

Moncler

Price EUR14.86

Q3 Sales in line with estimates, reacceleration expected in Q4

Fair Value EUR17.5 (+18%)

BUY-Top Picks

Bloomberg	MONC.IM
Reuters	MONC.MI
12-month High / Low (EUR)	16.0 / 12.2
Market Cap (EUR)	3,718
Ev (BG Estimates) (EUR)	3,675
Avg. 6m daily volume (000)	928.2
3y EPS CAGR	10.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.0%	-4.9%	2.5%	15.0%
Pers & H/H Gds	-1.7%	-4.0%	-0.1%	-2.3%
DJ Stoxx 600	-1.4%	-1.9%	1.0%	-8.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	880.4	1,004	1,110	1,212
% change		14.1%	10.6%	9.2%
EBITDA	300	337	370	406
EBIT	252.7	284.4	314.7	346.6
% change		12.6%	10.7%	10.1%
Net income	163.8	185.7	207.7	230.1
% change		13.4%	11.8%	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	27.6	25.6	23.9
ROCE	40.9	43.1	45.3	48.2
Gearing	9.1	-6.3	-18.7	-28.8

(EUR)	2015	2016e	2017e	2018e
EPS	0.69	0.76	0.84	0.93
% change	-	11.5%	10.5%	10.6%
P/E	21.7x	19.4x	17.6x	15.9x
FCF yield (%)	3.5%	4.1%	4.8%	5.5%
Dividends (EUR)	0.14	0.17	0.21	0.23
Div yield (%)	0.9%	1.2%	1.4%	1.5%
EV/Sales	4.3x	3.7x	3.2x	2.8x
EV/EBITDA	12.6x	10.9x	9.6x	8.5x
EV/EBIT	14.9x	12.9x	11.3x	9.9x



Q3 sales increased 10% both in reported terms and FX-n to EUR293m (CS: EUR292m). As expected and like in Q3 15, the organic growth slowed down vs. H1 (+17%) as this quarter was more "wholesale-weighted" (i.e. 50% of total sales vs. 32% in H1) and the Group is traditionally cautious ahead of the winter peak season by sending limited products to wholesalers (Italy, US). Management said that CS' FY sales forecast (EUR1bn) was "reasonable", implying a reacceleration in Q4 (+16-17% FX-n). Trends in October were good and the first two weeks of November were even better. Buy recommendation and FV of EUR17.5 confirmed.

ANALYSIS

- **Retail and Wholesale channels were both fairly in line with expectations.** Revenues from the **retail channel increased 16% FX-n** (H1: +22%). Moncler, which now reports **retail comps** on a semi-annual basis, stated that these were positive in all regions, with again a good performance in Asia even if the Japanese market was more difficult. On our estimates, the comparable growth amounted to ~3-4% (H1: +5%). **Wholesale sales were up 4% FX-n** (H1: +6%). As already highlighted, the Group only sent a limited number of products to wholesalers ahead of its winter peak season to avoid excessive inventory levels, especially in Italy and in the US.
- By region, in **Italy** contracted 1% FX-n only because of the ongoing rationalisation in this channel. As a reminder, management expected to reduce the number of wholesale doors to ~1,500 worldwide at year-end vs. ~1,600 in 2015. Sales in **EMEA** increased 10% FX-n, driven by the UK and Germany whilst France and Belgium remained affected by the slowdown in tourist flows. The activity generated by the local clientele remained well-oriented in the region.
- The group continued to enjoy a strong performance in **Asia-Pacific** (+18% FX-n), with a balanced performance across key markets (i.e. Mainland China, H-K, South Korea). Like other luxury brands, Moncler faced a significant slowdown in Japan given the slowdown in tourist flows with Chinese tourists. Revenues in the **Americas** increased by 13% FX-n, driven by both retail and wholesale channels, Moncler even experienced historical sell-through numbers within the wholesale channel.

Moncler quarterly FX-n growth (%):

EURm	Q1 16	Q2 16	Q3 16
Italy	5	6	-1
EMEA excl. Italy	5	13	10
Asia & RoW	30	30	18
Americas	21	17	13
Total Group	17	17	10

Source: Company Data

- **Solid current trading...** Moncler's management specified that October was good and trends during the first two weeks of November have accelerated. Consequently, the Group said that the EUR1bn sales mark expected by the CS for 2016 was "reachable". This forecast implies 16-17% FX-n growth in Q4. The latter is obviously the biggest quarter of the year (~36% of FY sales) and almost exclusively "Retail-weighted" (~90% of sales).
- **... and a promising 2017.** Retail will clearly remain the main growth driver: (i) the three new flagship stores that were opened in London (Q2 16), Seoul and Madison Ave in NYC (Q4 16) would step up next year, (ii) 12 new locations already secured for next year (no additional flagship stores) and with some key stores will be either extended (e.g.: Via Montenapoleone, Milan) or relocated (Kowloon store in HK that will be 3x bigger). In light of robust trends with **US wholesalers**, Moncler will increase further its penetration next year by opening several shop-in-shops. The first deliveries of the S/S 17 collection were off to a strong start.

VALUATION

- At 11.1x 2017e EV/EBIT the stock trades at 14% discount to our luxury sample excl. Hermès, explained by the recent re-rating of the luxury sector. Buy recommendation and FV of EUR17.5 confirmed.

NEXT CATALYSTS

- Moncler will report its FY16 Results on 28th February 2017. [Click here to download document](#)



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