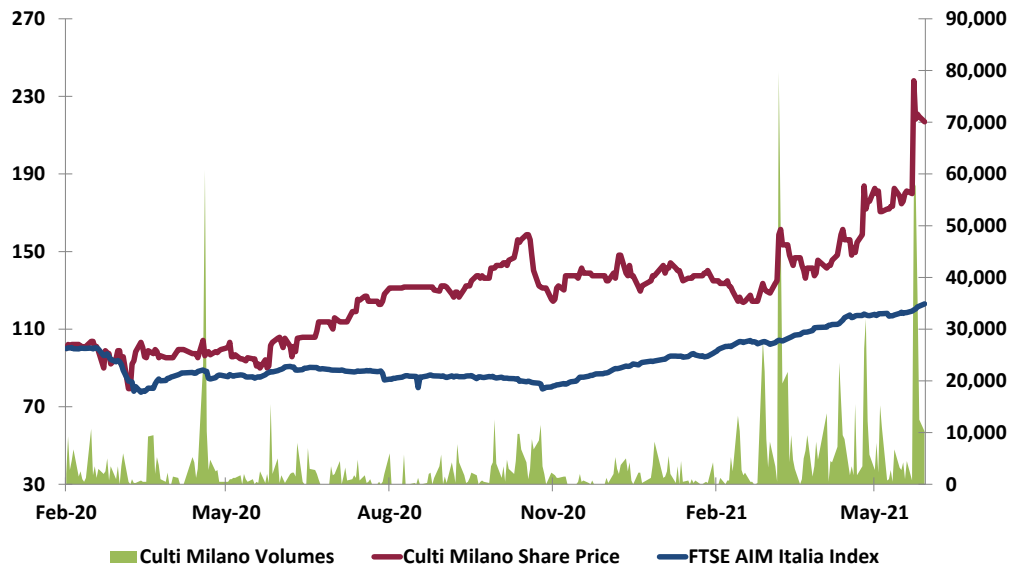


Market update

Culti Milano – 16M Share price performance and trading volumes

Culti Milano shares in the last 16 months traded in the range €3.40-9, with beginning price at €3.78 and ending at €8.30, 120% increase

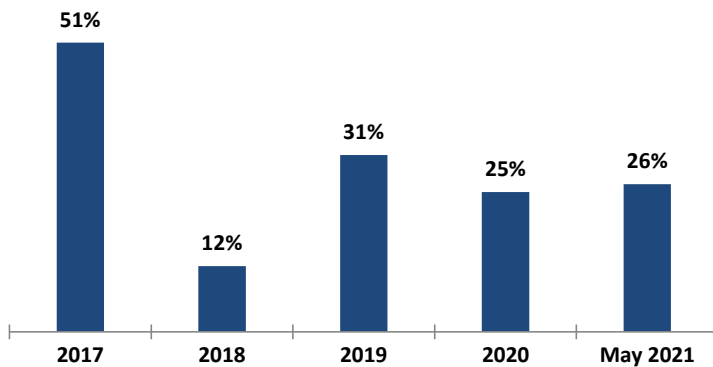
The AIM Italia Index in the same period increased by 24%



Source: EnVent Research on S&P Capital IQ - Note: 03/02/2020=100

Culti Milano - Liquidity analysis and velocity turnover

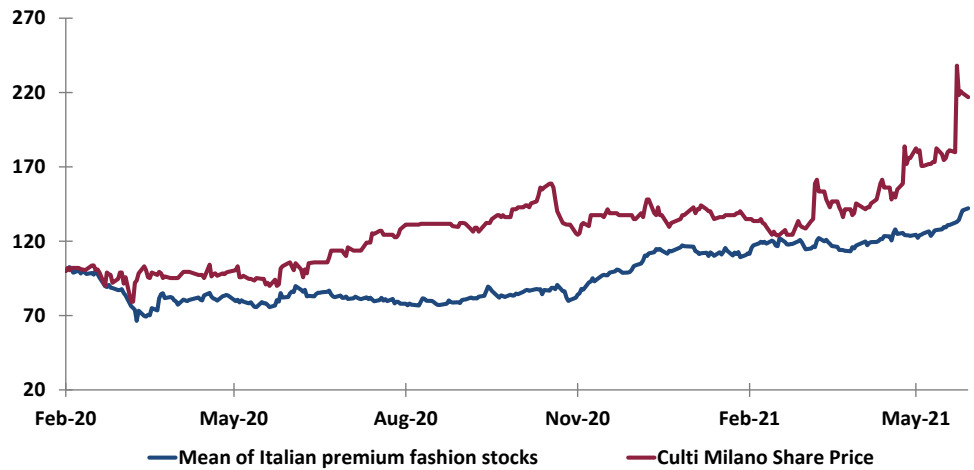
In 2021 high trading volumes



Source: EnVent Research on Bloomberg - Note: The velocity turnover is the ratio of total traded shares to total ordinary shares in a given period

Italian premium fashion stocks – 16M Market performance

Culti outperforming Italian premium fashion companies (cluster of 11, details in Annex)

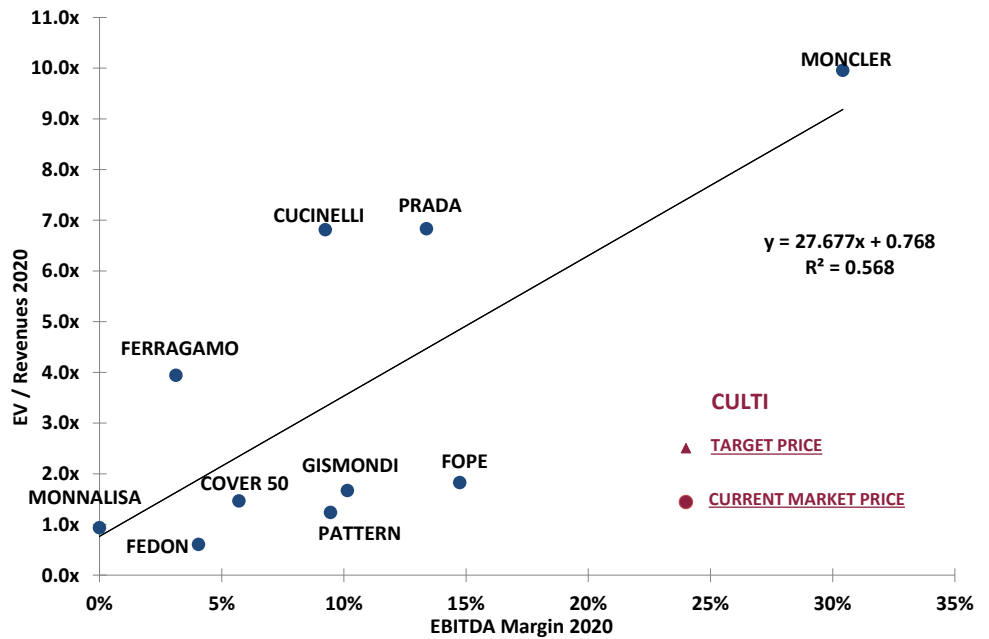


Source: EnVent Research on S&P Capital IQ - Note: 03/02/2020=100

Italian premium fashion stocks - Regression analysis and Culti target positioning

Diversified cluster

Size discounts for smaller companies



Source: EnVent Research on S&P Capital IQ, May 2021

FY20: Scent Company acquisition and organic growth boost sales and operating margins

Sales +50% YoY, +23% from organic growth

Reaching industry-standard operating profitability

2020 consolidated sales were €13.5m vs. €9m in 2019 (+50% YoY) driven by organic sales excellent performance with Culti standalone at €9.4m vs. €7.7m in 2019, +23% YoY. FY20 results factor in consolidation of Bakel and, pro-rata, the acquisition of 51% of Scent Company in H1 2020.

EBITDA was €3.2m (24% margin vs. 15% FY19) and EBIT €2.2m (16% margin). Consolidated net income of €1.5m vs. €0.3m of prior year.

In line with previous years, the Company plans to pay €0.08 per share dividend in

Dividend for fourth year in a row July 2021, subject to approval of the Shareholders' meeting.

On the balance sheet side, trade working capital was €3.9m, from €2.6m in 2019, consistent with increasing sales volumes. At year-end, net cash was €2.3m from €1.8m of 2019, after €2m cash outflow for dividends and acquisition.

2021 up again

According to management, sales in the first four months of 2021 were up again over 40% on same period 2020 (pro-forma consolidated data).

Business update: Scent Company acquisition, international expansion

Diversified portfolio with Bakel, personal fragrances, and Scent Company, olfactory branding

-We recall the H1 2020 51% acquisition of Scent Company Srl, an Italian producer of fragrances providing olfactory branding services. In 2019, the acquired company reported revenues of €3.4m with EBITDA margin of 13%. The deal consideration was €1.8m, based on the target company valuation at €3.4m (1.0x EV/Revenues). The remaining 49% stake is subject to a put&call option to be exercised in 3 years.

- Establishment of Culti Milano Asia, Hong Kong Joint Venture for distribution of cosmetics and perfumes in China, Hong Kong and Taiwan.

Dividend, own treasury shares purchase program and management incentive plan

Profit allocation proposal:

- Dividend distribution of €0.08 per share in July 2021
- Establishment of a treasury share purchase fund for €0.5m
- Retained earnings of €0.8m

Shareholders will also vote for the *Phantom Shares* management incentive plan.

Industry Outlook: Luxury struck by Covid-19 but ready to rebound

The pandemic represented an unusual crisis for the luxury market, usually less affected and able to react quickly to financial turmoil. In particular, the Personal Goods sector declined on average by around 23% in 2020, with China recording a positive performance and major markets like USA and Japan a negative one (-27% and -24% respectively). The regions that showed the greatest decline were Europe and the rest of Asia, down 36% and 35% respectively.

However, according to **Bain - Altgamma Luxury Study 2020**, 2021 is expected to represent a return to growth for the whole luxury sector, with all categories growing at an average 14%. For the luxury home fragrance industry, its closest proxy, the air care market, is expected to grow at 3.45% 2019-2025E CAGR, reaching in 2025 the market value of USD 13,279.0 million (source: Statista).

Culti Milano, that compared to the overall market was able to grow also during the pandemic thanks to organic growth and external acquisitions, is expected to benefit from the luxury industry rebound. However, some uncertainties still remain such as struggling department stores, challenged by the shift to e-commerce, and timing of recovery of tourist spending. The latter is particularly relevant for Culti since consumers making purchases outside their home countries historically generated 20-30% of the luxury goods industry revenues, especially in Europe (source: McKinsey, A perspective for the luxury-goods industry during and after coronavirus, April 2020), and because Scent Company particularly relies on Hotels and Retail spaces.

We recall that the Group's strategy envisages:

- distribution network expansion, with focus on department stores and pharmacies (also OTC pharmacies with dermo-cosmetic departments)
- development of Bakel brand awareness

Estimates revision

In our *Flash Note* issued last March, we already revised upward our estimates by factoring in 2020 pre-closing figures and pro-forma consolidated revenue, including consolidation of Scent Company acquired in June 2020. Thus, we are overall carrying forward our estimates for 2021-2022, adjusted for consistency with 2020 actual figures.

Change in estimates

Revised €m				Previous			Change % (Rev. vs. Prev.)		
	2020A	2021E	2022E	2020E	2021E	2022E	2020A	2021E	2022E
Revenues	13.5	17.7	19.1	13.4	16.8	18.5	1%	5%	3%
EBITDA	3.2	4.2	4.7	3.2	3.9	3.9	1%	7%	20%
<i>Margin</i>	24%	24%	25%	24%	23%	21%			
EBIT	2.2	3.3	3.8	2.4	3.0	3.1	-9%	10%	22%
<i>Margin</i>	16%	19%	20%	18%	18%	17%			
Net Income (Loss)	1.5	2.3	2.7	1.7	2.2	2.2	-14%	7%	23%
Net (Debt) Cash	2.3	4.4	7.3	2.3	4.2	6.5	0%	4%	13%

Source: EnVent Research

Financial projections

Consolidated Profit and Loss

€m	2017A	2018A	2019A	2020A	2021E	2022E
Sales	6.1	6.5	9.0	13.5	16.9	18.5
Change in Inventory	0.0	0.4	(0.3)	(0.2)	0.7	0.4
Other income	0.1	0.1	0.0	0.2	0.2	0.2
Total Revenues	6.2	7.0	8.8	13.5	17.7	19.1
YoY %	24.4%	13.2%	25.6%	54.1%	30.9%	7.8%
Materials	(1.3)	(1.7)	(1.6)	(3.0)	(3.7)	(3.7)
Services	(2.4)	(2.9)	(3.3)	(4.5)	(5.9)	(6.5)
Personnel	(0.8)	(1.1)	(1.6)	(1.9)	(2.2)	(2.4)
Other operating costs	(0.7)	(0.9)	(1.0)	(1.1)	(1.7)	(1.9)
EBITDA	1.0	0.3	1.3	3.0	4.2	4.7
Margin	15.7%	4.5%	14.3%	22.4%	23.6%	24.6%
Non-recurring costs	(0.2)	(0.4)	(0.1)	(0.2)	0.0	0.0
Adjusted EBITDA	1.1	0.7	1.4	3.2	4.2	4.7
Margin	18.3%	9.5%	15.4%	23.9%	23.6%	24.6%
D&A	(0.4)	(0.5)	(0.7)	(0.9)	(0.9)	(0.9)
EBIT	0.6	(0.2)	0.6	2.2	3.3	3.8
Margin	9.8%	-3.3%	6.5%	16.1%	18.5%	19.8%
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
EBT	0.6	(0.2)	0.6	2.1	3.3	3.8
Margin	9.6%	-3.4%	6.4%	15.7%	18.4%	19.6%
Income taxes	(0.2)	0.1	(0.2)	(0.7)	(0.9)	(1.0)
Net Income (Loss)	0.4	(0.2)	0.3	1.5	2.3	2.7
Margin	6.5%	-2.2%	3.9%	10.7%	13.2%	14.1%

Source: Company data 2017-20A; EnVent Research 2021-22E

Consolidated Balance Sheet

€m	2017A	2018A	2019A	2020A	2021E	2022E
Inventory	1.4	1.8	2.2	3.0	3.7	4.1
Trade receivables	1.2	1.1	2.0	3.4	3.7	3.7
Trade payables	(1.0)	(0.8)	(1.5)	(2.6)	(2.8)	(3.0)
Trade Working Capital	1.6	2.0	2.6	3.9	4.5	4.8
Intercompany receivables (payables)	(0.2)	(0.0)	(0.2)	(0.9)	(0.9)	(0.9)
Other assets (liabilities)	(0.0)	(0.0)	(0.2)	(0.4)	(0.6)	(0.6)
Net Working Capital	1.4	2.0	2.2	2.5	3.0	3.2
Intangible assets	3.2	3.2	4.6	5.3	4.9	4.5
Other non-current assets	0.4	0.4	0.4	0.7	0.8	0.8
Non-current assets	3.6	3.6	5.1	6.0	5.7	5.2
Provisions	(0.2)	(0.3)	(0.5)	(0.7)	(0.7)	(0.8)
Net Invested Capital	4.8	5.3	6.8	7.9	7.9	7.7
Net Debt (Cash)	(3.9)	(3.0)	(1.7)	(2.3)	(4.4)	(7.3)
Equity	8.7	8.3	8.5	10.2	12.3	15.0
Sources	4.8	5.3	6.8	7.9	7.9	7.7

Source: Company data 2017-20A; EnVent Research 2021-22E

Consolidated Cash Flow

€m	2018A	2019A	2020A	2021E	2022E
EBIT	(0.2)	0.6	2.2	3.3	3.8
Current taxes	0.1	(0.2)	(0.7)	(0.9)	(1.0)
D&A	0.5	0.7	0.9	0.9	0.9
Provisions	0.1	0.2	0.2	0.1	0.0
Cash flow from P&L operations	0.4	1.3	2.5	3.3	3.7
Trade Working Capital	(0.5)	(0.6)	(1.3)	(0.6)	(0.2)
Intercompany receivables and payables	(0.1)	0.2	0.7	0.0	0.0
Other assets and liabilities	0.0	0.2	0.3	0.1	0.0
Capex	(0.5)	(0.2)	(1.8)	(0.5)	(0.5)
Bakel acquisition	0.0	(2.0)	0.0	0.0	0.0
Operating cash flow after working capital and capex	(0.6)	(1.1)	0.4	2.3	3.0
Paid-in-capital	0.0	0.0	0.5	0.0	0.0
Dividends	(0.2)	(0.1)	(0.2)	(0.2)	0.0
Net cash flow	(0.9)	(1.2)	0.6	2.1	3.0
Net (Debt) Cash - Beginning	3.9	3.0	1.7	2.3	4.4
Net (Debt) Cash - End	3.0	1.7	2.3	4.4	7.3
Change in Net (Debt) Cash	(0.9)	(1.2)	0.6	2.1	3.0

Source: Company data 2017-20A; EnVent Research 2021-22E

Ratio analysis

KPIs	2017A	2018A	2019A	2020A	2021E	2022E
ROE	5%	-2%	4%	14%	19%	18%
ROS (EBIT/Sales)	10%	-3%	7%	16%	19%	20%
ROIC (NOPAT/Invested Capital)	9%	neg.	6%	20%	30%	35%
DOI	84	98	87	81	80	80
DSO	57	51	65	76	65	60
DPO	65	44	76	90	75	75
TWC/Sales	26%	29%	30%	29%	26%	25%
Cash flow from P&L operations / EBITDA	neg.	67%	93%	78%	80%	78%
FCF / EBITDA	neg.	neg.	neg.	12%	56%	64%
Dividend yield	1.7%	2.6%	1.9%	1.0%	0%	0%
Pay-out ratio	62%	n.m.	72%	17%	0%	0%
Earnings per Share (€)	0.13	n.m.	0.11	0.47	0.76	0.87

Source: Company data 2017-20A; EnVent Research 2021-22E

Valuation

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.5% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, May 2021)
- Market return: 12.6% (3Y average. Source: Bloomberg, May 2021)
- Market risk premium: 11.2%
- Beta: 0.95 (EnVent analysis on 27 selected peers, rounded figures)
- Cost of equity: 12.1%
- Cost of debt: 2.5%
- Tax rate: 24% (IRES)
- 30% debt/(debt + equity) as target capital structure
- WACC 9.1%
- Perpetual growth rate after explicit projections: 2.5%
- Terminal Value assumes a normalized sustainable EBITDA margin of 20%

DCF Valuation

€m	2017A	2018A	2019A	2020A	2021E	2022E	Perpetuity
Revenues	6.2	7.0	8.8	13.5	17.7	19.1	19.6
EBITDA	1.0	0.3	1.3	3.0	4.2	4.7	3.9
<i>Margin</i>	15.7%	4.5%	14.3%	22.4%	23.6%	24.6%	20.0%
EBIT	0.6	(0.2)	0.6	2.2	3.3	3.8	3.4
<i>Margin</i>	9.8%	-3.3%	6.5%	16.1%	18.5%	19.8%	17.4%
Taxes	(0.2)	0.1	(0.2)	(0.6)	(0.9)	(1.1)	(1.0)
NOPAT	0.4	(0.2)	0.4	1.6	2.4	2.7	2.5
D&A	0.4	0.5	0.7	0.9	0.9	0.9	0.5
Provisions	0.0	0.1	0.2	0.2	0.1	0.0	0.0
Cash flow from P&L operations	0.8	0.4	1.3	2.6	3.3	3.7	3.0
Trade Working Capital		(0.5)	(0.6)	(1.3)	(0.6)	(0.2)	(0.3)
Intercompany receivables and payables		(0.1)	0.2	0.7	0.0	0.0	0.0
Other assets and liabilities		0.0	0.2	0.3	0.1	0.0	0.0
Capex		(0.5)	(2.2)	(1.8)	(0.5)	(0.5)	(0.5)
Free cash flow		(0.7)	(1.1)	0.4	2.3	3.0	2.2
WACC	9.1%						
Long-term growth (G)	2.5%						
Discounted Cash Flows					2.1	2.5	
Sum of Discounted Cash Flows	4.6						
Terminal Value							34.8
Discounted TV	29.3						
Enterprise Value	33.9						
Net Cash as of 31/12/2020	2.3						
Minorities as of 31/12/2020	(0.8)						
Equity Value	35.4						
DCF - Implied multiples		2018A	2019A	2020A	2021E	2022E	
EV/Revenues		4.8x	3.9x	2.5x	1.9x	1.8x	
EV/EBITDA		107.7x	27.0x	11.2x	8.1x	7.2x	
Current market price - Implied multiples		2018A	2019A	2020A	2021E	2022E	
EV/Revenues		3.2x	2.6x	1.7x	1.3x	1.2x	
EV/EBITDA		71.8x	18.0x	7.5x	5.4x	4.8x	

Source: EnVent Research

Market multiples

See Annex for peer group details

We have critically reviewed 2020-21E EV/Revenues and EV/EBITDA updated multiples from the Premium stocks, Italian fashion stocks, Cosmetics peer groups and simulated the application to Culti's figures. The cluster shows abnormal multiples for 2020, supposedly for industry substantial sales drop, and a better balance in 2021 but inconsistencies with average 5Y pre-pandemic performances. We have also noted excessive discrepancies between values coming from revenues multiples and those based on operating profits. As a consequence, we prefer to rely on DCF outcome and add to the equation multiple based values once they return to any new normal level.

Target Price

Our updated projections and DCF valuation model yield a Target Price of €11.44 per share, from €8.24 of our previous note, implying a 38% upside potential on the current share price at €8.30. As a consequence, confirm an OUTPERFORM recommendation on Culti Milano's stock.

Please refer to important disclosures at the end of this report.

Culti Milano Price per Share	€
Target Price	11.44
Current Share Price (07/06/2021)	8.30
Premium (Discount)	38%

Source: EnVent Research

Annex: Peer Group - Market Multiples

Company	EV/Revenues				EV/EBITDA			
	Avg. 5Y	2019	2020	2021E	Avg. 5Y	2019	2020	2021E
Culti Milano	na	1.3x	1.4x	1.2x	na	9.1x	6.5x	5.0x
Premium								
Phillips-Van Heusen	1.2x	1.1x	1.1x	1.6x	9.3x	8.2x	9.5x	47.4x
Ralph Lauren	1.2x	1.2x	1.4x	2.1x	7.5x	7.9x	10.0x	25.8x
Capri (formerly Michael Kors)	1.6x	1.6x	1.9x	2.8x	6.2x	7.4x	11.2x	21.6x
Tapestry (formerly Coach)	1.9x	1.3x	2.6x	2.5x	9.2x	6.7x	18.8x	10.7x
Hugo Boss	1.6x	1.4x	2.2x	1.8x	9.2x	8.8x	neg	8.6x
Prada	2.6x	3.8x	6.8x	5.4x	13.9x	23.2x	51.1x	16.1x
Salvatore Ferragamo	2.5x	2.7x	3.9x	3.2x	14.0x	17.7x	126.1x	15.0x
Moncler	4.8x	6.2x	10.0x	7.5x	14.5x	18.2x	32.7x	18.8x
Tod's	2.0x	2.0x	3.2x	2.7x	16.5x	35.6x	neg	15.9x
Geox	0.8x	0.7x	1.2x	1.1x	10.4x	6.1x	neg	na
Brunello Cucinelli	3.5x	4.3x	6.8x	5.7x	20.4x	24.0x	73.7x	21.7x
Mean	2.2x	2.4x	3.7x	3.3x	11.9x	14.9x	41.6x	20.2x
Median	1.9x	1.6x	2.6x	2.7x	10.4x	8.8x	25.8x	17.5x
Italian fashion stocks								
Piquadro	1.0x	0.6x	0.9x	na	-4.3x	neg	neg	na
Giorgio Fedon	0.5x	0.5x	0.6x	na	1.9x	7.3x	15.0x	na
Fope	1.1x	1.4x	1.8x	1.5x	6.5x	7.0x	12.4x	9.0x
Cover 50	1.1x	1.0x	1.5x	na	6.2x	6.2x	25.6x	na
Monnalisa	0.7x	0.8x	0.9x	na	neg	neg	neg	neg
Italia Independent	2.7x	4.5x	5.4x	na	0.6x	neg	neg	na
Pattern	0.2x	0.9x	1.2x	1.1x	1.7x	8.2x	13.1x	11.2x
Gismondi 1754	na	1.8x	1.7x	1.4x	na	7.5x	16.5x	8.7x
Mean	1.0x	1.4x	1.7x	1.3x	2.1x	7.3x	16.5x	9.6x
Median	1.0x	0.9x	1.4x	1.4x	1.8x	7.3x	15.0x	9.0x
Cosmetics								
L'Oréal	4.1x	4.9x	7.2x	6.5x	18.2x	20.9x	30.6x	26.3x
Estée Lauder	3.7x	5.1x	7.2x	6.9x	18.4x	24.0x	38.0x	30.5x
Shiseido	2.0x	2.9x	3.4x	3.1x	16.0x	19.0x	37.8x	28.0x
Beiersdorf	2.7x	2.9x	2.9x	2.8x	15.9x	17.5x	18.9x	17.0x
Coty	2.8x	2.6x	2.5x	2.7x	19.6x	20.0x	54.0x	16.6x
Amorepacific	3.5x	2.2x	3.7x	3.2x	20.2x	13.4x	27.3x	17.0x
Nu Skin	1.2x	1.0x	1.2x	1.1x	8.1x	7.1x	9.7x	8.3x
L'Occitane	1.8x	2.5x	3.0x	3.2x	11.2x	16.6x	19.4x	13.7x
Mean	2.7x	3.0x	3.9x	3.7x	16.0x	17.3x	29.5x	19.7x
Median	2.8x	2.8x	3.2x	3.2x	17.1x	18.3x	28.9x	17.0x
Combined Mean	2.0x	2.3x	3.2x	3.2x	10.8x	14.1x	31.0x	18.5x
Combined Median	1.9x	1.8x	2.5x	2.8x	10.4x	11.1x	19.4x	16.6x

Source: S&P Capital IQ, update May 2021

Investment case

Company

Culti Milano (Culti) is an Italian home and business spaces fragrance and personal care company positioned in the premium and luxury segments, designing and distributing products under its own brand, through seven stores in Italy and a wide presence in European and Asian prestige department stores. The full line of products is also promoted through the online site (www.culti.com).

One of the main strategic goals of the Company is to rebalance its geographical presence through the opening of new DOS (Directly Operated Stores) in Italy and in other European and US cities.

Drivers

Industry drivers

Made in Italy. The Italian home fragrance industry has a high-quality production and style recognized worldwide, plus can call for higher prices around the world purely by carrying such a tag. No other country enjoys such “best in class” endorsements, or reputation, worldwide. The Italian industry, as a whole, has until recently underestimated this potential to strive and penetrate in international markets. This reputation, to be viewed as a competitive advantage and difficult to be challenged by competitors of other geographies, provides unique opportunities to those Italian companies able to make the most of the unexplored potential of *Made in Italy* products conceived for lifestyle lovers.

Home fragrances niche market still underexploited and open to home luxury and lifestyle. The performance of luxury brands in the last two decades has been mainly driven by the relentless increase of the population of the so called HNWI - High Net Worth Individuals. Exposure to population in emerging markets, both locally present and through customers travelling abroad and buying goods in Europe, together with the global reach of digital communication, have boosted internationally the awareness of the best products and brands. This, in turn, has paved the way and prepared fertile ground for dedicated home collections of luxury brands, a new business opportunity for industry segments which were previously “uncharted territory”.

Switching to lifestyle brands. Many fashion labels and luxury brands propose themselves as lifestyle symbols. Several luxury apparel brands have expanded their product offering to include lifestyle products and service lines such as housewares, furniture, fine dining and hotels. The trend has just begun, and the relative maturity of apparel and traditional accessories opens doors to a new wave of stylish home products. Italian companies are the best positioned in this arena thanks to their design and creativity capabilities.

Online luxury sales expect strong growth. McKinsey expects online luxury sales to more than triple by 2025, implying that nearly one-fifth of personal luxury sales will take place online (Source: McKinsey, *The age of digital Darwinism*, 2018).

Digital communication and online sales suitable for the home fragrances industry. Digital communication and word of mouth are changing the way shoppers make their decisions, challenging established brands and offering more accessibility to emerging ones, in B2B and B2C markets. Unlike other luxury sectors, as there is a lack of dominant brands in the general home lifestyle segment, this makes it easier to reach shoppers and buyers in a number of touch points, without having to struggle with a pre-imagined restricted list of brands to choose from. Online purchases are trouble-free and in addition, repeat purchases of returning customers would be swift and easy, also promising better margins when compared to other trade channels.

Company drivers

Brand image. Culti Milano's luxury brand represents world renowned Italian design and style, being the Company producing with Italian selected craftsmen and using high quality materials. The *Made in Italy* tag attracts a premium price and has strong appeal globally. Culti has built a reputation for being Milan's home fragrance connoisseur and intends to strengthen its brand awareness to become a lifestyle company. Culti Milano stands for sophisticated fragrances, well-being in one's preferred places and emotional dependence on its own fragrance.

Iconic products. Culti has a unique attitude towards innovation and focus on well-being and lifestyle of consumers. Its home fragrances collections stand out of the crowd for creativity, boldness and imagery. In 1990, Culti introduced, in a conservative and sluggish market, collections that marked a change for the entire industry. Culti's most popular fragrances Tessuto and Aramara have been on the market for 25 years and are recognized as a status symbol.

Lean business model and wide distribution network. Culti's business model is diverse from most competitors and is structured to be lean, based on the direct management of the value chain, with the main focus on style and product development like a "maison". The production is outsourced through a suppliers and assemblers network selected for high quality standards. Culti's distribution model is based on a worldwide network of agents and distributors, with corner shops and walls in over 40 European and Asian department stores, seven stores in Italy (two in Milan, Naples, Bari, Forte dei Marmi, Turin, Rome) and e-commerce.

International presence. Diversified global reach, with further room to expand in the USA, in Europe and in Asia. The projected opening of new stores in some strategic geographical locations represents the next step to achieve a stronger worldwide presence.

Culti free from the maturity risk. A typical concern for luxury companies is the sustainability of growth and a permanent question is how high the chance of is becoming mature and lose appeal. Probably the most challenging task for industry leaders is reconciling volume and profit targets with retention of exclusivity and identity. Culti's business model is likely to be immune from the lifecycle of fashion products and of ever-changing trends being based on iconic *standards* that are bound to last for generations.

Challenges

Winning the digital gamble. Major brands are going digital, establishing a revenue stream from e-commerce and profiting of the benefits of digital advertising and online presence, through a well-built corporate website, social media and online multi-brand stores. Differently, luxury players are more cautious about digital and e-commerce. Culti is no exception, having a direct relationship with end consumers for a part only of its business, while direct e-commerce could be a conflicting channel with the multi-brand, multi-product stores network. However, we expect that the growing importance of digital media will sooner or later force to go digital. The challenge is in guessing the right timing. First typical phase is selling online either through partners or through their own e-shop, only offering a reduced product range and not advertising it much. Then, it would be critical to reach not too late the tipping point when to scale-up quickly e-commerce operations, with significant investments.

Slowdowns of markets pushes promotional sales. With the growing middle class seeking good quality and consumers in mature markets looking for bargains, the off-price channel in the luxury goods market has more than doubled over the past few past years

Low exposure to key markets. The establishment of a structured presence into the traditionally most important markets for luxury goods, namely North America and the so called luxury cities, might require time and significant investments.

Currency issues. Most European luxury goods manufacturers produce in EUR (in France and Italy) and sell throughout the world, with exposure to USD and Dollar-linked currencies. Changes in the EUR/USD exchange ratios are critical to exports.

M&A and cash management. The most common issue with acquisitions in the fashion and luxury sector is that they do not produce many synergies. As a consequence, given the high multiples commanded by the potential sellers, cash generation and payback could become an issue in any potential deal.

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17/10/2017	OUTPERFORM	5.74	4.41
28/03/2018	OUTPERFORM	5.74	4.36
27/09/2018	OUTPERFORM	4.67	3.81
15/04/2019	OUTPERFORM	3.94	2.58
12/08/2019	OUTPERFORM	3.32	2.60
21/04/2020	NEUTRAL	4.12	3.64
13/10/2020	OUTPERFORM	6.88	5.70
09/03/2021	OUTPERFORM	8.24	5.10
07/06/2021	OUTPERFORM	11.44	8.30

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