



NOVUM
CAPITAL PARTNERS

22/02/2022

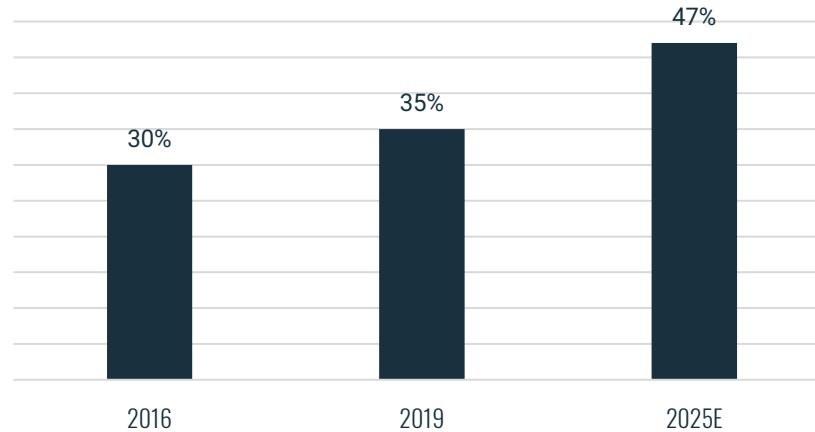
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LUXURY

MARKET OUTLOOK

Chinese consumers will be nearly half of the market by 2025

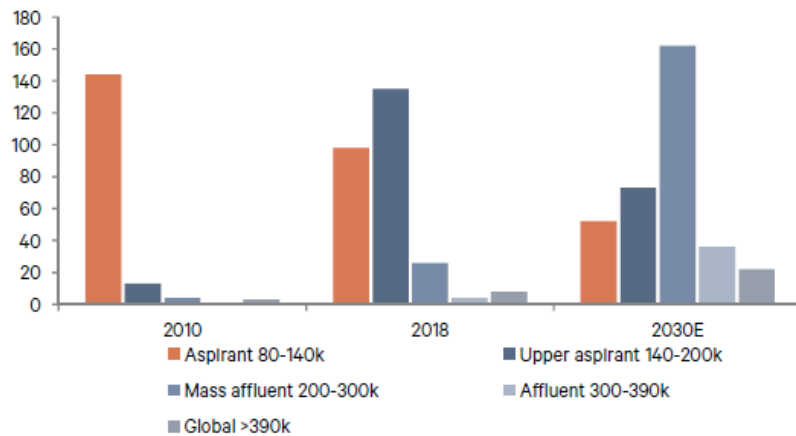
Chinese consumers as a percentage of the total global luxury market



Source: Bain

The rising middle-class in China is one of the biggest structural drivers of long-term growth in luxury

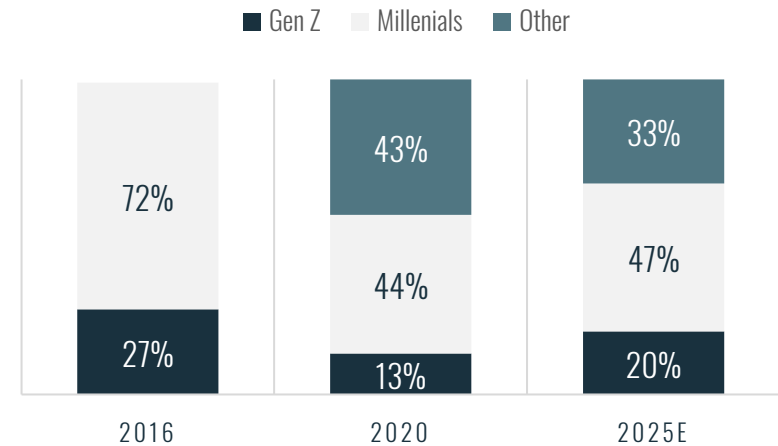
No. Chinese in each wealth bracket (average annual household disposable income, RMB)



Source: McKinsey

Millennials and Generation Z will by nearly two-thirds of the market by 2025, driving the online shift

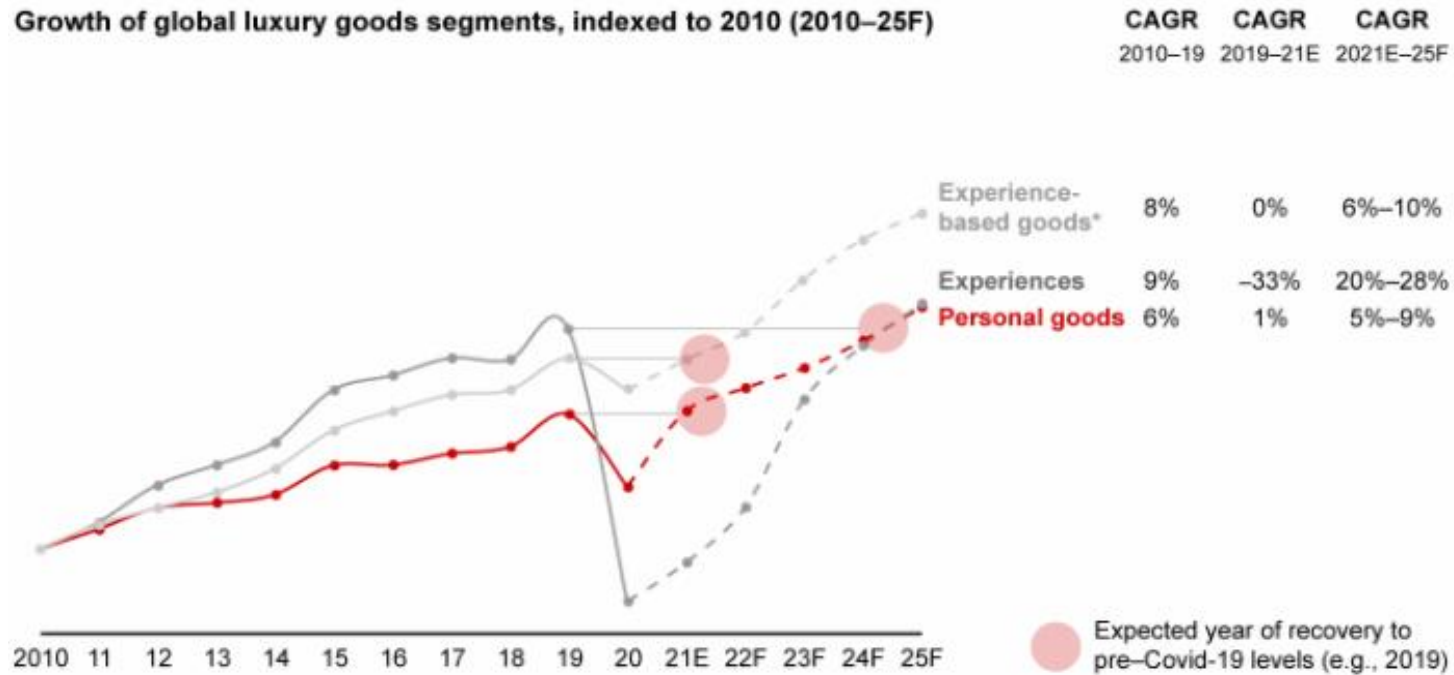
Global luxury mark by age demographic



Source: Bain

MARKET GROWTH

Consumers indulged in luxury products in 2021.
Experiences are expected to complete their recovery in 2024



Notes: at current exchange rates.

Experience-based goods include fine art, luxury cars, private jets and yachts, fine wines and spirits and gourmet food

Experiences include luxury hospitality, cruises and fine dining

Personal goods include high-quality design furniture and personal luxury goods

**2023 acceleration driven by a predicted end to supply chain disruptions in the car market*

Source: Bain

KEY THEMES

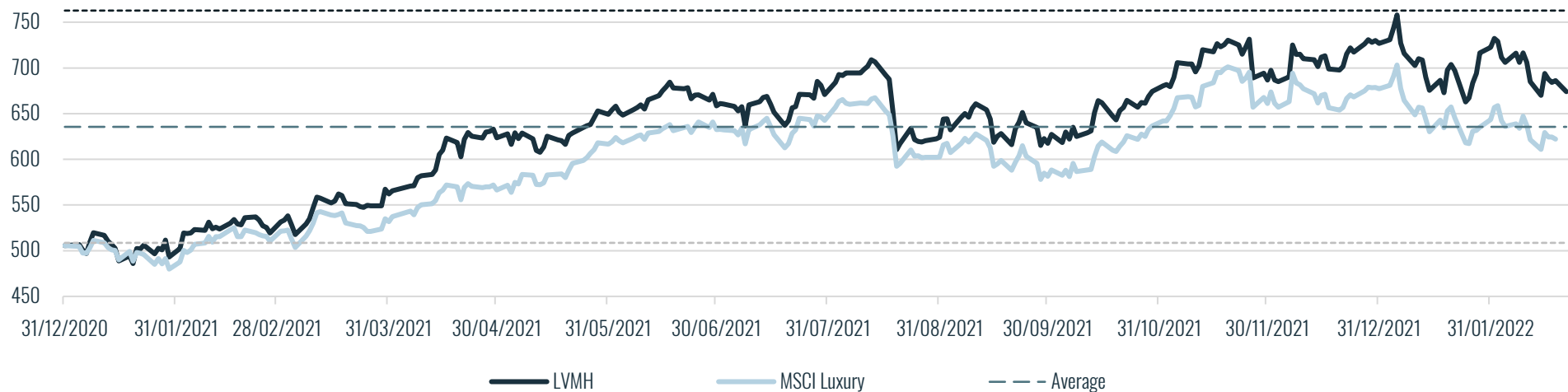
SPEND Framework

DRIVER	Framework
<p>Scale and consolidation</p>	<p>Scale is winning, with clear market polarization as the megabrands continue to outperform</p> <p>Conglomerates benefit from many incremental advantages, and are taking greater shares</p> <p>Luxury remains highly fragmented and M&A should accelerate</p>
<p>Product, brand and pricing power</p>	<p>Product innovation is critical to brand momentum and pricing power</p> <p>The growth potential of brands with accelerating brand heat is often underestimated</p> <p>Strongest brands have strong pricing power</p>
<p>Execution and ESG</p>	<p>With space opportunities limited retail excellence is key to growth and profitability</p> <p>Industry profitability can reach new highs, driven by omnichannel, sales densities and supply chain efficiencies</p> <p>ESG is an accelerating theme in luxury and brands must evolved</p>
<p>Networks</p>	<p>Brands are shifting further towards retail for more control over brand, pricing and profitability</p> <p>China sales repatriation has been accelerated by Covid</p> <p>Digital remains a key opportunity</p>
<p>Diversification</p>	<p>Diversifying risks and opportunities through regional category brand and industry exposure</p> <p>China will be the most attractive region while bags and footwear remain the most attractive categories</p> <p>Conglomerates are extending into new industries and taking more control over the luxury value chain</p>
<p>Valuation</p>	<p>Luxury offers quality growth</p> <p>Luxury's attractive characteristics means investors are happy to take a longer-term view</p> <p>A clear divergence of performances in the sector presents stock-picking opportunities</p>

LVMH

SPEND Framework

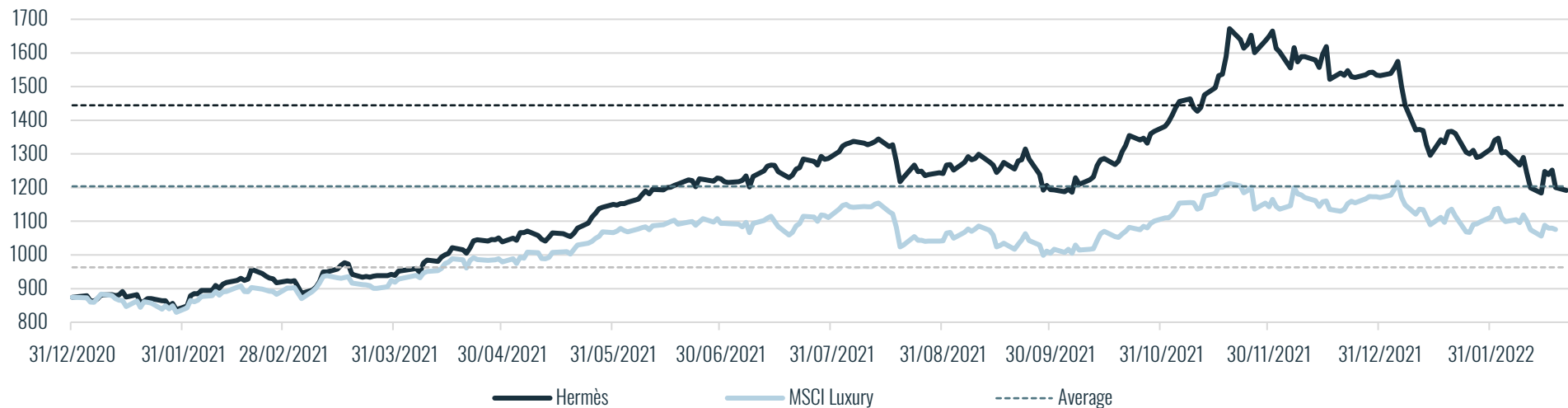
LVMH	Framework
Scale and consolidation	The luxury “bellwether” and biggest conglomerate (12% global share) Continues to take significant share as grows and consolidates Acquired Tiffany but c.EUR9bn pa to fuel further consolidation
Product, brand and pricing power	It's two biggest brands Louis Vuitton and Dior are on fire Spends more on marketing (cEUR6bn) than the sales of many peers LV has very strong pricing power. Has raised prices c7% in Jan 2022
Execution and ESG	Best in class retail execution at LV Sector-leading margins (F&L 33%), led by LV with further self-help operation Highest inventory efficiency in industry (11.8x sales vs 16x average)
Networks	LV is the only brand in with 100% full control over brand and product LV store estate is the benchmark for a 'megabrand' LV has one of the best digital propositions according to our analysis
Diversification	LVMH is the more diversified group in the luxury goods universe, although profit still reliant on its anchor brand LV (>50% group profit) Exposure to soft and hard luxury goods, cosmetics, selective retailing and premium beverages. Viewed by investor as a safe haven
Valuation	LVMH trades on 26.2x PE (2022e), a 11% discount to the sector



HERMÈS

SPEND Framework

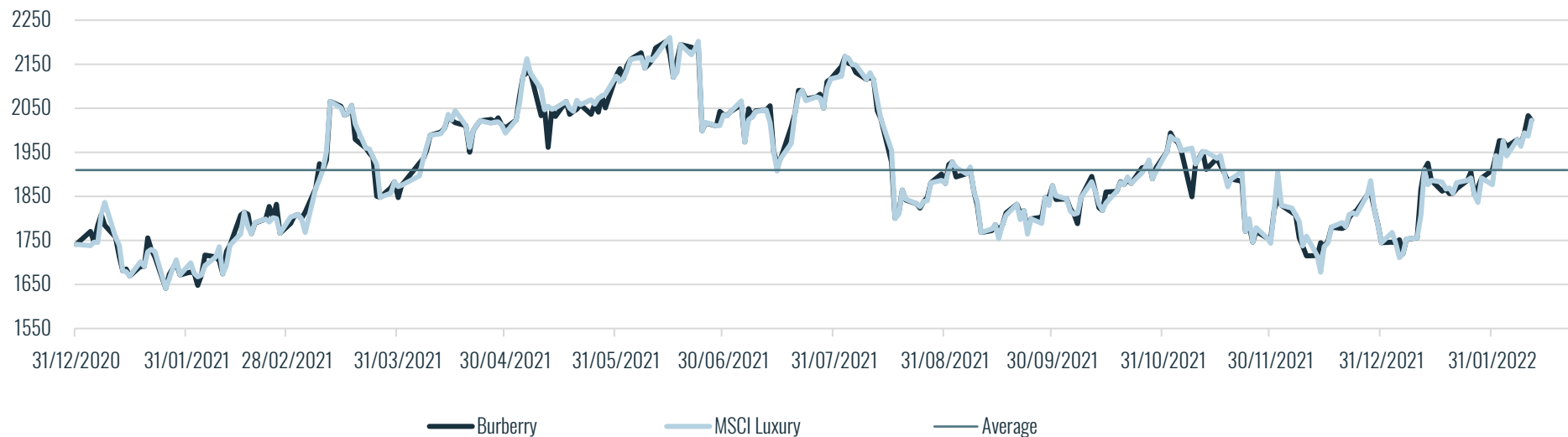
HERMÈS	Framework
Scale and consolidation	Solely focus on Hermès brands, not interested in M&A apart from vertical integration Supply constrained sales, resulting in highly predictable top-line growth
Product, brand and pricing power	Unique product and brand desirability Strong pricing power
Execution and ESG	Best in class margin (c.39% for FY21) achieved with very limited price increase Craftmanship being the core on the brand
Networks	New retail model opportunity Best in class e-commerce strategy New leather good workshop adding capacity
Diversification	Online and new segments (beauty) open path to customers and product diversification
Valuation	Hermès' shares are appropriately valued by the market. The shares are trading at a relatively steep premium c.49x PE (2022e)



BURBERRY

SPEND Framework

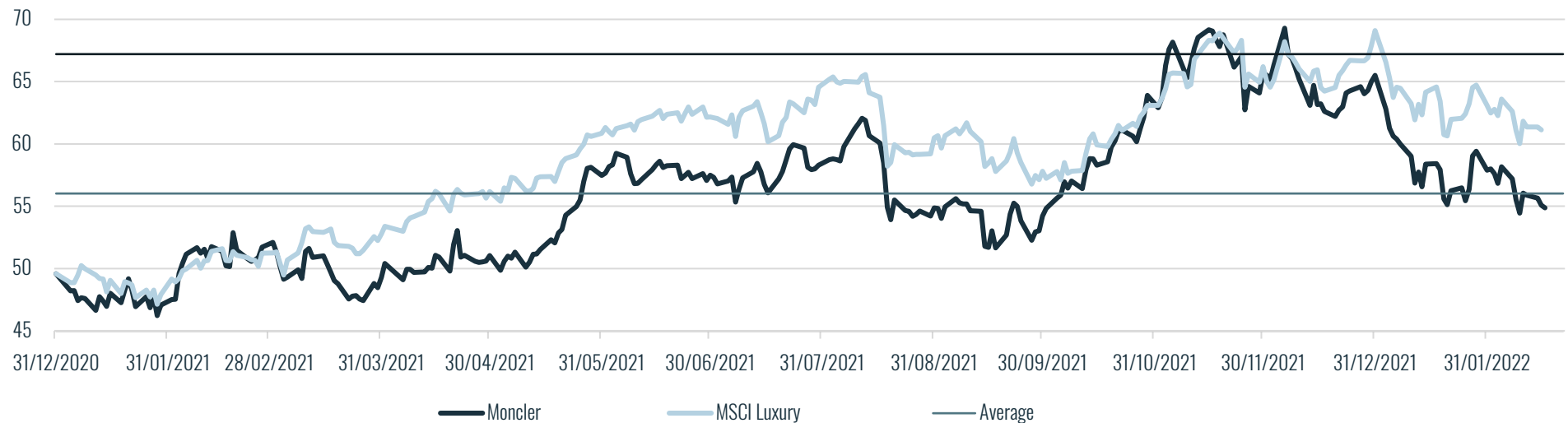
BURBERRY	Framework
Scale and consolidation	Medium-sized monobrand which has been consolidating wholesale
Product, brand and pricing power	Strong brand heritage but not the strongest brand in terms of momentum Indicators not yet showing any turning point for the brand despite Ricardo Tisci joining the creativity helm since 2017 Softer pricing power (haven't materially raised price in 2021 vs peers)
Execution and ESG	Sales densities are c50% below sector average Lowest margins (16%) and weakest cash generation CEO Marco Gobetti has left in December 2021, in the middle of the brand's turnaround plan. He will be replaced by Jonathan Akeroyd in April 2022.
Networks	One of the most extensive China store network, best placed for repatriation but suffered from BCI controversy Best-in class digital capabilities
Diversification	Burberry has the highest exposure to Chinese nationals consumption (c44% of sales) Expanding further into leather goods (currently c.22% of sales)
Valuation	Burberry trades on 20.5x PE (2022e), a 30% discount to the sector



MONCLER

SPEND Framework

MONCLER	Framework
Scale and consolidation	<p>Moncler has gone from monobrand target top multiband consolidator</p> <p>Stone Island is a great deal, offering further growth</p> <p>Moncler now an unlikely takeover target and SI deal introduces execution risks</p>
Product, brand and pricing power	<p>Unique product positioning, good global growth potential</p> <p>Brand momentum looks stable but is highly seasonal</p> <p>Moncler has still significant price gaps notably towards China</p>
Execution and ESG	<p>Best in class retailer. Sector leading cash generation 22% FCF/ sales with exceptional margins (c30%)</p>
Networks	<p>Small store network but roll out opportunity (10/15pa)</p> <p>Investing to internalize e-commerce globally</p>
Diversification	<p>Outwear still 75% of Moncler's business and highly seasonal</p> <p>Stone Island offers diversification but is mainly focused on apparel</p>
Valuation	<p>Moncler is already fairly valued trading broadly in line with the sector at c.30x PE (2022E).</p>



VALUATION

As of 22nd of February, 2022

	Company	Currency	Last price (Local)	Market Cap (M EUR)	EV (LC)	TR YTD (LC)	OPERATIONAL KPIs				Valuation				
							Revenue		EBIT	EBIT Margins	EV/Sales		PE		
							CAGR		CAGR						
							2021e-2024e	2022	2021e-2024e	2022C	2022C	2023C	2022C	2023C	
Soft Luxury Goods	MC FP equity	LVMH MOET HENNE	EUR	665.8	336,067	361,806	-8.8%	9.87%	72,470,387,097	4.05%	26.80%	5.0	4.6	25.5	23.0
	RMS FP Equity	HERMES INTL	EUR	1,220.0	128,795	123,913	-20.5%	10.81%	10,144,100,000	0.19%	37.38%	12.2	11.0	49.2	43.8
	KER FP Equity	KERING	EUR	646.5	80,614	85,667	-8.1%	9.98%	19,586,826,087	13.75%	29.04%	4.4	4.0	20.7	18.4
	BRBY LN equity	BURBERRY GROUP	GBP	2,063.0	9,879	8,472	13.5%	6.55%	2,981,235,363	11.04%	18.40%	2.8	2.7	20.8	18.7
	MONC IM equity	MONCLER SPA	EUR	54.7	14,970	15,472	-14.6%	12.36%	2,360,840,000	16.74%	30.08%	6.6	5.9	30.2	26.3
	1913 HK equity	PRADA	HKD	48.1	13,930	16,160	-3.7%	9.65%	3,772,650,000	27.85%	15.66%	4.3	3.9	36.4	28.2
	BC IM equity	BRUNELLO CUCINEL	EUR	51.5	3,502	4,148	-15.2%	9.23%	787,100,000	23.52%	12.03%	5.3	4.8	64.5	52.9
	BOSS GY equity	HUGO BOSS -ORD	EUR	56.3	3,961	4,822	5.2%	10.38%	3,129,095,238	21.71%	9.35%	1.5	1.4	21.4	17.4
	SFER IM equity	FERRAGAMO SPA	EUR	19.6	3,300	3,623	-13.2%	8.09%	1,259,842,105	19.31%	10.92%	2.9	2.7	42.6	33.4
	TOD IM equity	TOD'S SPA	EUR	47.7	1,579	2,127	-3.2%	8.25%	970,266,667	50.60%	4.62%	2.2	2.0	na	na
Hard Luxury Goods	ZGN US equity	ERMENEGILDO ZEGN	USD	9.6	2,062	2,541	-11.7%	10.27%	1,463,000,000	20.25%	10.87%	1.7	1.6	33.4	24.3
	CFR SW equity	CIE FINANCI-REG	CHF	128.3	70,911	71,486	-6.4%	9.93%	19,786,843,151	15.17%	20.75%	3.6	3.3	22.9	22.6
	UHR SW equity	SWATCH GROUP-BR	CHF	285.5	14,147	12,103	2.3%	6.20%	8,026,760,000	13.14%	14.91%	1.5	1.4	17.2	15.3
												Average	4.2	3.8	32.1
											Median	3.9	3.6	30.2	24.3
											Min	1.5	1.4	17.2	15.3
											Max	12.2	11.0	64.5	52.9

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EYEWEAR

ESSILORLUXOTTICA

As of 22nd of February, 2022

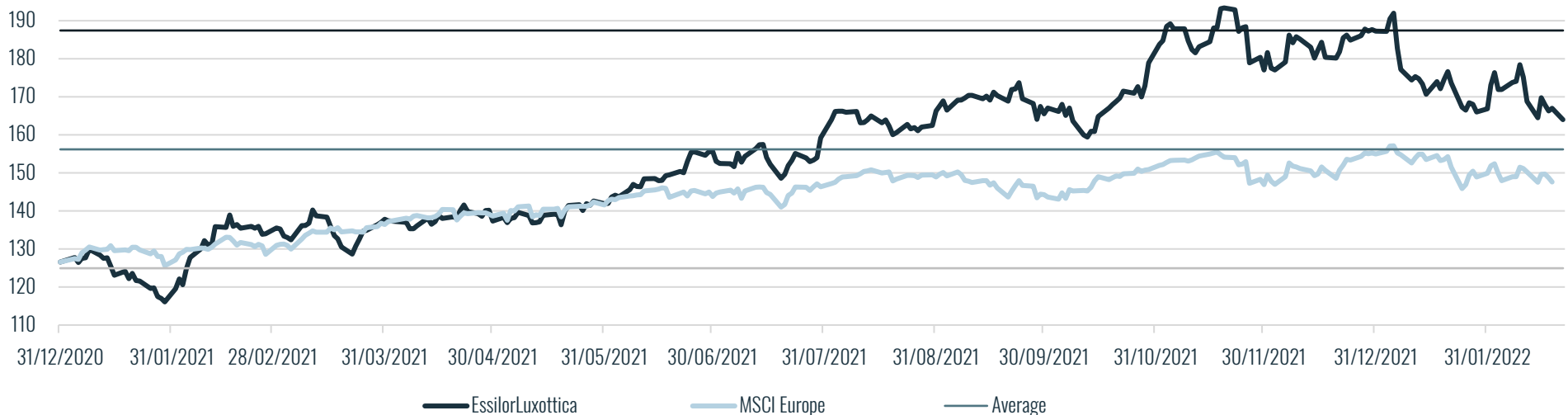
EssilorLuxottica (EL) is the eyewear market leader (with more than 20% market shares) it owns the largest retail network, the biggest frames brands (eg: Ray-Ban, Oakley, Persol, Luxury licenses including Chanel, Prada..) and patterned lens technologies (eg: Varilux Lens), Essilor itself represents 2/3 of the lens industry R&D.

Long term catalysts:

- Myopia itself is a pandemic (by 2050 half the population will be myope), EL has launched a new lens (Stellest lens) that slows down myopia - a breakthrough and FDA approved technology and a multi-billion opportunity
- Market consolidation with M&A, and continuous market premiumization provides tailwinds to revenues and margins

Short term catalysts :

- EL has beat estimates and upgraded guidance each quarters in 2021, which is an upside risk for FY2021 results in March 2022 (CMD in 2022)
- EL is also a key re-opening trade (travel retail, sunwear c.30% of sales are still depressed)



VALUATION

As of 22nd of February, 2022

							OPERATIONAL KPIs				Valuation				
							Revenue		EBIT	EBIT Margins	EV/Sales		PE		
							CAGR		CAGR						
							2021e-	2022	2021e-	2022C	2022C	2023C	2022C	2023C	
							2024e		2024e						
	Company	Currency	Last price (Local)	Market Cap (M EUR)	EV (LC)	TR YTD (LC)									
Sporting Goods	ADS GR equity	ADIDAS AG	EUR	219.4	42,137	43,626	-13.4%	9.25%	23,433,612,903	20.98%	10.93%	1.9	1.7	23.1	18.9
	NKE US equity	NIKE INC -CL B	USD	139.4	194,932	218,068	-16.8%	10.97%	50,928,832,708	19.44%	15.97%	4.3	3.8	32.6	26.7
	PUM GR equity	PUMA SE	EUR	86.7	13,080	13,825	-19.3%	10.45%	7,651,750,000	20.68%	9.09%	1.8	1.6	30.1	23.6
	JD/ LN Equity	JD SPORTS FASHIO	GBp	155.9	9,633	9,555	-28.6%	8.40%	8,833,251,844	7.02%	10.96%	1.1	1.0	13.1	12.3
Eyewear	EL FP equity	ESSILORLUXOTTICA	EUR	162.6	71,950	74,478	-13.3%	7.64%	22,299,150,000	12.36%	16.85%	3.3	3.2	27.1	24.3
	FIE GR equity	FIELMANN AG	EUR	54.1	4,540	4,800	-8.6%	6.41%	1,854,100,000	9.90%	14.90%	2.6	2.5	25.2	23.1
	MRX GR equity	MISTER SPEX SE	EUR	9.8	340	188	-13.1%	23.68%	238,750,000	23.05%	-4.27%	0.8	0.6	na	na
Apparel	ITX SM equity	INDITEX	EUR	24.6	76,701	73,016	-13.7%	6.05%	29,678,080,260	10.62%	17.89%	2.5	2.3	19.0	21.0
	HMB SS equity	HENNES & MAURI-B	SEK	167.2	26,091	315,948	-6.1%	5.94%	225,011,815,911	8.42%	9.23%	1.4	1.3	18.0	16.8
	ASC LN equity	ASOS PLC	GBp	1,921.0	2,301	2,049	-18.8%	15.25%	4,558,909,381	11.91%	3.23%	0.4	0.4	17.4	14.9
									Average		2.0	1.9	22.8	20.2	
									Median		1.8	1.7	23.1	21.0	
									Min		0.4	0.4	13.1	12.3	
									Max		4.3	3.8	32.6	26.7	

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