

**Moncler**

Price EUR15.26

**London flagship store visit: "Retail Excellence" well on track**

Fair Value EUR17.5 (+15%)

BUY

Bloomberg	MONC.IM
Reuters	MONC.MI
12-month High / Low (EUR)	16.3 / 12.2
Market Cap (EUR)	3,818
Ev (BG Estimates) (EUR)	3,776
Avg. 6m daily volume (000)	906.2
3y EPS CAGR	10.2%

Yesterday's visit was a good opportunity for the Moncler management to showcase the first achievements of the "Retail Excellence" project presented at the CMD last December: upgrade of its store network, a better display of the new categories (knitwear, shoes and accessories) and a more customer-centric approach (staff training, CRM, app). These initiatives will contribute to strengthening Moncler's legitimacy in the high-end segment (barriers-to-entry, pricing power) and driving Retail KPIs that are already among the best-in-class in the industry.

**ANALYSIS**

- **The London flagship store fully embraces the retail excellence project.** Moncler's third flagship store after Paris (2013) and Tokyo-Ginza (2015) was opened in May. Although its size is relatively smaller than the two others (500sqm and selling surface of 330sqm vs 560sqm for Paris and 545sqm for Ginza), Moncler's luxury positioning is affirmed: (i) the store is made from the finest materials, (ii) more space is allocated to upscale collections (Gamme Bleu/Rouge, Grenoble in October) and (iii) higher in-store visibility for knitwear, footwear (dedicated area) and accessories.
- **Enlarged and enhanced product offering.** These flagship stores and the future refurbished DOS better showcase the new categories (more space allocation, suggestions to match clothing, etc), implying more cross-selling opportunities and incremental sales (higher Units Per Transaction). Remo Ruffini insisted on the objective to constantly improve the quality of products from these new categories to gain legitimacy, like for down jackets, and raise consumers interest. The "Moncler Clinique" project clearly illustrates this strategy, with the new R&D center and the target of internalising up to 20-25% of production by 2018.
- **A more consumer-centric approach.** Besides this more "luxury atmosphere", Moncler continues to improve the customer experience. The London flagship store is part of 17 pilot stores that are currently testing a new clienteling tool (in-store "Mon Client" app): every sales associates' iPhone/iPad collects customer data (number of visits, purchased items, personal interests, etc.) in order to build closer relationships and create a more engaging customer. Hence this app should drive sales conversion. The most active/curious customers would become "Preferred Customers" and each store associate should ideally have between 60-80 "Preferred Customers" by the end of the next year. The app should be available in 50 stores by the end of the year that account for more than 50% of sales, and a full coverage is expected by mid-2017.
- **Capex and costs are tightly controlled.** Management reminded that only 10 flagship stores are set to be opened in the MT out of the future store network of approx. 220 DOS. Seoul and NYC (~700sqm) will open in October-November and the Group will add one or two each year. Consequently, capex and opex remain under control, while flagship stores should not dilute Retail KPIs, especially the very high sales density (~EUR30k/sqm). A higher selling surface enables Moncler to display more SKUs (+30% vs. the prior year) and since carry-over items only represent 1/3 of sales, the offering is refreshed every 3-4 weeks, fuelling traffic and SSSG figures.
- **Solid current trading and outlook.** Moncler confirmed that activity in the UK has accelerated after Brexit, driven by both tourists (GBP fall) and local customers. The latter have also fuelled the performance across Europe (excl. Italy: +13% FX-n in Q2), more than offsetting lower tourist flows, this is why we remain confident for Q3. Last but not least, trends remained healthy in Asia-Pacific and in North America that are two challenging regions for many peers.

**VALUATION**

- This visit was an interesting glimpse into the group's initiatives to elevate further the brand equity and driving growth within the retail channel that is key for the investment case. Buy recommendation and FV of EUR17.5 confirmed.

**NEXT CATALYSTS**

- Moncler is to release Q3 2016 sales on 8th November.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.6%	0.3%	1.3%	18.1%
Pers & H/H Gds	1.4%	1.5%	5.8%	4.1%
DJ Stoxx 600	2.7%	1.2%	2.8%	-4.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	880.4	986.0	1,090	1,191
% change		12.0%	10.6%	9.2%
EBITDA	300	331	363	399
EBIT	252.7	279.1	309.0	340.3
% change		10.5%	10.7%	10.1%
Net income	163.8	182.2	203.9	225.9
% change		11.3%	11.9%	10.8%

	2015	2016e	2017e	2018e
Operating margin	28.7	28.3	28.3	28.6
Net margin	18.6	18.5	18.7	19.0
ROE	30.0	27.2	25.3	23.7
ROCE	40.9	42.5	44.7	47.6
Gearing	9.1	-6.2	-18.5	-28.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.69	0.75	0.83	0.92
% change	-	9.5%	10.5%	10.6%
P/E	22.3x	20.3x	18.4x	16.6x
FCF yield (%)	3.4%	4.0%	4.6%	5.2%
Dividends (EUR)	0.14	0.17	0.20	0.23
Div yield (%)	0.9%	1.1%	1.3%	1.5%
EV/Sales	4.4x	3.8x	3.4x	3.0x
EV/EBITDA	12.9x	11.4x	10.1x	8.9x
EV/EBIT	15.3x	13.5x	11.9x	10.4x



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