

Moncler

Price EUR14.06

Good protection from chilly conditions (full report released today)**Fair Value EUR17 (+21%)****BUY**

Coverage initiated

Bloomberg	MONC.IM
Reuters	MONC.MI
12-month High / Low (EUR)	18.9 / 12.2
Market Cap (EURm)	3,517
Ev (BG Estimates) (EURm)	3,472
Avg. 6m daily volume (000)	1 386
3y EPS CAGR	10.3%

We are initiating coverage of Moncler with a Buy recommendation and FV of EUR17. Over 2016-18, the group should post strong momentum in a luxury sector showing signs of a slowdown (average organic growth of ~10% vs. ~4% for our luxury sample) thanks to the dynamic outerwear segment, the strength of the group's brand and its upscale positioning and know-how in retail expansion. The share is trading on 2016e EV/EBIT of 12.1x, in line with the sector.

ANALYSIS

- Under the impetus of Remo Ruffini, the group's Chairman and CEO since 2003, Moncler has succeeded its shift into luxury and fashion and now dominates the high end outerwear segment (85% of sales). The group's track record speaks for itself. Between 2011 and 2015, sales and EPS rose by an average of 25% and 43% respectively, whereas adjusted EBITDA margin totalled 33.8% in 2015, more than 12 points higher than Burberry. These performances were partly driven by the rapid and successful expansion in retail (70% of 2015 sales vs. 38% in 2011).
- Moncler relies on its heritage and strong legitimacy to outperform the highly fragmented and fairly dynamic outerwear segment (+5%/year). Sales growth is above all set to be driven by the group's excellent control of the retail channel as shown by its sales per square metre of around EUR30k, one of the highest ratios in the sector. Retail should account for 77%e of 2018e sales (vs. 70% in 2015), while other catalysts are the rising momentum (cautious) of new categories (knitwear, accessories and footwear) and new circuits (travel retail and online).
- In our view, Moncler's growth story is set to be written by sales** (2015-18e CAGR of around 10%) since **we expect a stable adjusted EBITDA margin** over 2016-18, albeit still at a high level (33.8%). Indeed, gross margin widening, driven primarily by the rising weight of retail, is likely to be wiped out by higher market and G&A expenses as the group continues to structure itself.

VALUATION

- Our FV of EUR17 is obtained via a DCF valuation (WACC of 8.3%, growth to infinity of 2.5%).
- Despite slightly higher sales and EPS estimates than the average of our luxury sample, the **Moncler share is trading in line with the sector average** (12.1x for 2016 EV/EBIT), **but is far more accessible than Italian peers** such as Brunello Cucinelli (21.9x), Ferragamo (13.0x) and Tod's (12.4x).

NEXT CATALYSTS

- Q1 16 Sales on 10th May // H1 16 Results on 27th July.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.4%	6.7%	-4.2%	8.8%
Pers & H/H Gds	2.6%	4.1%	-4.3%	0.3%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	880.4	978.1	1,081	1,181
% change		11.1%	10.5%	9.2%
EBITDA	300	331	365	399
EBIT	252.7	282.6	311.8	340.9
% change		11.8%	10.4%	9.3%
Net income	163.8	185.2	205.8	226.3
% change		13.1%	11.1%	10.0%

	2015	2016e	2017e	2018e
Operating margin	28.7	28.9	28.8	28.9
Net margin	18.6	18.9	19.0	19.2
ROE	30.0	27.5	25.4	23.7
ROCE	40.9	42.8	45.2	47.8
Gearing	9.1	-6.7	-19.0	-28.9

(EUR)	2015	2016e	2017e	2018e
EPS	0.69	0.75	0.84	0.92
% change	-	10.0%	10.9%	9.8%
P/E	20.5x	18.6x	16.8x	15.3x
FCF yield (%)	3.7%	4.4%	5.0%	5.7%
Dividends (EUR)	0.14	0.17	0.21	0.23
Div yield (%)	1.0%	1.2%	1.5%	1.6%
EV/Sales	4.1x	3.5x	3.1x	2.7x
EV/EBITDA	11.9x	10.5x	9.2x	8.1x
EV/EBIT	14.1x	12.3x	10.8x	9.5x



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