

28th October 2016

Luxury & Consumer Goods

Safilo

Price EUR9.67

Third new licensing agreement this year: Rag & Bone

Fair Value EUR11 (+14%)

NEUTRAL

Bloomberg	SFL IM
Reuters	SFLG.MI
12-month High / Low (EUR)	11.6 / 6.3
Market Cap (EUR)	606
Avg. 6m daily volume (000)	114.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.2%	34.0%	19.8%	-9.8%
Consumer Gds	-2.1%	-2.8%	-0.7%	-3.7%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

	2015	2016e	2017e	2018e
P/E	87.2x	22.9x	48.9x	26.2x
Div yield (%)	NM	1.0%	1.6%	2.1%

ANALYSIS

- Yesterday evening, Safilo announced having signed a new licensing agreement with the US label Rag & Bone. The contract will run for five years starting from January 2018 until December 31, 2022. This agreement will cover sunglasses and optical frames for both men's and women's ranges.
- This is the third new licensing agreement announced this year after Swatch (February) and Moschino (September), confirming that Safilo is on the offensive mode to: **(i)** diversify the risk in order not to rely only on a few key licenses, **(ii)** bring brands with a strong brand awareness into eyewear like Swatch, Havaianas or Rag & Bone and **(iii)** have a complementary brand portfolio in terms of customer base, price positioning and nationality (UK-US brands to touch US consumers more easily).
- Founded in New York in 2002 by Marcus Wainwright and David Neville, the US fashion label is projected to generate more than USD300m in revenue in 2016, representing a 20% growth vs. 2015. The label is available in 53 countries worldwide, international sales represent 20% of the business and sales in owned stores account for approx. 30% of total sales. In the past, the brand has partnered with several eyewear brands (Oakley, Vuarnet, etc.) to launch limited eyewear collections. Next month, Rag & Bone and Vuarnet are launching four cobranded sunglass designs at a retail price from USD225 to USD600.

VALUATION

- This positive announcement should continue to support the recent rally of the stock (+34% in 3M) that has started after the better-than-expected results. We remain cautious in the ST because of the Gucci transition at the end of this year coupled with the ongoing underperformance of proprietary brands, but the actions implemented over the past two years are starting to bear fruits.

NEXT CATALYSTS

- Safilo will report its Q3 Trading Update on 9th November 2016.

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