

## Sector View

## Fashion

## Serving Consumers not Uberising Them! (sector report out)

	1 M	3 M	6 M	31/12/15
Consumer Gds	-3.0%	-5.2%	-4.2%	-6.4%
DJ Stoxx 600	-0.2%	0.1%	-1.8%	-6.4%

\*Stoxx Sector Indices

## Companies covered

<b>ADIDAS GROUP</b>	<b>NEUTRAL</b>	<b>EUR136</b>
Last Price	EUR139.2	Market Cap. EUR29,123m
<b>BIC</b>	<b>NEUTRAL</b>	<b>EUR124</b>
Last Price	EUR122.95	Market Cap. EUR5,893m
<b>GROUPE SEB</b>	<b>BUY</b>	<b>EUR140</b>
Last Price	EUR130.55	Market Cap. EUR6,550m
<b>H &amp; M</b>	<b>NEUTRAL</b>	<b>SEK2950</b>
Last Price	SEK271.7	Market Cap. SEK449,683m
<b>INDITEX</b>	<b>BUY</b>	<b>EUR38</b>
Last Price	EUR32.395	Market Cap. EUR100,964m
<b>YOOX NET-A-PORTER</b>	<b>BUY</b>	<b>EUR33</b>
Last Price	EUR25.81	Market Cap. EUR3,502m
<b>ZALANDO</b>	<b>NEUTRAL</b>	<b>EUR39</b>
Last Price	EUR36.115	Market Cap. EUR8,930m

There are consumers to serve but who cannot be made subservient. Considering them as a kind of hermit, wandering shamelessly through an overpopulated digital desert is a degrading vision that contradicts their desire for authenticity. Although we believe in digital, we consider it cannot substitute real people and that physical stores, which are a millennium institution, will remain at the heart of commercial facilities.

## ANALYSIS

- Every day we read that: the world-leading taxi-company has no car fleet (**Uber**); the leading hotel company has no accommodation (**Airbnb**); one of the most powerful retailers has no stocks (**Alibaba market place**); the most popular media firms create no content (**Twitter & Facebook**); the leading manager of leisure video contents operates no cinema (**Youtube**); a top-notch telephone company can function without infrastructure (**WhatsApp, Apple, Facebook**)... In short, orchestrated by the Millennial generation, the digital (r)evolution is not about to happen, it is already underway. Its commercial format, e-commerce (2012/15 CAGR of 15%e in Europe), goes hand in hand with the shortfall in growth at traditional retailers (2012-15e CAGR of 1.4%e in Europe).
- E-commerce players that have been successful only share the common denominator of a coherent offering, which we consider fits into one of four main models. **In the first**, the e-merchant offers a comprehensive range at the best price. **Amazon** fits best this notion of a web-hypermarket, substituting "everything under the same roof" with "everything on the same site". **In the second**, a web category killer such as **Zalando** (initiated with a Neutral rating, FV@EUR39) multiples flows on high rotation product lines such that it becomes the natural destination for all internet users looking for a specific product. **In the third**, the expertise of a **YNAP** (initiated with a Buy rating, FV@EUR33) is so great in a niche segment that it is difficult for another web-merchant to **1/** source and **2/** sell a similar product, in such an intimate framework and at the best price. **In the fourth**, the Brick & Mortar retailer is capable of reconciling a more predictive way of serving consumers (via click and data) while maintaining social ties (via collection from a physical store network). In this field, we initiate coverage of **Inditex** at Buy (FV@EUR38) and **H&M** at Neutral (FV@SEK295).



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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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