

11th May 2016

Luxury & Consumer Goods

Moncler

Price EUR14.97

Q1 revenues beat expectations, Moncler has clearly outperformed its luxury peers

Fair Value EUR17 (+14%)

BUY

Bloomberg	MONC IM
Reuters	MONC.MI
12-month High / Low (EUR)	18.9 / 12.2
Market Cap (EUR)	3,745
Ev (BG Estimates) (EUR)	3,700
Avg. 6m daily volume (000)	1 376
3y EPS CAGR	10.3%

Q1 sales increased 18% in reported terms and 17% FX-n to EUR237.3m, topping CS expectations by 7% (EUR222m). This better-than expected performance was driven by two regions which proved to be challenging for other luxury peers: Asia-Pacific (+30% FX-n) and Americas (+21% FX-n). Management stated that current trading was in line with Q1 trends. This publication confirms the superior growth profile of Moncler in a luxury sector showing signs of a slowdown, highlighted in our [initiation report](#). Buy recommendation and FV of EUR17 confirmed.

ANALYSIS

- Retail and Wholesale channels were both above forecasts.** Indeed revenues from the **retail channel soared 22% FX-n** (Q4: +24%) on top of a very challenging comparison base (Q1 15: +54%!). Moncler, which now reports **retail comps** on a semi-annual basis, stated that these were positive in all regions, with **Asia being the best-performing region**. In our view, comparable growth accelerated to ~3-4% from 0 in Q4, which is impressive considering the comparison base (Q1 2015: +25%). Despite an ongoing network streamlining, **wholesale sales increased 5% FX-n** (Q4: -9%), driven by a good reception of the S/S '16 collection and favorable trends with US wholesale accounts, which is a key differentiating factor compared to other groups exposed to the apparel category.
- By region, Moncler achieved 5% FX-n growth in both **Italy** and **EMEA** although Moncler was also affected by declining tourist flows in Italy, France and Belgium (mostly Asian clientele) while the UK and Germany were more buoyant.
- The group enjoyed a very strong rise in sales in **Asia-Pacific** (+30% FX-n), with a balanced performance across Moncler's key markets (i.e. Greater China, Japan, South Korea) and even H-K and Macau were well-oriented. Management mentioned that the price gap between China and Europe currently amounts to 60% vs. 90% in the previous year. Last but not least, revenues in the **Americas** increased by 21% FX-n, driven by a higher penetration among US department store partners and store openings (+5 in the US to 17 DOS and +1 in Canada to 2 DOS vs. Q1 14).

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.1%	18.3%	-6.4%	15.9%
Pers & H/H Gds	2.3%	7.6%	-3.6%	0.0%
DJ Stoxx 600	1.3%	6.7%	-10.6%	-8.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	880.4	978.1	1,081	1,181
% change		11.1%	10.5%	9.2%
Adj. EBITDA	300.0	330.6	365.5	399.1
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	21.8x	19.9x	17.9x	16.3x
FCF yield (%)	3.5%	4.2%	4.7%	5.4%
Dividends (EUR)	0.14	0.17	0.21	0.23
Div yield (%)	0.9%	1.1%	1.4%	1.5%
EV/Sales	4.3x	3.8x	3.3x	2.9x
EV/EBITDA	12.6x	11.2x	9.8x	8.7x
EV/EBIT	15.0x	12.9x	11.3x	10.0x

Moncler Q1 revenues by region:

EURm	Q1 15	Q1 16	FX-n growth	CS median
Italy	34.9	36.7	5	4
EMEA excl. Italy	64.6	67.7	5	6
Asia & RoW	75.3	99.5	30	21
Americas	26.2	33.5	21	10
Total Revenues	201.0	237.3	17	12

Source: Company Data, Bloomberg consensus

- "Retail Excellence" projects well underway.** The retail channel, which now accounts for 72% of total revenues vs. 69% in Q1 15, delivered solid results on top of a very demanding comparison base, and CCO Luciano Santel was pleased by KPIs at the new stores, some of them even delivered results above expectations. Yet, Moncler is focusing on improving efficiency further (CRM, relocations and refurbishments). For 2016, the group has planned 15 new openings, o/w three new flagship stores: London (opened on 5th May), Seoul and NY (September-October).
- Solid current trading and upbeat outlook.** Although Q2 is Moncler's smallest quarter (~10-11% of FY revenues), April and the first weeks of May were in line with the Q1 performance. Moreover Mr Santel confirmed that consensus estimates over 2016 were "reasonable" (CS: sales of EUR991m and EBITDA of EUR333m). At this stage we leave our FY16 assumptions unchanged.

VALUATION

- This publication demonstrates Moncler's ability to outperform the luxury sector average thanks to its excellent control of the retail channel and the ramp-up of new categories (e.g. knitwear achieved strong growth in Q1) and new circuits (i.e. travel retail, online). The stock only trades at 12.9x 2016e EV/EBIT vs. 12.3x for our luxury sample average.

NEXT CATALYSTS

- Moncler will report its H1 16 results on July 27th. [Click here to download](#)



Analyst:
Cédric Rossi
33(0) 1 70 36 57 25
crossi@bryangarnier.com

Consumer Analyst Team:
Nikolaas Faes
Loïc Morvan
Antoine Parison
Virginie Roumage

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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