

MAISONS DU MONDE

- | Consumer, Brands & Retail
- | E-Commerce

UNDER REVIEW vs. NEUTRAL

Fair Value	Under Review
Share price	EUR18.05
EPS 3Y Cagr	10.3%

CMD: Priority is now sales growth (at the expense of margins)

Priority on top line momentum to regain its growth stock status...

Maisons du Monde clearly wanted to reaffirm its growth stock status by providing a quite reassuring target of reaching a 10%+ sales growth CAGR over the 5-year plan (i.e. 2020-2024). Such a performance, implying no real deceleration vs 2018 (9.9%) and 2019 (10.2% e), will be driven by several levers: 1/ e-commerce (30-35% of sales vs 23% in 2018); 2/ store footprint expansion outside France (70-85 net openings); 3/ roll-out of Modani stores in the US (c.40 net openings by 2024); 4/ B2B rise (>EUR100m sales in 2024 vs. EUR30m in 2018); 5/ launch of a marketplace in H1 2020 (EUR25-35m net sales in 2024). This sales growth target, implying >EUR2bn sales in 2024, also cooled down fears that growth could sharply decelerate over the coming years.

...at the expense of profitability

Yet, such momentum will come at a price as it should be driven by further investments to materialize by 2024 in prices (50 to 100bp), logistics (40 to 90bp), marketing (100 to 300bp) and Corporate Social Responsibility efforts (150bp). By also taking into account the continuous shift of sales mix towards furniture (implying about 30bp dilution on gross margin per annum), Maisons du Monde expects its gross margin to pursue its decline from 66.1% in 2018 to 62-63% in 2024. Regarding current EBITDA, the margin should reach 12% in 2024 (vs 13.3% in 2018) as the operating leverage, efficiency programs in HQ and the accretive impact of ramping-up marketplace will not entirely offset the headwinds. If at first sight, a 10% sales CAGR implies a CAGR of just 8% on current EBITDA, note that EPS should grow in line with sales thanks to the positive contribution of lower financial costs and lower tax rate throughout 2024.

Margin dynamics: a two-phased 2020-2024 plan

If sales growth pace should be broadly homogeneous over the 2020-2024 plan (with a slight acceleration in 2023 and 2024 given the ramp-up of the marketplace and services), the course of EBITDA and earnings will be more heterogeneous. We understand that the plan will be divided in two periods with an EBITDA margin decline over 2020-2022 (i.e. around 60bp per annum estimated) reaching a low point slightly above 11% before rebounding towards 12% by 2024. Such phasing implies a CAGR growth of c.5% for EBITDA over 2020-2022 (c.7% on EPS) and a CAGR of c.14% over 2023-2024 (c.15% on EPS).

Has the stock reached an inflexion point?

We do not expect major CS estimates adjustments on the EPS. Although the execution risk of such an ambitious plan cannot be ruled out, we have to admit that Maisons du Monde has addressed the main concerns of the markets by clearly affirming its willingness to prioritize growth over profitability and by providing visibility until 2024. Valuation remains undeniably attractive, but only momentum matters and we are putting our recommendation and FV under review for now, pending a deeper dive into the implications of the CMD on our model.

Market Data

Bloomberg / Reuters	MDM FP/MDM.PA
Market Cap.	EUR817m
E.V.	EUR1.002m
Free Float	61,1%
Avg. Daily volume (6m)	157.4
12m high / low	EUR33.6 / EUR15.5
Ytd Perf.	8.0%

EURM	12/18	12/19e	12/20e	12/21e
Sales	1,111	1,225	1,339	1,451
% Change		10.2%	9.3%	8.4%
EBITDA	148.0	162.5	176.6	190.9
% Change		9.8%	8.7%	8.1%
EBIT	108.2	119.9	128.8	139.1
% Change		10.8%	7.4%	8.0%
Net Income	67.8	77.6	83.8	91.0
% Change		14.5%	7.9%	8.6%
ROE	NM	NM	NM	NM

	12/18	12/19e	12/20e	12/21e
EV/Sales	0.9x	0.8x	0.7x	0.6x
EV/EBITDA	6.8x	5.9x	5.2x	4.7x
EV/EBIT	9.3x	8.0x	7.2x	6.4x
EPS	1.42	1.63	1.76	1.91
% change		14.5%	7.9%	8.6%
P/E	12.7x	11.1x	10.3x	9.5x
Div Yield	2.6%	3.3%	3.6%	3.9%

Next Catalyst: H1 19 results on 29th July

Last rating Change:

2018-11-8, Visibility on the timing of the rebound in consumption in France is deteriorating

Last FV Change:

2019-3-13, Disappointing guidance for 2019 growth

Last Reports:

2019-5-29, What to expect from the upcoming Capital Markets Day?

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