	<b>367</b>
<b>Adjusted NP att. Growth (%)</b>	<b>-13.0%</b>	<b>-130.3%</b>	<b>-460.5%</b>	<b>51.0%</b>	<b>24.4%</b>
<b>Number of stores by brand</b>					
Prada	410	410	414	418	422
Miu Miu	160	152	155	158	161
Others	71	71	72	73	74
Franchises stores	25	26	25	25	25
<b>Sum total</b>	<b>666</b>	<b>659</b>	<b>666</b>	<b>674</b>	<b>682</b>

Source: Company data, CMBIS estimates

Figure 8: Peers' valuation

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down side	Mkt. Cap (HK\$mn)	Year End	P/E (x)		P/B (x)		ROE (%)	2yrs PEG (x)	Yield (%)
								FY1	FY2	FY1	FY2	FY0	FY2	FY1
<b>H shares Luxury, Jewellery, Watches</b>														
Prada	1913 HK	BUY	57.80	48.05	20%	122,951	Dec-20	(249.0)	69.1	4.8	4.6	8.8	(51.4)	0.7
Samsonite	1910 HK	NR	n/a	14.74	n/a	21,150	Dec-19	n/a	n/a	3.6	3.1	(76.7)	0.0	0.0
Chow Tai Fook	1929 HK	NR	n/a	10.60	n/a	106,000	Mar-20	23.2	19.9	3.8	3.6	13.3	0.8	3.3
Luk Fook	590 HK	NR	n/a	19.60	n/a	11,507	Mar-20	13.6	10.2	1.1	1.0	6.3	0.9	4.9
Chow Sang Sang	116 HK	NR	n/a	11.28	n/a	7,641	Dec-19	11.9	8.0	0.7	0.7	2.2	0.6	3.4
Emperor Watch	887 HK	NR	n/a	0.14	n/a	936	Dec-19	n/a	n/a	n/a	n/a	(3.2)	0.0	n/a
Oriental Watch	398 HK	NR	n/a	2.68	n/a	1,306	Mar-20	n/a	n/a	n/a	n/a	4.6	0.0	n/a
Hengdeli	3389 HK	NR	n/a	0.31	n/a	1,384	Dec-19	n/a	n/a	n/a	n/a	(10.4)	0.0	n/a
								<b>Avg.</b>	<b>(50.0)</b>	<b>26.8</b>	<b>2.8</b>	<b>2.6</b>	<b>(6.9)</b>	<b>(6.1)</b>
								<b>Med.</b>	<b>12.8</b>	<b>15.0</b>	<b>3.6</b>	<b>3.1</b>	<b>3.4</b>	<b>0.0</b>
														<b>2.5</b>
														<b>3.3</b>
<b>A-shares Luxury, Jewellery, Watches</b>														
Lao Feng Xiang	600612 CH	NR	n/a	52.76	n/a	24,720	Dec-19	18.1	15.6	3.5	3.0	20.4	1.2	2.1
Chow Tai Seng	002867 CH	NR	n/a	32.66	n/a	28,474	Dec-19	22.8	18.1	4.3	3.7	20.5	1.2	1.4
Leysen Jewelry	603900 CH	NR	n/a	6.26	n/a	2,543	Dec-19	n/a	n/a	n/a	n/a	4.1	0.0	n/a
Guangdong Chj	002345 CH	NR	n/a	4.33	n/a	4,677	Dec-19	41.2	22.2	1.2	1.1	(1.1)	1.0	0.7
Fiyta Holdings	000026 CH	NR	n/a	13.32	n/a	6,323	Dec-20	14.9	11.9	1.8	1.6	10.8	0.0	n/a
Zhejiang Ming	002574 CH	NR	n/a	3.86	n/a	2,431	Dec-19	n/a	n/a	n/a	n/a	(0.1)	0.0	n/a
Eastern Gold Jade	600086 CH	NR	n/a	0.16	n/a	258	Dec-19	n/a	n/a	n/a	n/a	n/a	0.0	n/a
								<b>Avg.</b>	<b>24.2</b>	<b>16.9</b>	<b>2.7</b>	<b>2.3</b>	<b>9.1</b>	<b>0.5</b>
								<b>Med.</b>	<b>20.4</b>	<b>16.8</b>	<b>2.6</b>	<b>2.3</b>	<b>7.4</b>	<b>0.0</b>
														<b>1.4</b>
														<b>1.4</b>
<b>International Luxury, Jewellery, Watches</b>														
Prada	1913 HK	BUY	57.80	48.05	20%	122,951	Dec-20	(249.0)	69.1	4.8	4.6	8.8	(51.4)	0.7
Samsonite	1910 HK	NR	n/a	14.74	n/a	21,150	Dec-19	n/a	n/a	3.6	3.1	(76.7)	0.0	0.0
LVMH	MC FP	NR	n/a	553.00	n/a	2,583,470	Dec-20	36.6	31.5	6.5	5.7	12.7	1.2	1.2
Kering	KER FP	NR	n/a	577.40	n/a	668,105	Dec-20	25.9	22.2	5.5	4.8	19.5	1.3	1.7
Hermes	RMS FP	NR	n/a	925.20	n/a	904,002	Dec-20	56.2	48.6	11.3	9.5	19.9	2.8	0.6
Richemont	CFR SW	NR	n/a	89.26	n/a	428,021	Mar-20	55.5	30.9	2.6	2.5	9.8	2.1	1.5
Tiffany & Co	TIF US	NR	n/a	n/a	n/a	n/a	Jan-20	n/a	n/a	n/a	n/a	9.0	0.0	n/a
Moncler	MONC IM	NR	n/a	49.61	n/a	118,625	Dec-20	37.8	30.7	6.6	5.8	20.5	2.2	1.1
Burberry	BRBY LN	NR	n/a	1964.00	n/a	85,981	Mar-20	38.0	25.9	6.0	5.4	1.6	0.9	1.0
Ferragamo	SFER IM	NR	n/a	16.71	n/a	26,105	Dec-20	303.8	58.6	4.0	3.8	(9.1)	(1.5)	0.5
Essilorluxottica	EL FP	NR	n/a	137.80	n/a	559,922	Dec-19	75.3	32.4	1.7	1.7	(0.0)	2.7	0.9
Swatch	UHR SW	NR	n/a	284.30	n/a	122,061	Dec-20	26.0	20.9	1.3	1.3	0.2	(0.1)	2.0
Tod'S	TOD IM	NR	n/a	27.56	n/a	8,441	Dec-20	n/a	n/a	1.3	1.2	(2.8)	0.0	0.7
Hugo Boss	BOSS GY	NR	n/a	33.98	n/a	22,141	Dec-19	n/a	28.1	2.8	2.6	(16.4)	0.0	0.2
								<b>Avg.</b>	<b>40.6</b>	<b>36.3</b>	<b>4.5</b>	<b>4.0</b>	<b>(0.2)</b>	<b>(2.8)</b>
								<b>Med.</b>	<b>37.9</b>	<b>30.9</b>	<b>4.0</b>	<b>3.8</b>	<b>5.2</b>	<b>0.4</b>
														<b>0.9</b>
														<b>0.9</b>

Source: Bloomberg, CMBIS estimates, FY1 and FY2 for Prada stayed as FY20A and FY21E for comparison purpose

## Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (EUR mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (EUR mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>3,226</b>	<b>2,423</b>	<b>3,030</b>	<b>3,396</b>	<b>3,648</b>	<b>EBIT</b>	<b>290</b>	<b>11</b>	<b>340</b>	<b>476</b>	<b>566</b>
Direct sales	2,636	2,115	2,695	3,050	3,290	D & A	322	366	367	340	293
Franchise sales	547	275	302	313	324	Change in working capital	(108)	201	(87)	(48)	(41)
Royalties	42	32	33	33	34	Income tax paid	(26)	(3)	(76)	(115)	(136)
						Others	332	189	378	350	346
<b>Cost of goods sold</b>	<b>(906)</b>	<b>(679)</b>	<b>(773)</b>	<b>(832)</b>	<b>(875)</b>	<b>Net cash from operating</b>	<b>810</b>	<b>764</b>	<b>921</b>	<b>1,003</b>	<b>1,027</b>
<b>Gross profit</b>	<b>2,320</b>	<b>1,743</b>	<b>2,257</b>	<b>2,564</b>	<b>2,772</b>	Capex & investments	(286)	(125)	(160)	(182)	(197)
<b>Other income</b>	<b>(17)</b>	<b>(9)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	Associated companies	-	-	-	-	-
						Interest received	-	-	-	-	-
<b>Operating expenses</b>	<b>(2,013)</b>	<b>(1,723)</b>	<b>(1,909)</b>	<b>(2,078)</b>	<b>(2,195)</b>	Others	(17)	(18)	(18)	(18)	(18)
D & A	(322)	(366)	(367)	(340)	(293)	<b>Net cash from investing</b>	<b>(302)</b>	<b>(143)</b>	<b>(178)</b>	<b>(200)</b>	<b>(216)</b>
Staff costs	(644)	(605)	(631)	(667)	(697)	Equity raised	-	-	-	-	-
S & D costs (ex-staff, D&A)	(753)	(522)	(675)	(806)	(918)	Net change in bank loans	(19)	400	(200)	(100)	(100)
Admin exp. (ex-staff, D&A)	(293)	(230)	(236)	(264)	(288)	Dividend paid	(155)	(51)	(90)	(117)	(236)
Other operating expenses	-	-	-	-	-	Others	(519)	(448)	(448)	(448)	(448)
<b>Operating profit</b>	<b>290</b>	<b>11</b>	<b>340</b>	<b>476</b>	<b>566</b>	<b>Net cash from financing</b>	<b>(692)</b>	<b>(99)</b>	<b>(737)</b>	<b>(665)</b>	<b>(783)</b>
Finance costs, net	(6)	(20)	(21)	(17)	(14)	<b>Net change in cash</b>	<b>(185)</b>	<b>522</b>	<b>6</b>	<b>138</b>	<b>28</b>
JVs & associates	-	-	-	-	-	Beginning cash balance	600	421	943	949	1,087
Exceptional	(48.98)	(42.67)	(45.45)	(47.54)	(47.42)	Exchange difference	6	-	-	-	-
<b>Pre-tax profit</b>	<b>235</b>	<b>(52)</b>	<b>273</b>	<b>412</b>	<b>505</b>	<b>Cash at the end of the year</b>	<b>421</b>	<b>943</b>	<b>949</b>	<b>1,087</b>	<b>1,115</b>
Income tax	23	(3)	(76)	(115)	(136)						
Less: Minority interests	2	(0)	2	2	2						
<b>Net profit</b>	<b>256</b>	<b>(54)</b>	<b>195</b>	<b>295</b>	<b>367</b>						

Balance sheet						Key ratios					
YE 31 Dec (EUR mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>5,341</b>	<b>5,195</b>	<b>5,083</b>	<b>5,015</b>	<b>5,000</b>	<b>Sales mix (%)</b>					
Fixed asset	1,642	1,502	1,393	1,325	1,318	Direct sales	81.7	87.3	89.0	89.8	90.2
Intangible assets & goodwill	844	835	830	826	820	Franchise sales	17.0	11.4	10.0	9.2	8.9
Prepaid lease payments	-	-	-	-	-	Royalties	1.3	1.3	1.1	1.0	0.9
Interest in joint ventures	81	81	81	81	81		-	-	-	-	-
Other non-current assets	2,773	2,776	2,779	2,782	2,781	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Current assets</b>	<b>1,698</b>	<b>1,937</b>	<b>2,063</b>	<b>2,270</b>	<b>2,355</b>	<b>P&amp;L ratios (%)</b>					
Cash and cash equivalents	421	943	949	1,087	1,115	Gross margin	71.9	72.0	74.5	75.5	76.0
Inventories	713	540	603	638	672	Operating margin	9.0	0.5	11.2	14.0	15.5
Trade and other receivables	318	212	266	298	320	Pre-tax margin	7.3	-2.1	9.0	12.1	13.8
Prepayments	22	16	20	23	24	Net margin	7.9	-2.2	6.4	8.7	10.1
Other current assets	225	225	225	225	225	Effective tax rate	-9.8	-4.9	28.0	28.0	27.0
<b>Current liabilities</b>	<b>1,232</b>	<b>1,469</b>	<b>1,376</b>	<b>1,337</b>	<b>1,273</b>	<b>Balance sheet ratios</b>					
Bank loans	241	641	441	341	241	Current ratio (x)	1.4	1.3	1.5	1.9	1.9
Trade payables	327	245	279	301	316	Quick ratio (x)	1.4	1.3	1.5	1.9	1.9
Accruals & other payables	-	-	-	-	-	Cash ratio (x)	0.3	0.6	0.7	0.8	0.9
Tax payables	84	3	76	115	136	Inventory turnover days	287	290	285	280	280
others	579	579	579	579	579	Trade receivables days	36	32	32	32	32
						Trade payables days	132	132	132	132	132
<b>Non-current liabilities</b>	<b>2,818</b>	<b>2,818</b>	<b>2,818</b>	<b>2,818</b>	<b>2,818</b>	Total debt / total equity ratio (%)	29	44	36	30	26
Bank loans	584	584	584	584	584	Net debt / equity ratio (%)	14	11	3	Net cash	Net cash
Deferred income	-	-	-	-	-	<b>Returns (%)</b>					
Deferred tax	29	29	29	29	29	ROE	8.6	-1.9	6.7	9.5	11.3
Others	2,205	2,205	2,205	2,205	2,205	ROA	3.6	-0.8	2.7	4.0	5.0
<b>Minority Interest</b>	<b>21</b>	<b>21</b>	<b>23</b>	<b>24</b>	<b>26</b>	<b>Per share</b>					
<b>Total net assets</b>	<b>2,967</b>	<b>2,823</b>	<b>2,929</b>	<b>3,107</b>	<b>3,238</b>	EPS (EUR)	0.10	-0.02	0.08	0.12	0.14
<b>Shareholders' equity</b>	<b>2,967</b>	<b>2,823</b>	<b>2,929</b>	<b>3,107</b>	<b>3,238</b>	DPS (EUR)	0.02	0.04	0.05	0.09	0.11
						BVPS (EUR)	1.16	1.10	1.14	1.21	1.27

Source: Company data, CMBIS estimates



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