

12th December 2016

Luxury & Consumer Goods

## Safilo

Price EUR8.20

Licencing agreements: Safilo renews Christian Dior but ends Céline

Fair Value EUR11 (+34%)

NEUTRAL

Bloomberg	SFL IM
Reuters	SFLG.MI
12-month High / Low (EUR)	10.9 / 6.3
Market Cap (EURm)	514
Avg. 6m daily volume (000)	118.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.1%	-0.9%	19.7%	-23.4%
Consumer Gds	2.6%	-2.2%	-0.9%	-3.9%
DJ Stoxx 600	4.6%	2.9%	4.1%	-2.9%

  

	2015	2016e	2017e	2018e
P/E	74.0x	19.4x	73.3x	22.1x
Div yield (%)	NM	1.2%	1.8%	2.4%

### ANALYSIS

- This morning Safilo and **Christian Dior Couture** (LVMH) announced they had renewed their licencing agreement for three additional years until 31st December 2020. This renewal is naturally positive news considering that Dior is Safilo's biggest license (~14-15% of sales) and one of the fastest-growing brands this year. Dior is positioned at the higher end of the Fashion/Luxury segment, with some models that are even in the Atelier segment (retail price > EUR300). Dior was supposed to show a mid to high single-digit CAGR over 2015-20 but we assume that it is ahead of this objective at this stage.
- Safilo also announced that its licensing agreement with **Céline** (LVMH) would not be renewed after the expiry date (31st December 2017). This licensing agreement started in 2012 and the Group states that Céline accounted for ~3% of sales, mainly concentrated in Europe and North America. The reasons for this decision were not communicated but we believe that in terms of positioning there would have been a small overlap with its future **Moschino** licence (starting on 1st January 2018). As a reminder, Safilo will also start its new **Rag & Bone** licence on 1st January 2018.
- Both announcements prove that unlike Kering, which has built up a centralised organization (Kering Eyewear) to run its eyewear category, each LVMH brand can independently select its eyewear manufacturer. Besides Dior and Céline, Safilo also collaborates with Fendi, Givenchy and Marc Jacobs.

### VALUATION

- Despite the non-renewal of Céline, we think that it was more crucial for Safilo to secure Dior over the MT. Overall the group seems to be dealing with the Gucci transition efficiently thanks to the first positive results from the painful actions implemented over the last two years, although the performance of the proprietary brand PF remains below internal expectations.

### NEXT CATALYSTS

- FY16 Results to be released in March 2017.

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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