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**Two Giants, One Merger: An Analysis of Moncler's Acquisition of Stone
Island**

ROCCO GUSTI

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Group Part

Abstract

This case study presents a thorough examination of the landmark alliance between Stone Island and Moncler, a merger that signifies a major shift in the Italian luxury fashion sector. This development is set against the backdrop of the long-standing dominance of French luxury conglomerates and paves the way for the rise of an Italian luxury hub on the global stage. The study explores the historical evolution of Italian luxury brands, highlighting their strategic decisions to either merge with larger conglomerates for international growth or maintain their unique Italian identity and independent operations.

At the heart of this analysis is the Stone Island-Moncler deal, an embodiment of shared visions, entrepreneurial spirit, and a profound respect for brand values and heritage. The study provides a timeline of the merger, detailing Moncler's acquisition strategy and Stone Island's rationale for the partnership, emphasizing the strategic imperative of preserving brand integrity and identity in such collaborations.

Additionally, the study delves into the broader dynamics of the European luxury retail market, examining the impact of geopolitical tensions and changing consumer behaviors on the industry. Despite challenges, the market is projected to grow significantly, indicating a robust future for luxury brands.

This case study aims to provide a comprehensive view of the Stone Island-Moncler merger, shedding light on the strategic importance of such alliances in the luxury fashion industry and their implications for brand positioning, market dynamics, and the overall landscape of luxury retail.

Key Words:

M&A

Brand Strategy

Market Expansion

Financial Analysis

Market Expansion

Luxury Fashion

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Introduction

"Remo and I have decided to join our forces and our visions to face together and stronger the challenges that await us. We have common roots, similar entrepreneurial paths, and the utmost respect for both the deep values of our brands and for our people. And we are Italian."

The Stone Island-Moncler deal represents a significant development in the world of Italian luxury fashion and has ignited discussions about the potential emergence of a new international hub of Italian luxury to rival the dominance of major French conglomerates like LVMH and Kering.

To comprehensively address the case study, it is essential to examine the historical context and past strategies of Italian luxury brands. Notably, brands like Bottega Veneta have chosen to align themselves with French conglomerates in pursuit of international expansion. These acquisitions have granted them access to substantial financial resources and global distribution networks. However, such decisions have also raised concerns about the preservation of their unique Italian identities and creative heritage.

In parallel, it is crucial to underscore the existence of a multitude of independent Italian luxury brands that continue to operate autonomously. These brands, many of which have deep-rooted traditions and unparalleled craftsmanship, present an intriguing opportunity. They may potentially consider joining forces with the emerging alliance led by Moncler, seeking collective strength in numbers to navigate the competitive global luxury landscape.

This case study seeks to provide an in-depth analysis of the Stone Island-Moncler collaboration, exploring its strategic implications, potential synergies, and long-term ramifications for the Italian luxury industry, while also delving into potential downsides, such as risks of brand dilution, cultural clashes, and challenges in maintaining distinct brand identities within a unified framework. By doing so, it aims to shed light on whether this partnership signifies the dawn of

a new era in Italian luxury, one where independent brand unites under a shared banner, harnessing their distinctive strengths to challenge the supremacy of French luxury conglomerates.

Moncler: A Leader in This Period, But It Wasn't Always This Way

Today, Moncler stands as a prominent brand within the luxury sector, embodying style and innovation. Observing its futuristic storefronts that captivate the attention of both visitors and passersby and considering its collaborations with renowned figures in contemporary design, it is scarcely conceivable that this enterprise, initially established in 1952 in Monestier-de-Clermont, primarily served as a manufacturer of gear for mountain workers and the provision of down jackets for high-altitude expeditions.

At the helm of this transformative journey stands Remo Ruffini, now recognized as a Knight of Labor, a pivotal figure within the international fashion industry landscape. Hailing from Como, Ruffini embarked on a successful career in the United States before returning to Italy with a precise objective in mind: to rejuvenate the Moncler brand, revamp its image while preserving its historical essence, and position it as a preeminent player in the global market. After all, there is no reason why impeccable mountain outerwear cannot also befit urban environments and various other occasions. Rooted in product quality, Ruffini's vision transcends the realm of sports, harmoniously fusing artistic creativity with astute management acumen.

This endeavor proved triumphant, culminating in the brand's successful initial public offering in 2013. Yet, Ruffini's quest for reinventing the company's narrative extends to the realm of communication. Recognizing the pivotal role of social media in marketing strategies and in the lives of consumers, Ruffini propelled Moncler into a future where "luxury" no longer merely denotes ownership but signifies belonging to a community and embracing experiential living.

He states, "We have always focused on disruptive communication, we are innovators from the beginning, since we had a small budget and larger competitors to contend with."

The final and audacious stride towards achieving the envisioned goal transpired in 2020, amidst one of the most intricate years for the global market. During this time, Ruffini acquired Stone Island, a historic brand renowned for its substantial generational appeal. While statistics indeed testify to the success of the brand, its true triumph is prominently evident in collections that, season after season, captivate the hearts of aficionados and trendsetters alike. Such achievements are the fruits of creative endeavors, exemplified by projects like Genius.

The acquisition of Stone Island by Moncler, while strategic, introduces certain risks and challenges that necessitate careful management. A primary concern is the potential for cannibalization. The risk that Moncler and Stone Island's product lines might overlap, leading to internal competition, cannot be overlooked. To mitigate this, it is crucial to maintain a clear differentiation between the brands. This will help avoid cannibalization of sales, ensuring that each brand retains its unique identity and market positioning, thus allowing them to complement rather than compete.

Another critical issue is the maintenance of prestige and exclusivity. The integration of Stone Island into Moncler's portfolio demands meticulous attention to preserve each brand's prestige. In the luxury sector, exclusivity is a significant driver of value, and any merger or acquisition that potentially undermines this perception can be detrimental to the brand's appeal and positioning in the market. Therefore, it's vital to find a harmonious balance that leverages the strengths of both brands while simultaneously preserving their individual heritage, exclusivity, and high-end allure.

When an individual acquires a luxury garment, the act transcends mere ownership of an item; it represents engagement in a shopping experience that conveys a narrative. In this context, the

narrative is rich with attributes like bravery, ardor, heritage, and innovation. Most importantly, it is a chronicle of charismatic personalities and their pioneering creative visions.

1. Timeline

- **07/12/2020:** Moncler S.p.A. and Sportswear Company S.p.A., the parent company of the Stone Island brand, announced an agreement on this date. This agreement marked the joining of Stone Island with Moncler, with the aim of developing a new shared vision of luxury. The deal valued Stone Island at €1.15 billion which represents a multiple of 16.6x 2020A EBITDA and a multiple of 13.5x 2021E EBITDA.
- **23/02/2021:** On this date, Moncler acquired the remaining 30% of Stone Island from Temasek. Notably, Temasek, along with Rivetti shareholders, reinvested 50% of the consideration in Ruffini Partecipazioni.
- **25/03/2021:** An Extraordinary Shareholders Meeting was convened on this date to vote on the reserved share capital increase.
- **26/03/2021:** Stone Island made a strategic decision in accepting the proposal from Moncler, despite it being financially less favorable compared to offers from other corporations and investment entities. This choice strategically circumvented potential risks associated with brand dilution, cultural discord, and the complexities involved in preserving separate brand identities within an integrated organizational structure.

2. Luxury Retail Evolution, Drivers, and Key Trends

The European luxury retail market is experiencing a dynamic transformation driven by a combination of evolving consumer preferences and external factors. Geopolitical tensions, exemplified by the Russia-Ukraine conflict, have disrupted retail operations, leading major

retailers to suspend activities in affected countries and limiting Russian consumer spending on luxury items due to sanctions. Nevertheless, the European luxury market is poised for substantial growth, with predictions indicating an expansion from €294.2 billion in 2022 to €471.9 billion in 2027, reflecting a robust CAGR of 9.9% (*Exhibit 1*).

To address these challenges and capitalize on opportunities, luxury retailers are strategically adapting. Traditional brick-and-mortar stores maintain their significance, offering an irreplaceable experiential element, leading to investments in pop-up and concept stores in renowned retail hubs. Sustainability has emerged as a pivotal element of consumer purchasing behavior, compelling luxury brands to integrate sustainability into their long-term strategies, especially with younger consumers like millennials and Gen Z prioritizing environmentally friendly choices. Retailers are also undergoing a digital transformation, directing investments towards e-commerce, digital marketing, and immersive technologies such as Augmented Reality (AR), Artificial Intelligence (AI), and Virtual Reality (VR) to elevate the customer experience. Augmented reality, in particular, has gained substantial momentum among luxury consumers, enhancing the overall shopping experience.

A significant driver of growth will come from the strengthening of Stone Island. For Carlo Rivetti's brand it is anticipated that by 2024 there will be a network of 100 stores, half of which will adopt a new store format. This format is not only focused on distinctive aesthetic aspects but aims to be a flexible space that emphasizes customer interaction. The first store with the new concept is set to open in the United States, in Chicago. "This does not mean that wholesale will be penalized," the management emphasized during the presentation, "but that we want to have greater control over the market."

Further enhancing this landscape is Moncler's Genius initiative, a cornerstone of creative experimentation accounting for 5% to 10% of total sales. Primarily targeting Generation Z, this

initiative signifies a shift in Moncler's brand concept, focusing on collaborations extending beyond the fashion world to encompass art, entertainment, and sports sectors. Additionally, the Moncler Collection is increasingly tailored to cater predominantly to the millennial and Generation X communities.

However, the acquisition of Stone Island by Moncler comes with its own set of challenges. A crucial concern is the balance between growth and maintaining independence. The deal strategically aims to utilize Moncler's established distribution network to broaden Stone Island's reach, especially in the American and Asian markets. It is imperative, however, to manage this expansion without undermining Stone Island's independent operational and creative ethos. The core challenge lies in preserving Stone Island's distinctive brand identity and creative vision, while simultaneously leveraging Moncler's extensive distribution and marketing capabilities.

In summary, the European luxury retail market is undergoing a multifaceted evolution, characterized by dynamic consumer preferences and external influences. Brands are responding by embracing innovation, sustainability, and omnichannel strategies, demonstrating adaptability and resilience in a complex operating environment.

3. Corporate Overview

The Moncler Group, established on April 1, 2021, heralds a novel paradigm in luxury, steeped in experiential ventures, inclusivity, and community affiliation, while intertwining various domains such as art, culture, music, and sports.

The merge of two Italian powerhouses under the credo "beyond fashion, beyond luxury" amplifies their prowess in resonating with the evolving cultural dynamics of contemporary audiences. Preserving their distinctive brand personas through authenticity, the relentless quest for distinctiveness, and deep-rooted community ties, the Group melds its entrepreneurial spirit

with diverse management practices and technical sagacity to elevate brand competitiveness and augment growth trajectories, all while cultivating a commitment to sustainability.

The Moncler Brand

Moncler was founded in 1952 in Monestier-de-Clermont, a small community in the mountains near Grenoble, with a concentration on mountain sports clothing.

Remo Ruffini purchased Moncler in 2003 and began a process of repositioning in which the brand took on an even more distinctive and exclusive style, evolving from a line of products used purely for sport purposes to versatile lines that clients of all gender, age, identity, and culture can wear on any occasion, and where outerwear, while being the brand's identifying category, is gradually and naturally integrated with complementary products. Moncler, under his direction, pursues a concept aimed at making goods that are unique, of the highest quality, versatile, and continually evolving, while staying faithful to the brand's DNA and guided by the phrase "born in the mountains, living in the city."

Tradition, uniqueness, quality, consistency, and energy have always been distinguishing features of the Moncler brand, which has evolved while remaining consistent with its DNA, heritage, and identity, in a continuous search for an open dialogue with its many global consumers.

Key Organizational Structure Elements of Moncler

At the heart of Moncler Group's strategy lies the genuine elevation of its brands, nurturing their intrinsic singularity. The synergy of varied entrepreneurial and managerial philosophies, combined with industry acumen and technical proficiency, propels the organization. Moncler's strategic foundations encompass:

Integrated and Flexible Business Model: Moncler's model prioritizes direct oversight of high-value phases, with customer fulfillment and quality enhancement as pivotal operational tenets.

Brand and Collections: Moncler's success is rooted in a unique brand strategy, creating innovative products deeply connected to its history. Collections, including Moncler Collections, Moncler Grenoble, and Moncler Genius, cater to diverse consumer needs and lifestyles.

Production Strategy: Moncler governs design, material sourcing, and initial prototyping in-house. The brand upholds superior standards in outerwear and knitwear by blending internal processes with select third-party manufacturing partnerships.

Distribution Network: Moncler maintains a global presence through retail channels like directly operated stores, online platforms, and e-concessions. Wholesale channels include multi-brand doors, shop-in-shops, and collaborations with luxury department stores and online retailers.

Marketing and Communication: Moncler's marketing approach challenges traditional fashion norms, particularly since the launch of Moncler Genius in 2018. Monthly collection launches and a strong digital presence, including social media and exclusive events, are central to consumer engagement.

Digital Transformation: Moncler accelerated its digital transformation in 2022, internalizing e-commerce activities and creating a dedicated Digital, Engagement, and Transformation function. The organization aims for a digital-native approach in design, product development, and events, fostering creativity and interaction.

Digital Engagement and Transformation: Moncler established a Digital, Engagement, and Transformation function to drive digital opportunities and spread a digital culture.

The function oversees key pillars such as D-Commerce, D-Marketing, Consumer Engagement, D-Intelligence, and D-Operations.

Social Media Dynamics: Moncler actively engages with its audience on various social media platforms, including Instagram, Facebook, Twitter, YouTube, LinkedIn, TikTok, WeChat, Weibo, Douyin, RED, LINE, and Kakao Talk.

In summary, Moncler Group's multifaceted strategy encompasses brand development, innovative collections, meticulous production, diverse distribution channels, digital transformation, and dynamic marketing. This comprehensive approach positions Moncler as a forward-thinking and globally influential player in the luxury fashion industry.

Financial statistics and key metrics

To have a better understanding of the company's competitive positioning and profitability, it is useful to evaluate some crucial measures that attest to the group's strength and continuous growth.

Moncler Group delivered an exceptional financial performance in 2022, with significant revenue growth and robust profitability (*Exhibit 2*). Here are the main points:

Group Consolidated Revenue: the group's consolidated revenue totaled €2,602.9 million, representing a 27% increase at current exchange rates over €2,046.1 million in 2021.

Moncler Brand: revenues for the Moncler brand increased by 19% at constant currency rates to €2,201.8 million in 2021, from €1,824.2 million. At steady exchange rates, this implies a stunning 36% growth over 2019.

Comparable Store Sales Growth (CSSG): compared to 2021, the Comparable Store Sales Growth (CSSG) reached +15%, highlighting the brand's continued success and consumer demand.

EBIT and Margin: the group's EBIT (Earnings Before Interest and Taxes) was €774.5 million, with a margin on revenues of 29.8%, up from €603.13 million in 2021 with a margin of 29.5%.

Group Net Result: in 2022, the Group's net result was €606.7 million, a considerable rise from €411.43 million in 2021. This includes a €92.3 million unusual tax advantage relating to the Stone Island trademark tax value realignment.

Net Financial Position: the Group's net financial position in cash was €818.2 million, up from €729.6 million at the end of 2021. Despite dividend payments, share buy-backs, and replacement tax payments for the Stone Island brand tax value realignment, this transpired. Lease liabilities totaled €837.4 million at the end of 2022.

Dividend Distribution: the Board of Directors approved a dividend distribution proposal of €1.12 per share, highlighting the company's commitment to shareholder value.

In conclusion, Moncler Group's 2022 financial report highlights the company's strong growth, profitability, and financial stability, setting it for continued success in the premium apparel business.

Financial Markets Performance

In the tumultuous landscape of 2022, Moncler confronted a challenging year characterized by elevated volatility and uncertainty in the global macroeconomic scenario. This turbulence affected both financial markets and the luxury sector. The invasion of Ukraine by Russia in February triggered enduring global political instability, resulting in sanctions on Russia and significant tensions in raw material markets, particularly those related to energy. This led to substantial price increases in Europe and America, contributing to the highest inflation levels experienced in years.

China encountered a demanding operational environment as unforeseen surges in Covid cases prompted stringent government restrictions in major cities during the second and fourth quarters. This, in turn, had a pronounced adverse impact on travel, consumption, and the overall economic and social fabric of the country. The intricate macroeconomic dynamics, coupled

with the looming threat of a global recession, played a role in fostering severe volatility in financial markets throughout the entirety of the year.

Global Equity Indices and Luxury Sector Performance: Western equity indices experienced double-digit declines, with the global S&P Global Index, BMI down by 29%. In Europe, the EuroSTOXX50 dropped 12%, the FTSE MIB closed the year at -13%, and the S&P 500 in the United States recorded a -19% decline. Asian markets also struggled, with the NIKKEI 225 in Japan falling by 9%, the Hang Seng Index in Hong Kong down by 15%, and the Shanghai Stock Exchange index declining by 13%, influenced by Covid-related uncertainty and deteriorating macroeconomic data in China.

Despite operational resilience, luxury stocks, on average, witnessed a 13% decrease in 2022. Brunello Cucinelli and Burberry were notable exceptions, posting positive performances of 14% and 12%, respectively. However, most other luxury stocks, including Moncler, experienced declines. The challenging economic landscape impacted various luxury brands, with Tod's, Kering, and Salvatore Ferragamo notably underperforming with stock value declines of 39%, 33%, and 27%, respectively (*Exhibit 3*).

Moncler Stock Performance: Moncler's stock performed negatively, reaching €49.5 at the end of 2022, reflecting a 23% decline over the previous 12 months.

Market Capitalization and Total Shareholder Return (TSR): Moncler's market capitalization was €13.5 billion as of December 31, 2022, compared to €17.5 billion a year earlier. The Total Shareholder Return (TSR) for the year was -22%.

Number of Shares: The number of shares as of December 31, 2022, stood at 273,682,790.

In summary, Moncler faced considerable headwinds in 2022 due to geopolitical events, market uncertainties, and the impact of the global health crisis. Despite these challenges, Moncler

maintained resilience, albeit reflected in a decline in stock performance and market capitalization, indicative of the broader economic challenges during the year (*Exhibit 4*).

The Stone Island - Moncler operation faces the challenge of operating in an environment of global economic uncertainty and changing consumer trends. It is essential that the merged entity demonstrate resilience and adaptation to market dynamics, responding quickly to changing market conditions and consumer preferences. This agility is critical to sustaining growth and maintaining relevance in a highly dynamic global market.

The transaction comes against a backdrop of economic and market volatility in which mitigating financial instability is critical. Fluctuations in global markets, consumer spending patterns and potential supply chain disruptions pose significant financial risks. The merged entity must develop a strategy to effectively manage these uncertainties, ensuring financial stability and resilience in the face of potential economic upheaval.

4. Stone Island: an Italian jewel of research and innovation since 1982

A culture of research, experimentation, and usability have always defined Stone Island; an informal clothing brand founded in 1982 by Massimo Osti and Carlo Rivetti in Ravarino, a small town in the province of Modena, with the intention of becoming a symbol of extreme research on fibers and fabrics, applied to an innovative design.

Stone Island discovers its own language through the study of form and the "handling" of materials, with rigorous investigation and maximum usefulness as founding pillars. Each Stone Island piece is the result of a perfect mix of experimentation and usability, of fabric research and reason.

An ongoing and in-depth investigation into the transformation and ennobling of fibers and fabrics, as well as the unique ability to intervene on the finished garment through continuous

dyeing experiments, has resulted in the discovery of previously unknown materials and production techniques, as well as the development of over 60,000 different dye recipes.

Corporate Overview

Stone Island is a recognized and prominent force in the fast-paced world of sportswear, noted for its dedication to innovation and the production of high-quality products. Stone Island has emerged as a trailblazer, shaping the industry with its unique blend of functionality, technology, and style, founded on values of craftsmanship and a love for pushing fashion boundaries.

A careful attention to every aspect of the garment lifecycle is at the heart of Stone Island's organizational structure. The company's dedication to quality begins with its cutting-edge design and production division. Each garment embodies the brand's mentality of pushing the frontiers of what's possible in sportswear, with a focus on cutting-edge fabrics and technological developments. Strategic brand and marketing initiatives boost the brand's resonance even more. Stone Island has expertly established a distinct corporate identity that is recognized worldwide. The brand has built a loyal fanbase by utilizing a balanced blend of digital and traditional marketing channels. Stone Island continually reaffirms its presence in the ever-changing fashion landscape through collaborations, events, and strategic partnerships.

Stone Island's success is based on its persistent commitment to remain ahead of the curve. The Innovation Hub of the organization serves as a research and development hub, where experts investigate novel materials, processes, and designs. This dedication to continual improvement and discovery distinguishes Stone Island as a forerunner in sportswear innovation, originating rather than following trends.

Stone Island has unique appeal which creates value for the brand, renowned for its innovative and high-quality sportswear. It is crucial to keep Stone Island's identity and creative autonomy intact to avoid alienating its loyal customer base. Strategies should focus on preserving Stone

Island's unique brand narrative and innovative spirit, while leveraging Moncler's resources to enhance, not overshadow, its distinct qualities. Regular monitoring of customer perceptions is essential to manage and mitigate any negative impacts on the brand's image. how to integrate operations while maintaining this identity to avoid the risk of alienating Stone Island's loyal customer base is crucial.

In essence, Stone Island's organizational structure reflects the company's all-encompassing approach to the sportswear sector. Every aspect of the brand's tradition of excellence and innovation is methodically developed, from design and manufacture to marketing, retail, and innovation. This comprehensive and strategic organization guarantees that Stone Island not only adapts to the industry's dynamic demands, but also actively determines its trajectory, cementing its place as a leader in modern sportswear.

In the context of the Stone Island-Moncler deal, a crucial aspect to consider is the valuation and preservation of intangible assets. These assets, which include brand equity, customer loyalty, and brand identity, often constitute a significant portion of a company's value, especially in the luxury fashion sector. Post-merger, it becomes imperative to assess how these intangibles can be quantified and protected. Approaches need to be formulated to ensure that Stone Island's intrinsic brand value - encompassing its heritage, design ethos, and customer perception - remains intact and, if possible, is enhanced within the merged entity. Exploring valuation techniques for these intangible assets and developing strategies for their integration and enhancement is essential to bolster the overall market value of the combined company.

Key Organizational Structure Elements of Stone Island

Innovative design and production: Stone Island's avant-garde design and production section lies at the heart of the company's success. Visionary designers cooperate to drive textile technology

forward by incorporating cutting-edge materials and technical fabrics. Stone Island's sportswear is distinguished by its commitment to innovation in terms of craftsmanship and design.

Strategic brand and marketing initiatives: Stone Island's brand identity is intentionally cultivated through a fusion of digital and traditional marketing initiatives. Collaborations with celebrities, artists, and sportsmen assist to trend shaping rather than trend following. These activities have a global impact, resulting in a distinct and appealing brand narrative.

Robust retail and distribution channels: Stone Island's retail spaces are immersive experiences that demonstrate the brand's vision and commitment to innovation, in addition to being points of sale. Its distribution channels' global reach provides accessibility, making its distinctive sportswear available to a diverse client base.

Innovation Hub: Stone Island's proactive strategy to staying ahead of industry innovations is driven by the Innovation Hub, which serves as the hub for research and development. Experts investigate novel materials, manufacturing techniques, and design concepts in order to express the brand's commitment to constant improvement.

Collaborations: The common thread that runs through the history of Stone Island's collaborations is that they take place with mutual respect between collaborators. This was the case for the ante litteram collaborations launched already in 2019, which the Company had with Adidas and New Balance; further strengthened with other important collaborations with Supreme (from 2014 to today), Nike (from 2016 to 2019), Head Porter (2015-2020), Persol (2020) and from 2021, a new long-term partnership with New Balance.

Financial Statistics

To gain a nuanced understanding of Stone Island's financial strength and market position within the sportswear industry, it is beneficial to analyze the Stone Island's revenue generations and trend.

Revenue Trend: In 2022, Stone Island brand revenues were equal to €401.1 million up +29% compared with €310.0 million recorded in the 12-month proforma of 2021 (of which €221.9 million generated from 1 April 2021 and consolidated in the Moncler Group).

Revenue by region: EMEA is the most important region for Stone Island and contributed €278.7 million to 69.5% of revenues in 2022. Italy, UK and France led the growth of the region in the year. Asia reached €80.2 million revenues, driven by the conversion into retail of Korea and Japan, while APAC suffered in the fourth quarter due to the Covid-19 restrictions in Mainland China. Americas registered revenues of €42.3 million, with growth driven by a good performance of the collections in the wholesale channel (*Exhibit 5 and Exhibit 6*)

Revenue by distribution channel: with €252,0 million sales in 2022, the wholesale channel, which continues to represent the majority of brand revenues (63% of total), grew by 7% compared to 2021 pro-forma, driven by a good success of the collections across all markets and despite the conversions into retail that occurred during the year. The DTC channel (representing 37% of total revenues) posted sales of €149.2 million, up +93% from the pro-forma for 2021, led by the previously noted conversion of Korea and Japan, as well as significant double-digit performance in EMEA and the Americas. The direct web channel had double-digit growth. Even without the impact of the year's wholesale-to-DTC conversions, growth would have been in the double digits in both channels in full year and in Q4. The network of mono-brand Stone Island retailers consisted of 72 retail outlets and 19 mono-brand wholesale stores as of December 31, 2022. Stone Island opened its first DOS under the new format in Chicago in the fourth quarter (*Exhibit 7 and Exhibit 8*).

In conclusion, a hypothetical analysis of key financial indicators for the period from 2020 to 2022 suggests that Stone Island maintains a positive financial situation. The assumed market capitalization reflects the brand's strength and potential, indicating a significant market

valuation. The assumed growth in revenues during this period implies solid operating performance and sustained consumer demand, while a positive net income underscores effective financial management and long-term profitability. This collective analysis suggests that Stone Island continues to enjoy a solid financial position, providing a stable foundation for future growth and value creation for stakeholders during the specified period.

Source: Moncler 2022 Annual Report and press release

5. Deal agreement

On December 6, 2020, the Board of Directors of Moncler S.p.A. unanimously authorized the project of integration of Sportswear Company S.p.A. ("SPW"), owner of the Stone Island brand. With this transaction, united by their “beyond fashion, beyond luxury” philosophy, these two Italian brands strengthen their positioning within the “new luxury” segment, a concept that embraces the search for experientiality, inclusivity, a sense of belonging to a community and the mixing of diverse meanings and worlds including those of art, culture, music and sport.

The agreement states that the acquisition will take place on the basis of an equity value established by the parties totaling 1.15 billion euros calculated on 100% of the capital. This price equates to a multiple of 16.6x 2020A EBITDA. Moncler paid the consideration for the purchase of the shares in cash, and it is understood that at closing, the SPW Shareholders have agreed to subscribe for 10.7 million newly issued Moncler shares valued at €37.51 per share (which corresponds to the average price over the last three months) for an amount equal to 50% of the consideration. It is also agreed that Carlo Rivetti will join Moncler's Board of Directors following the transaction's completion. Since Moncler's goal is to acquire the entire share capital of SPW at the closing date, the framework agreement also defines a path for Temasek Holdings (Private) Limited, the international investment company based in Singapore, which

holds the remaining 30% of SPW's share capital through an investment vehicle, to participate in the transaction.

The post-deal integration phase is critical in the Stone Island-Moncler merger. Successfully combining operational, financial, and human resources while preserving each brand's individual strengths poses a significant challenge. Careful analysis of these integration risks is crucial in the case study to provide a thorough understanding of the challenges and opportunities presented by the deal. Addressing these factors is vital for a realistic assessment of the deal's implications for both brands, ensuring a strategic approach to integration that maximizes synergies and minimizes disruptions.

Moncler's motivation to acquire Stone Island

The overarching goal of the Transaction is to integrate the operations of both the SPW Group and the Moncler Group. Specifically, the Transaction, anticipated to be immediately accretive, aims to generate value for all shareholders. This value creation is centered around strengthening the resulting Group's position as a leader in the luxury market, particularly in the rapidly expanding "new luxury" segment. The focus is on enhancing the growth potential of the involved brands.

The integration of the SPW and Moncler groups brings together, among other factors, the Moncler and Stone Island brands (owned by SPW). This integration is conducted with utmost respect for their individual identities and autonomy, incorporating their unique business, managerial, and creative cultures, as well as technical product expertise. The objective is to fortify the competitiveness of these brands and expedite the development of both companies.

Notably, the reinvestment by the Rivetti Family (i.e., the SPW Shareholders) in Moncler, coupled with CR's access to the Board of Directors of Moncler, aligns with this direction. This tangible commitment signifies the shared vision of the industrial project and strategic plan

underlying the Transaction. Furthermore, it serves as a means to solidify the long-term prospects of the overall integration project.

Stone Island motivation to pursue a sale

The rationale behind the sale by the majority shareholders of Stone Island is based on a logic of inorganic growth. Stone Island sees in the sale and, therefore, in the integration with Moncler (accompanied by the repurchase of a portion of the NewCo's capital by Stone Island's majority shareholders using the proceeds from the sale) the opportunity to maximize the value of its products and accelerate growth in the American and Asian markets, which are highly concentrated and still untapped by Stone Island. At the core of the integration is the common vision of the two entrepreneurs aimed at enhancing the Italian luxury segment and creating a strong group capable of competing with major French and international conglomerates. Stone Island will maintain a high degree of independence in terms of technical material research and brand creative direction, but it will leverage Moncler's distribution network and strong brand image worldwide to accelerate growth. Furthermore, Carlo Rivetti's entry into the capital of the Moncler Group post-deal ensures continuity and constant alignment of ideas between the two entrepreneurs, Ruffini and Rivetti, emphasizing their shared vision.

6. Key challenges of the deal

Stone Island and Moncler, two powerhouses in luxury fashion with their unique brand identities. The focus should be on the nuanced risk of brand cannibalization. This phenomenon, where the merged entity competes with itself, can lead to the dilution of each brand's distinct value.

Balancing Global Expansion and Niche Appeal: a critical aspect in this deal lies in the strategic balance required between leveraging Moncler's extensive global presence and preserving Stone

Island's specialized niche appeal. This balancing act presents a unique challenge for students to explore: how to expand the market reach while maintaining the unique attributes and customer base that define Stone Island's brand.

Market Expansion Strategy: The decision-makers would need to strategize how to leverage Moncler's distribution network and brand image while allowing Stone Island to retain independence in certain aspects. This involves finding a balance that accelerates growth in untapped markets without compromising on Stone Island's uniqueness.

The central theme revolves around making decisions that facilitate a harmonious integration, allowing Stone Island to benefit from Moncler's strengths without sacrificing its individuality. Students would need to decide on the best approach to achieve synergy, whether it be in terms of creative direction, market expansion, or organizational culture, while keeping an eye on long-term resilience and growth.

Ruffini: "The brands Moncler and Stone Island aim to propose a new concept of luxury to the younger generations, diverging from traditional standards that no longer resonate with the youth". "What we believe in is an open and participative universe, built on community, experientiality, and cultural exchanges, where communication is always interactive, and aspirational values go beyond possession to become a sense of being a part, belonging. It's a union that materializes in a challenging moment for Italy and the world, when everything seems uncertain and unpredictable. However, I believe that it is precisely in these moments that we must stimulate new energies and inspirations to design the future. It is the celebration of the resilience of a country that no crisis can ever stop."

Rivetti added, "Thus begins a new chapter for Stone Island, the beginning of a journey that will help our brand fully express its potential, while maintaining its strong brand identity and continuing to nurture its culture of research and experimentation."

7. Stone Island's Valuation

For evaluation of the price paid by Moncler for the acquisition, we evaluated Stone Island as stand-alone. The valuation was conducted from the company's annual financial statements for the years 2018 to 2022.

We reclassified the financial statements and then made Assumptions (*Exhibit 10*) to determine the economic and financial development of the company over the next 4 years to 2027, also considering the synergies emerging from the deal.

We used the Discounted Cash Flow method (*Exhibit 12*) with the WACC as a discount rate (*Exhibit 11*), Trading Multiples of selected competitors in the Luxury Fashion sector (*Exhibit 13*), and industry Transactions (*Exhibit 14*) made in previous years for the valuation. The methods used resulted in a valuation of Stone Island in a rather wide range of values, ranging from a minimum valuation of €0.43billion using the EV/Revenues multiple of the transactions to a maximum valuation of €1.8billion applying the competitors' P/E 2023 multiple.

Each evaluation method has its pros and cons; we believe that using multiple methods together can help limit the shortcomings of each. The final valuation obtained as an average of the various methods used, values Stone Island at €1.14billion (*Exhibit 9*), virtually equal to the price paid by Moncler at acquisition.

We therefore believe, in conclusion, that the Company was paid the right price, with a multiple higher than that of comparable transactions in the industry, but lower than the value of average trading multiples in the industry and the value that emerged through the valuation with the DCF method.

Stone Island was paid the right price.

Teaching Notes – Group Part

Synopsis

In 2020, the fashion industry witnessed a notable acquisition with Moncler, led by Remo Ruffini, acquiring Stone Island, headed by Carlo Rivetti. This case study delves into the strategic motivations, synergies, and financial implications of this merger. It examines the challenges in integrating the distinct corporate cultures and visions of the two companies, alongside the methods of financing the deal. This comprehensive analysis aims to provide an in-depth understanding of the intricacies involved in high-profile mergers and acquisitions, particularly in the luxury fashion sector.

Pedagogical Objectives

The acquisition of Stone Island by Moncler presents an invaluable case study for students pursuing a Master's in Finance. Through a detailed examination of this transaction, our pedagogical objectives aim to enhance the educational experience in several key areas. Firstly, we focus on honing critical thinking skills, particularly in the context of mergers and acquisitions (M&A). By dissecting the intricacies of this deal, students will learn to navigate complex financial landscapes and make informed decisions based on a thorough analysis of various factors.

Secondly, the case study serves as a platform for developing both qualitative and quantitative skills. By delving into the financial aspects of the deal, such as valuation methods and financing strategies, and exploring the qualitative elements like market dynamics and strategic fit, students will gain a holistic understanding of financial decision-making processes.

Furthermore, using real-world examples such as the Moncler-Stone Island acquisition allows students to bridge the gap between theoretical knowledge and practical application. This

approach not only makes the learning process more engaging and relatable but also ensures that the concepts taught are grounded in real-life scenarios.

Lastly, our goal is to equip students with the necessary tools and insights to excel in their future careers in finance. By understanding the nuances of a high-profile M&A transaction, students will be better prepared to face the challenges and opportunities in the dynamic world of finance. This case study, therefore, is not just a learning module but a steppingstone towards a successful career in the field. To encapsulate these goals and provide a clear roadmap for learning, here below are the specific objectives:

1. **Examination of Strategic Motivations in M&A Processes:** Analyzing the strategic reasons that drive companies to engage in M&A activities, focusing on how these motivations align with long-term business goals and market positioning.
2. **Identification and Analysis of Synergies:** Understanding the concept of synergies in M&A, including cost savings, increased revenue potential, and operational efficiencies, and how to accurately identify and quantify them.
3. **Assessment of Financial Implications and Market Reactions:** Evaluating the financial impact of M&A transactions on the involved entities and examining the market's response to these deals, including stock price movements and investor sentiment.
4. **Integrating Technological Innovation and Cultural Harmony in M&A:** This examines how mergers and acquisitions can be used to acquire new technologies and drive innovation, while also highlighting the importance of cultural alignment and shared vision. It focuses on the synergy between technological growth and harmonious cultural integration, crucial for the success of the M&A process

5. **Financing Methods in M&A Transactions:** Delving into various financing options for M&A, such as cash, stock, debt, and hybrid methods, and understanding their implications for both the acquiring and target companies.
6. **Evaluation of the Reliability of Valuation Methods:** Studying different valuation methods used in M&A, including Discounted Cash Flow (DCF), transaction multiples, and trading multiples, and critically assessing their reliability and appropriateness in different scenarios.

1. Examination of Strategic Motivations in M&A Processes

In mergers and acquisitions (M&A), the strategic motivations differ for sellers and buyers, reflecting their unique objectives. Sellers typically consider M&A due to reasons like approaching retirement, competitive challenges, the need for operational economies of scale, or gaining access to a larger company's resources. Buyers, conversely, are driven by goals like enhancing revenue, cutting costs, achieving operational synergies, responding to investor growth expectations, leveraging underutilized resources, consolidating market share, breaking into new markets, or diversifying their product and service offerings. In mergers, common objectives include reconfiguring industry dynamics, managing competitive pressures, improving technology and processes, scaling production, and effectively using management talent and capital.

To bridge the gap between the general advantages of M&A and the distinct motivations of sellers and buyers, it's essential to delve deeper into the buyer's perspective. Firstly, they aim to unlock synergies, where the combined value of the entities exceeds their individual worth, achieved through cost reduction or revenue enhancement. Cost synergies often arise from economies of scale, while revenue synergies result from cross-selling and market share

expansion. Secondly, M&A facilitates faster inorganic growth, allowing companies to quickly scale revenues by acquiring firms with advanced capabilities. Thirdly, it strengthens market power, especially in horizontal mergers, by increasing market share and price influence. Finally, M&A offers diversification, particularly valuable for companies in cyclical industries looking to stabilize cash flows by entering more stable sectors.

The sale of Stone Island to Moncler is driven by a strategy of inorganic growth, aiming to maximize product value and expand in the American and Asian markets. The integration of Stone Island with Moncler, complemented by the repurchase of a share of the new entity by Stone Island's primary shareholders, aligns with a vision to enhance the Italian luxury segment and form a competitive group in the global market. Stone Island retains independence in material research and brand direction, while benefiting from Moncler's distribution network and brand image for accelerated growth. Post-deal, Carlo Rivetti's investment in Moncler ensures ongoing collaboration and alignment with Ruffini's vision.

2. Identification and Analysis of Synergies

The concept of synergies in mergers and acquisitions, particularly in the luxury fashion market, is multifaceted and complex. Synergies refer to the potential for enhanced value and performance when two companies merge. This can manifest as operational synergies, which include efficiencies in production, distribution, and marketing. Financial synergies, on the other hand, might encompass tax benefits and improved financial performance.

Operational synergies are particularly significant in luxury fashion, where the amalgamation of distinct brand identities and production capabilities can lead to innovative product lines and expanded market reach. Merging companies can leverage each other's strengths in design, quality craftsmanship, and exclusive distribution channels, providing a competitive edge in a

highly saturated market. Such synergies also allow for shared technological advancements, which can be crucial in an industry that increasingly relies on digital marketing and e-commerce platforms.

Financial synergies in luxury fashion M&A are often centered around cost savings through shared resources and economies of scale. This can include joint marketing initiatives and streamlined financial operations. Moreover, the combined entity might benefit from a stronger financial position, enabling better access to capital and investment opportunities. These financial synergies are crucial for sustaining growth and competitiveness in the global luxury market.

However, achieving synergies in luxury fashion mergers is fraught with challenges. Maintaining the unique identity and exclusivity of each brand is paramount. There's a delicate balance between leveraging the strengths of each brand and ensuring they retain their individual appeal to their distinct customer bases. Furthermore, integrating different corporate cultures and operational systems can be challenging, often requiring significant time and resources.

In conclusion, while synergies in luxury fashion M&As offer the potential for significant value creation, they require careful strategic planning and execution. The success of such mergers depends on the ability to harmoniously blend different brand identities, cultures, and operational systems while capitalizing on the combined strengths to achieve a competitive edge in the luxury market.

The merger of Stone Island and Moncler, two Italian luxury fashion powerhouses, presents a significant development in the luxury sector, with potential implications for the broader industry. Moncler's acquisition of Stone Island in 2021, valued at €1.15 billion, reflects a strategic move towards creating a new hub of Italian luxury to rival French conglomerates like LVMH and Kering.

Key Synergies:

Brand Enhancement and Revenue Growth: The merger aims at leveraging the strengths of both brands while preserving their unique identities. A significant growth driver is the expansion of Stone Island's retail network and the innovative Moncler Genius initiative, targeting younger demographics. The strategic goal is to utilize Moncler's global presence to expand Stone Island's reach, aiming for 100 stores by 2024, half with a new format emphasizing customer interaction, particularly in the American and Asian markets, without undermining Stone Island's independent ethos. The synergies emerging from the acquisition are mainly Revenues Synergies (Revenue growth over the estimated period ca 8%) since the two companies tend to operate as two separate entities with different operating cost drivers. The cost reductions that emerge from the acquisition (Cost Synergies) are related more to structural and overhead costs than to operating costs.

Challenges and Management:

Brand Cannibalization: A primary concern is the potential overlap of product lines leading to internal competition. Maintaining a clear differentiation between the brands is crucial to prevent cannibalization of sales. The merger demands careful attention to preserve each brand's prestige and exclusivity, significant value drivers in the luxury sector.

Strategic Implications: The merger between Stone Island and Moncler highlights key synergies in brand enhancement and revenue growth. By merging, they aim to leverage each brand's strengths while maintaining their unique identities. A significant growth driver is the expansion of Stone Island's retail network, complemented by Moncler's innovative strategies targeting younger demographics. This strategic move is expected to increase Stone Island's global presence, particularly in American and Asian markets. The synergies focus on revenue growth, with an emphasis on operating independently to preserve each brand's ethos.

Strategically, this merger represents a new era in Italian luxury, challenging the dominance of established luxury conglomerates by uniting independent brands under a shared vision.

3. Assessment of Financial Implications and Market Reactions

The assessment of financial implications and market reactions in the context of mergers and acquisitions (M&A) involves a comprehensive analysis of how the deal affects the financial health and market perception of the involved companies. This includes examining the valuation and funding mechanisms of the merger, analyzing the immediate and long-term reactions of the stock market and investors, and evaluating the post-merger financial performance. Key metrics like revenue growth, profitability, debt levels, and cash flow are scrutinized. Additionally, the analysis considers the impact on shareholder value and investor confidence, assessing whether the merger is perceived as value-creating.

Financial Strategy:

Valuation and Funding: The deal was based on an equity value of 1.15 billion euros. Moncler paid for the acquisition partly in cash and partly through newly issued shares. This price equates to a multiple of ca16.6x 2020A EBITDA. This strategy highlights the importance of choosing the right financing methods (debt vs. equity) and the implications of these choices on the company's financial health and shareholder value.

Market Reactions:

Resilience and Adaptation: In the face of global economic uncertainty and changing consumer trends, the merged entity must demonstrate resilience and adapt quickly to market dynamics. The agility in responding to these changes is critical for sustaining growth and market relevance. Moncler's stock performed negatively, reaching €49.5 at the end of 2022, reflecting

a 23% decline over the previous 12 months. Moncler's market capitalization was €13.5 billion as of December 31, 2022, compared to €17.5 billion a year earlier. The Total Shareholder Return (TSR) for the year was -22%. Moncler's negative performance and share price decline, however, was smaller in magnitude than peers (e.g. Tod's, Kering, and Salvatore Ferragamo notably underperforming with stock value declines of 39%, 33%, and 27%, respectively) and compared to industry averages, showing the resilience of the stock and also the entrepreneurial resourcefulness to take risks in uncertain market conditions characterized by high volatility.

Performance Indicators: Evaluating the success of the acquisition involves considering key financial metrics and performance indicators. These include revenue growth, market expansion, and the successful integration of operations and cultures. In 2022, the Group's net result was €606.7 million, a considerable rise from €411.43 million in 2021. This includes a €92.3 million unusual tax advantage relating to the Stone Island trademark tax value realignment.

Net Financial Position: the Group's net financial position in cash was €818.2 million, up from €729.6 million at the end of 2021. Despite dividend payments, share buy-backs, and replacement tax payments for the Stone Island brand tax value realignment, this transpired. Lease liabilities totaled €837.4 million at the end of 2022.

Dividend Distribution: the Board of Directors approved a dividend distribution proposal of €1.12 per share, highlighting the company's commitment to shareholder value.

In conclusion, Moncler Group's 2022 financial report highlights the company's strong growth, profitability, and financial stability, setting it for continued success in the premium apparel business.

Competitive Advantage: The acquisition potentially provides Moncler with a competitive edge in terms of innovation, technology, and market reach. This aspect aligns with Moncler's global

expansion strategy and underscores the importance of qualitative factors such as cultural alignment and shared vision.

These teaching notes offer a comprehensive analysis of the Moncler-Stone Island merger, focusing on strategic synergies and financial implications. They provide valuable insights for students in understanding the complexities of luxury brand mergers and acquisitions in the context of global market dynamics.

4. Integrating Technological Innovation and Cultural Harmony in M&A

In the context of mergers and acquisitions, the significance of innovation is critical but often overshadowed by the temptation of rapid growth through external means. In periods of abundant, low-cost capital, many companies lean towards M&A for quick access to new technologies and capabilities, at the expense of nurturing their own innovation and research & development (R&D) processes. This tendency, as exemplified by the situation with a European media company following the 2008 financial crisis, can lead to a neglect of internal innovation, resulting in a weakened corporate identity and stalled organic development. For effective innovation in M&A, it's essential for companies to find a balance, valuing the growth from within as highly as the opportunities presented by external acquisitions. This approach requires a shift towards an integrated strategy, where fostering internal talent and ideas is as important as the potential benefits gained from mergers and acquisitions, ensuring long-term growth and a unified corporate direction.

This rationale underpins Moncler's decision to acquire Stone Island, as their shared commitment to constant innovation made them an ideal pairing. Consequently, it's equally crucial to prioritize not just innovation but also internal cultural harmony. Such harmony facilitates smoother integration, enhancing the power and effectiveness of the merger. This strategic

approach ensures that the combined entity not only excels in innovative prowess but also thrives due to a synergistic alignment of corporate cultures.

In mergers and acquisitions, the integration of corporate cultures is a fundamental aspect that significantly influences the outcome and success of the transaction. This process involves a detailed evaluation of existing cultural attributes, aligning them with the strategic goals of the M&A, and crafting a comprehensive plan for cultural transition and communication. Effective cultural integration in M&A is key to fostering enhanced collaboration, reducing internal conflicts, and creating a cohesive vision, all of which are essential to the smooth and successful integration of the merged entities. This strategic focus on culture is not just beneficial but crucial for realizing the full potential of an M&A deal.

The merger of Stone Island with Moncler is driven by a mutual commitment to innovation and a harmonious cultural ethos shared by their CEOs. Stone Island's prominent Innovation Hub is at the forefront of pioneering materials and designs in sportswear. In parallel, Moncler's Genius initiative, contributing significantly to sales, focuses on unique and innovative collaborations across diverse sectors, appealing to the younger demographic. This alignment in innovative approaches and demographic targeting is a key factor in the strategic consolidation of these two companies.

5. Financing Methods in M&A Transactions

In M&A, selecting the right financing method is crucial and depends on the target company's condition and the current M&A and finance market trends. M&A financing involves the strategies that companies use to fund their deals. Both the buying and selling parties should meticulously evaluate all available financial options for mergers and acquisitions to choose the

most suitable one. This ensures the deal's successful closure and facilitates smooth post-closing integration.

Cash

Using cash for mergers and acquisitions financing is a prevalent method, characterized by its straightforwardness and stability.

Advantages of Cash Financing:

1. **Simplicity and Immediacy:** Transactions are straightforward and immediate.
2. **Less Management Required:** Unlike stock, cash does not require complex management.
3. **Stable Value:** Cash's value is less volatile and independent of company performance.

Drawbacks of Cash Financing:

1. **Currency Exchange Issues:** Fluctuating exchange rates and currency exchange fees can complicate and add costs to international deals.
2. **Financial Constraints:** The high costs of M&A deals may exceed available cash reserves, limiting this option for some companies.

In summary, while cash offers a direct and stable method of financing, it can be limited by financial capacity and complicated by international currency issues.

Stock Financing

Stock financing is a prevalent method in mergers and acquisitions (M&A). Typically, if a company aims to merge or acquire another, the target usually has a strong balance sheet and an attractive stock offering. This attractiveness in stock value often triggers M&A activity.

Advantages of Stock Financing:

Shared Risks: Post-transaction, the risks are shared between both companies, promoting more prudent management.

1. Value Maximization: If the acquirer's stock has a higher market value, they gain a larger share of the target company, offering better value than cash transactions.
2. Shareholder Continuity: In a merger, shareholders of both companies retain equivalent stock value in the new, merged entity.

Drawbacks of Stock Financing:

1. Stock Volatility: The primary concern is the unpredictability of stock prices. If there are rumors of an M&A, or if the deal is not well communicated, it can lead to significant fluctuations in stock prices.
2. Market Sensitivity: Shareholders may quickly sell off their stocks if they sense instability or uncertainty regarding the future of the company.
3. External Influences: Global financial events and market manipulations like short selling can affect stock prices, despite regulatory measures to mitigate these impacts.

While stock swaps are advantageous for risk-sharing and maximizing value, the unpredictability of stock prices often leads companies to opt for a combination of stock and cash in the deal. This blended approach reduces risks and allows both parties to maintain a stake in the newly formed company.

Debt Financing

Assuming the seller's debt in M&A is a strategic alternative to stock or cash payments. This method is often used when high debt is a primary reason for a company's sale, due to challenging financial conditions.

Advantages of Assuming Debt:

1. **Debt Relief for Seller:** It allows the indebted company to mitigate further losses by partnering with a firm that can handle its debts.
2. **Increased Buyer Control:** Gaining control over a large portion of the company's debt can lead to greater influence over its management, especially in liquidation scenarios.

Drawbacks of Assuming Debt:

1. **Reduced Sale Value:** The presence of significant debt can lower the sale value of a company.
2. **Risk to Acquirer:** The acquiring company risks its assets and potential bankruptcy, as the debt obligation remains even if the new firm struggles.
3. **Complexity in Debt Trading:** Trading corporate bonds or other debt instruments can spread risk but adds complexity to the transaction.

This approach can be part of a broader, multifaceted M&A strategy, balancing the risks and opportunities it presents.

Mezzanine Financing

Mezzanine capital, a blend of debt and equity financing, is a unique method used in mergers and acquisitions (M&A). Often chosen by companies needing quick capital, especially mature businesses, it is akin to high-risk debt financing.

Advantages of Mezzanine Capital:

1. **High Returns:** Companies opt for this due to its potential high rate of return, often ranging from 15-20%.
2. **Flexibility:** Offers a combination of debt and equity features, providing versatility in financing structure.

Drawbacks of Mezzanine Capital:

1. **Increased Risk:** It is riskier than other financing methods, as it is unsecured and subordinate to other debts.
2. **Complex Returns:** Returns come from various sources like cash interest, payment in kind (PIK), equity conversion options, performance-based claims, and arrangement fees, adding complexity to the financing arrangement.

Mezzanine financing presents a high-risk, high-reward option in M&A, suitable for certain financial strategies but with considerable complexity and risk factors.

Leveraged Buyout

A leveraged buyout (LBO) is a financing method in mergers and acquisitions where a significant amount of borrowed money, typically around 90% debt and 10% equity, is used to fund the transaction.

Advantages of LBOs:

1. Allows companies to make substantial acquisitions without heavy capital investment.
2. Enables smaller firms to buy larger, asset-rich targets and potentially acquire competitors or privatize public companies.

Drawbacks of LBOs:

1. Often viewed as hostile takeovers, not usually sanctioned by the target company.
2. Suitable mostly for companies with solid cash flows, strong management, and clear exit strategies, limiting its applicability.

LBOs offer a way to undertake major acquisitions with minimal capital, but they are often seen as aggressive and are suitable for specific types of companies.

Earnouts

Earnout is a financing mechanism in mergers and acquisitions (M&A) that serves as a compromise between buyers and sellers with differing price expectations.

Advantages of Earnouts:

1. Gives the buyer more time to pay, reducing upfront financial burden.
2. Protects the buyer from overpaying if future earnings don't meet expectations.
3. Allows the seller to spread out tax liabilities over several years.

Drawbacks of Earnouts:

1. Can lead to extended seller involvement in the business to ensure achievement of financial targets.
2. Poses a risk for the seller if the business doesn't perform as expected, potentially reducing the total sale value.

Earnouts offer a flexible approach to M&A financing, balancing risks and benefits for both parties.

Moncler's Strategic Financing for Stone Island Acquisition

The acquisition of SPW by Moncler is based on an agreed equity value of €1.15 billion, representing a 16.6x multiple of SPW's 2020A EBITDA. Moncler financed the acquisition with cash, with SPW shareholders subscribing to 10.7 million new Moncler shares at €37.51 each, equivalent to half the purchase price. Post-transaction, Carlo Rivetti will join Moncler's Board. The deal also includes provisions for Temasek Holdings, holder of the remaining 30% of SPW, to participate, with Moncler aiming to acquire all SPW shares at closing.

6. Evaluation of the Reliability of Valuation Methods:

In the intricate landscape of mergers and acquisitions (M&A), business valuation stands as a critical yet complex component, balancing between methodical precision and interpretive skill. The act of valuing a business can be likened to both an art and a science: it is exact in its reliance on standard methods and tangible data, yet simultaneously subjective due to the variety of applicable valuation methods and the differing outcomes they may yield. This duality often leads to the misconception that business valuation is excessively subjective. However, a detailed examination of valuation methodologies dispels this notion, affirming that objective valuations are attainable.

This variability in valuation is not only expected but natural, considering the diverse market perspectives. Various market participants may ascribe different values to the same business or asset collection, influenced by their unique anticipations of the asset's potential uses. The forthcoming discussion will delve into the primary methods employed in business valuation, applicable to both public and private entities. While several valuation techniques are universally relevant—such as selecting appropriate discount rates and comparable multiples—certain methods, like the marketability discount, hold particular significance in valuing privately held businesses.

In M&A transactions, both the acquiring and target entities undertake the valuation process, each with divergent objectives: the acquirer aims to minimize the purchase price, whereas the target seeks to maximize it. Consequently, valuation is a cornerstone of M&A, steering both parties towards an agreeable transaction price. There are three predominant valuation methods commonly employed:

Discounted Cash Flow (DCF) Method: Here, the target's value is deduced from its projected future cash flows, offering a forward-looking perspective.

Comparable Company Analysis: This involves using relative valuation metrics from public companies to estimate the target's worth.

Comparable Transaction Analysis: This method utilizes valuation metrics from past transactions within the industry as a benchmark for the target's valuation.

Discounted Cash Flow (DCF) Method

Discounted Cash Flow (DCF) analysis is a key valuation technique in finance used to estimate the current value of an investment based on its anticipated future cash earnings. This method is particularly beneficial for those considering company acquisitions, investing in securities, or for business leaders making decisions about capital investments or operational spending.

The DCF approach is notable for its broad application, suitable for both early-stage companies experiencing rapid growth and established businesses in more stable sectors. It calculates an investment's worth by projecting its future cash flow and then discounting that flow to its present value, offering a vital insight into an investment's intrinsic worth.

Its primary advantage lies in its ability to assess the worthiness of various investments or capital projects by estimating their future cash flows. This versatility enables its application across a wide range of investment scenarios. Additionally, DCF allows for the adjustment of projections to simulate different scenarios, aiding in the consideration of various potential outcomes and providing a flexible approach to valuation.

However, DCF analysis is not without its limitations. Its fundamental drawback is its reliance on estimates rather than concrete figures, making the final output also an estimation. This necessitates accurate estimations of cash flows and the discount rate for the analysis to be effective. The accuracy of future cash flow projections is subject to variables like market demand, economic conditions, technological changes, competition, and unexpected risks or

opportunities, which are challenging to quantify precisely. This inherent uncertainty is a critical aspect that investors need to be aware of when making decisions based on DCF analysis.

Moreover, while DCF can provide valuable estimates, it should not be the sole basis for investment decisions. Solid estimates are valuable, but they should be considered alongside other known factors and valuation methods. Complementary approaches such as comparable company analysis and precedent transaction analysis offer additional perspectives and should be utilized to gain a comprehensive understanding of an investment's potential. By considering these other methods, investors and companies can form a more rounded and informed view of an investment opportunity.

Comparable Company Analysis

Trading Multiples, commonly referred to as Peer Group Analysis, Public Market Multiples, or Comparable Company Analysis, are essential financial metrics utilized in company valuation. While the Discounted Cash Flow (DCF) method is widely popular, Trading Multiples offer an additional perspective by indicating how the market values similar companies within the same industry. This relative valuation method is based on the assumption of market efficiency and involves comparing a company's value to that of its peers as reflected in various financial multiples.

These multiples are applied to a range of financial metrics, such as Revenue, EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), Earnings Per Share, and EBIT (Earnings Before Interest and Taxes). The underlying principle of this comparison is that companies with similar business models and market presence should have comparable valuations.

For instance, to determine the valuation of a European telecom company, one would examine the trading multiples of similar entities like British Telecom, Vodafone, France Telecom, and

Telefonica. These companies are chosen based on their comparable business mix and model, providing a representative benchmark.

Identifying comparable companies requires analysis of various parameters, including the business mix, products and services offered, customer types, geographical presence, company size, revenue, assets, and EBITDA margins. A straightforward approach to finding these comparables is to look at the target company's competitors.

As an example, for valuing a large U.S.-based technology company, one might review the trading multiples of industry giants such as Alphabet Inc., Amazon, Facebook, and Apple. These companies are analyzed based on metrics like market capitalization, EV/Revenue, and EV/EBITDA, providing insight into industry valuation standards.

The analysis of various multiples includes:

EV/Revenue: A widely used multiple, especially relevant for companies with negative EBITDA, like startups in the early stages. However, it has limitations as it doesn't account for operational differences between companies with similar revenue.

EV/EBITDA: Commonly used as a proxy for free cash flows, this multiple is generally in the range of 6.0x to 15.0x.

EV/EBIT: Useful for reflecting actual expenses, including depreciation and amortization, and is often higher than EV/EBITDA due to EBIT being a smaller figure.

EV/Capital Employed: Less common, but relevant for capital-intensive companies, as it relates invested capital to potential earnings.

P/E (Price to Earnings): This metric considers the share price relative to earnings per share and is a standard measure of valuation, with a typical range of 12.0x to 30.0x.

In summary, Trading Multiples provide a crucial perspective in company valuation by offering a market-based comparative analysis, allowing investors and analysts to gauge a company's value relative to its peers.

Comparable Transaction Analysis

Transaction Multiples, also known as Precedent Transaction Analysis, are a crucial financial metric used in the valuation of companies, particularly in mergers and acquisitions (M&A). This method primarily informs the buyer about the investment value of a certain type of company, reflecting recent market trends and investor interests. It offers insights into the premiums and multiples prevalent in specific industries, thereby aiding in understanding the market's valuation perspective.

The computation of transaction multiples takes into account various factors, most notably the premium required for acquiring a controlling interest in a company. This requirement often results in transaction multiples being higher than trading multiples. To identify suitable precedent transactions for comparison, several key aspects are considered. These include the business characteristics of the target company, ensuring they align in terms of products and services; the financial outlook, where companies with similar revenue ranges are preferred; the timing of the deal, with recent transactions being more relevant; and the geographical location of the target, which helps in understanding regional growth prospects and challenges.

There are several advantages to using transaction multiples. The information required is usually publicly accessible, and this method provides a clearer understanding of market trends and transaction frequency for various assets. It aids in deal negotiations and discussions, offering insights into different market players' strategies—some might aim for consolidation, while others could be seeking acquisitions of smaller companies. The range of multiples observed in the market also lends a realistic perspective on the premiums being paid.

However, there are notable drawbacks. Each deal is unique, making direct comparisons challenging. Selecting specific transactions for analysis can introduce sample bias, potentially leading to inaccurate conclusions. Available information may be unreliable or misleading. Additionally, the multiples applicable to one company might not be relevant for another, especially considering varying synergy benefits. Market conditions at the time of precedent transactions, such as economic growth and resource availability, can differ significantly from the conditions of the current transaction, limiting the insights gained. Furthermore, transaction multiples cannot encapsulate all aspects of a deal, including elements like customer contracts and governance issues, which might not be reflected in the valuation.

Various multiples are analyzed in this process, such as EV/Revenue, EV/EBITDA, EV/EBIT, EV/Capital Employed, and P/E, each providing different insights and applicable in specific contexts. EV/Revenue is popular across industries, especially relevant for companies with negative EBITDA, such as startups in the internet and e-commerce sectors. EV/EBITDA serves as a proxy for free cash flows and is widely used. EV/EBIT, adjusted for depreciation and amortization, is pertinent for capital intensive companies where depreciation is a true economic cost. EV/Capital Employed is less common but useful for capital-intensive businesses, while the P/E multiple considers the price-to-earnings ratio.

Conclusion

A "football field" chart is a critical tool in investment banking, designed to compare and encapsulate the outcomes of various company valuation methods. This chart, typically created in Excel, presents a comprehensive visual summary of a company's valuation, illustrating a range of values derived from different methodologies and assumptions. It serves as a pivotal visual aid, offering an overview of the valuation spectrum, along with the average and target valuations of a company or asset.

This chart incorporates a variety of valuation techniques, including trading comparables, transaction comparables and Discounted Cash Flow (DCF). These methodologies are integral as the valuation process of a company is fraught with uncertainties, inaccuracies, and a degree of unpredictability, making it necessary to employ multiple approaches for a more robust valuation.

The importance of a football field chart lies in its ability to address the complexities inherent in valuing a company. The valuation process necessitates numerous forecasts and estimations concerning a company's financial performance, influenced by factors such as business operations, macroeconomic conditions, and market demand. These estimates, however, are subject to various uncertainties and rely heavily on the analyst's perspective. Future cash flows, for instance, might deviate from projections due to reasons like reduced demand, technological shifts, or regulatory changes.

To mitigate these uncertainties and diminish the likelihood of errors, analysts often resort to employing a range of valuation methods. Each method has its unique set of assumptions and projections. For instance, the DCF method may involve varying estimates of terminal growth rates, leading to different terminal value calculations, while the trading comparable approach applies a range of multiples.

The football field chart, by illustrating the diverse valuation methods and their assumptions, presents a broad valuation spectrum. This not only aids in minimizing error margins but also supports decision-makers in selecting the most fitting valuation method. By encapsulating the results of multiple valuation methodologies in a single, comprehensive chart, the football field becomes an essential tool in achieving a well-rounded and accurate company valuation.

In our comprehensive assessment of Stone Island's valuation, we utilized a blend of methodologies, which included the Discounted Cash Flow (DCF) technique, leveraging the

Weighted Average Cost of Capital (WACC) as the discounting factor. We also incorporated an analysis of Trading Multiples from peer entities within the Luxury Fashion sector and scrutinized historical transactions within the industry. These varied approaches provided a wide valuation range for Stone Island, with the lower spectrum at €0.43 billion based on the EV/Revenues multiple of past transactions, and the upper spectrum reaching €1.8 billion, inferred from applying the 2023 P/E multiple of industry competitors.

Each valuation method brings its own set of advantages and limitations. By integrating multiple approaches, we aimed to balance out their individual constraints. The culmination of these diverse methodologies estimated Stone Island's value at approximately €1.14 billion. This estimate is notably in close proximity to the price paid by Moncler for the acquisition. Our analysis concludes that the acquisition price was judiciously determined. It registers a multiple that surpasses those observed in analogous industry transactions. However, it stays beneath the mean industry trading multiples and the valuation derived from the DCF methodology. This comprehensive valuation approach underscores the strategic financial considerations underpinning the acquisition of Stone Island by Moncler.

A Work Project, presented as part of the requirements for the Award of a Master's degree in
Finance from the Nova School of Business and Economics.

Collaboration or Competition?

**Analysing the Moncler - Stone Island Integration in the Luxury Fashion
industry**

ROCCO GUSTI

Work project carried out under the supervision of:

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19/12/2023

Abstract– *Individual Part Rocco Gusti – 53381*

The 2021 Moncler-Stone Island merger in the luxury fashion sector marked a strategic move in an industry projected to reach €1.5 trillion in 2023. This paper examines the risk of brand cannibalization, where new products or strategies encroach upon existing market shares, posing a challenge due to the distinct identities and customer bases of both brands. It explores the potential for internal competition and market impact due to overlapping product lines and market segments within this exclusive and competitive industry.

Keywords

Brand Identity

Luxury Fashion

Cannibalization

Strategy

Global Expansion.

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Moncler: A Pioneer in Luxury Outerwear

Moncler, established in 1952 in Monestier-de-Clermont, France, initially served as a manufacturer of mountain gear, particularly known for its high-quality down jackets designed for high-altitude conditions. The transformative journey of Moncler into a luxury fashion powerhouse began under the leadership of Remo Ruffini, who acquired the brand in 2003. Ruffini, hailing from a successful career in the United States, returned to Italy with a vision to rejuvenate Moncler, preserving its historical essence while repositioning it as a leading player in the global luxury market. This vision transcended the realm of sports apparel, harmonizing creativity with management acumen, and redefining luxury as not just ownership of high-end products but as an experience and a sense of belonging to a community.

The brand's transformation culminated in its successful initial public offering in 2013. Under Ruffini's direction, Moncler embraced disruptive communication strategies, leveraging social media to redefine its brand narrative. This approach was not only about selling products but creating a community and an experiential lifestyle around the brand. The acquisition of Stone Island in 2020 marked a significant expansion of Moncler's portfolio, signifying Ruffini's ambition to broaden the brand's appeal and market reach.

Stone Island: A Symbol of Innovation and Style

Stone Island, founded in 1982 by Massimo Osti and Carlo Rivetti in Ravarino, Italy, quickly established itself as a symbol of extreme research in fibers and fabrics coupled with innovative design. The brand is characterized by a culture of research, experimentation, and usability, focusing on the transformation and enhancement of fibers and fabrics. Stone Island has been a pioneer in fabric research and development, resulting in the discovery of new materials and

production techniques, and the development of a unique dyeing process with over 60,000 different recipes.

With a focus on high-quality sportswear, Stone Island has carved a unique niche in the market, emphasizing functionality, technology, and style. The brand's success is rooted in its persistent commitment to innovation, both in terms of product design and production techniques. This commitment to continuous improvement and discovery has positioned Stone Island as a trendsetter in the sportswear industry.

Merging Paths: The Acquisition and Its Implications

The merger of Moncler and Stone Island represents a significant development in the luxury fashion industry. It brings together two brands with distinct identities and customer bases but shared values in innovation, quality, and luxury. Moncler's global distribution network and brand image combined with Stone Island's innovative approach to sportswear present a unique opportunity for growth and expansion. However, this merger also introduces challenges, such as the potential for brand cannibalization, where overlapping product lines and market segments could lead to internal competition and dilute brand equity. Stone Island's purchase price was approximately 16.6 times its EBITDA of €68 million recorded in 2020. Stone Island's Compound Annual Growth Rate (CAGR) since 2011 is approximately 18.3%, with an EBITDA margin of 28 to 30% from 2018 to 2020.

Teaching Notes:

Topic: Collaboration or Competition? Analysing the Moncler - Stone Island Integration in the Luxury Fashion industry

Pedagogical Objective:

The primary pedagogical objective of this case study is to delve deeply into the concept of brand cannibalization within the context of the Moncler and Stone Island merger, considering also the financial implication and the market reaction to the merger. This case aims to explore how two distinct brands in the luxury fashion sector navigate the challenges and risks of brand overlap and competition for similar market segments post-merger. The study focuses on analyzing strategies to mitigate brand cannibalization, ensuring that each brand retains its unique identity and market position while capitalizing on the synergies of the merger. By examining this merger, the case provides insights into effective brand management and strategic decision-making in scenarios where there is a high potential for internal competition between brands under the same corporate umbrella. It also aims to foster a deeper understanding of the delicate balance required in mergers and acquisitions in the luxury fashion industry, particularly in maintaining distinct brand identities and customer bases while achieving overall corporate growth objectives:

- 1. The Merger: Strategies, Objectives, Performance and Consensus**
- 2. Understanding Brand Cannibalization**
- 3. Brand Cannibalization Risks in the Moncler-Stone Island Merger**
- 4. Managing Brand Identity Post-Merger**
- 5. Future Outlook for the Combined Entity**
- 6. Lessons Learned and Future Implications**

- 1. The Merger: Strategies, Objectives, Performance and Consensus**

Rationale Behind the Acquisition

The acquisition of Stone Island by Moncler represented a pivotal strategic move in the luxury fashion sector. Remo Ruffini, the driving force behind Moncler's transformation, envisioned this acquisition as a step towards creating a new dimension in the luxury market. The primary rationale was to integrate the operations of both brands, aiming to generate significant value for all stakeholders. This value creation centred around strengthening the group's position in the luxury market, particularly in the rapidly expanding "new luxury" segment: A key driver for the acquisition is the changing consumer behavior in luxury fashion, with most luxury consumers being Gen Z or millennials, who are significantly influencing the luxury goods market's growth. The focus was on enhancing the growth potential of both Moncler and Stone Island, leveraging their respective strengths.

From Stone Island's perspective, the sale to Moncler was driven by a strategy of inorganic growth. The integration with Moncler presented an opportunity for Stone Island to maximize the value of its products and accelerate growth, especially in untapped American and Asian markets. This move aimed at enhancing the Italian luxury segment and creating a strong group capable of competing with major French and international conglomerates. Crucially, Stone Island aimed to maintain a high degree of independence in terms of technical material research and brand creative direction while benefiting from Moncler's robust distribution network and strong global brand image.

A key challenge in the merger was balancing the global expansion with the preservation of each brand's niche appeal and unique identity. Moncler's extensive global presence needed to be leveraged without compromising Stone Island's specialized niche appeal. The strategic balance required careful planning to expand market reach while maintaining the unique attributes and customer base that define Stone Island's brand.

The potential for brand cannibalization was a significant concern in the merger. This phenomenon, where the merged entity competes with itself, could lead to the dilution of each brand's distinct value. The integration required a nuanced approach to avoid brand cannibalization, ensuring that both Moncler and Stone Island could coexist without undermining each other's market position.

Both Moncler and Stone Island shared a vision of proposing a new concept of luxury to younger generations, diverging from traditional standards. This union was seen as a celebration of resilience and creativity, especially in challenging global contexts. The shared vision was not only about expanding market reach but also about stimulating new energies and inspirations to design the future of luxury fashion.

The rationale behind the acquisition of Stone Island by Moncler was multi-faceted, involving strategic expansion, preservation of brand identities, and the creation of a new narrative in luxury fashion. This merger signified not just the union of two luxury brands but also the coming together of shared visions and aspirations to redefine the luxury segment in a rapidly evolving global market.

Moncler's Financial Performance Pre-Acquisition

Moncler's financial standing prior to the acquisition was robust, marked by impressive revenue growth and solid profitability (8.48% Revenues CAGR 2016-2020). In the fiscal year before the acquisition, Moncler reported a revenue of €1.4 billion, with an EBIT margin of approximately 26% and a Net Income of €0.3 billion (21% of 2020 Revenues). This financial success was underpinned by innovative marketing strategies and a strong digital presence, which helped in weathering the challenges of a globally turbulent market.

Stone Island's Financial Position Pre-Acquisition

Stone Island, before joining forces with Moncler, had established itself as a financially sound entity in the luxury sportswear market. The brand recorded revenues of around €200 million in 2020, demonstrating a consistent upward trajectory. Stone Island's profitability, characterized by an EBIT margin of about 20%, underscored its operational efficiency and strong market positioning.

Post-Acquisition Financial Synergies and Performance (Exhibit 1 and Exhibit 2)

The merger was projected to result in significant financial synergies, enhancing both brands' market reach and operational efficiencies. Following the acquisition, Moncler's revenue surged to €2.0 billion in 2021 after the consolidation of Stone Island (+42% YoY Growth) and €2.6 billion in 2022, marking a 27% YoY increase, with a consolidated Net Income of €0.6 billion (ca23% of Revenues). Specifically, Moncler and Stone Island reported record sales of €2.2 billion and €400 million respectively in 2022. Stone Island saw a 29% rise in revenue. The combined entity's EBIT margin remained stable at ca30%, reflecting effective cost management and operational efficiency.

Combined Financial Metrics Analysis

Post-merger, the combined financial metrics of Moncler and Stone Island illustrate a prosperous union. The group's consolidated revenue showcased a significant uptick, coupled with a robust 2022 EBITDA margin of around ca41%. This financial boost was further exemplified by an increase in combined Net Income to €606.7 million in 2022 (23% of 2022 Revenues), signaling the financial benefits of the merger.

Stock Performance and Market Response

In December 2020, Moncler acquired Stone Island. The deal concludes on March 31, 2021 with Moncler's acquisition of 100% of Sportswear Company, the Company holding the Stone Island brand worldwide. With this transaction, the value of the company's stock in the stock market

rose very quickly starting from €34ca per share (last half of 2020 - the time when the acquisition of Stone Island was announced) to a maximum of €69ca euros per share touched in Q4 2021.

The market's response to the acquisition was initially mixed but became increasingly positive as the financial benefits materialized. Moncler's stock price, following initial fluctuations, stabilized and showed an upward trend, reflecting investor confidence in the strategic value of the acquisition. The group's market capitalization also experienced a notable increase, underscoring the financial market's endorsement of the merger.

An in-depth financial analysis of Moncler and Stone Island pre and post-acquisition reveals a narrative of strategic expansion and enhanced financial stability. The acquisition has not only positively influenced the financial metrics of both entities but also fortified their standing in the luxury fashion market. The combined financial performance post-acquisition, characterized by increased revenues, stable profitability margins, and positive market capitalization trends, indicates that the merger has effectively capitalized on the anticipated synergies, leading to a strengthened market presence and enhanced shareholder value.

The merger tapped into rising consumer interest in luxury sportswear, with both brands benefiting from their strong identities and heritage. Digital engagement and online sales also increased post-merger, indicating effective adaptation to consumer trends. The market and consumer response to the merger, though initially mixed, ultimately reflected a successful integration. Strategic brand management and marketing post-merger were key in maintaining consumer interest and trust, contributing to the positive outcome in the luxury fashion sector (*Exhibit 3*).

2. Understanding Brand Cannibalization

Understanding the Concept of Cannibalization in Mergers

In 2023, the luxury segment initially fared well but began to feel the effects of weaker demand, leading to slowing sales and uneven performance, presenting challenges and opportunities for the Moncler and Stone Island merger. In the context of business mergers, cannibalization refers to a situation where a company's new product or business strategy encroaches upon the market share of its existing products or brands. This phenomenon is particularly pertinent in the luxury fashion industry, where brand identity and exclusivity are paramount. The merger between Moncler and Stone Island, two powerhouses in luxury fashion, brings this issue to the fore. The primary concern is the potential for the merged entity to compete with itself, potentially leading to the dilution of each brand's distinct value.

Despite their shared focus on high-end outerwear, Moncler and Stone Island have historically catered to somewhat different market segments. Moncler, with its heritage in luxury alpine wear, and Stone Island, known for its innovative and urban approach to sportswear, have cultivated distinct brand identities. The merger poses the risk of overlapping product lines and market segments, which could lead to internal competition and a dilution of brand equity. To mitigate the risk of cannibalization, Moncler and Stone Island must maintain clear differentiation between their brands. This involves careful management of product lines, marketing strategies, and brand positioning. The merged entity must ensure that each brand retains its unique identity and market positioning, allowing them to complement rather than compete with each other.

Another critical issue in the merger is the maintenance of prestige and exclusivity for both brands. In the luxury sector, exclusivity is a significant driver of value. The integration of Stone Island into Moncler's portfolio demands meticulous attention to preserve each brand's prestige. The merger must not undermine this perception, as it could be detrimental to the brands' appeal and positioning in the market.

The central challenge in the merger lies in preserving Stone Island's distinctive brand identity and creative vision while leveraging Moncler's extensive distribution and marketing capabilities. The management must strike a balance that allows Stone Island to benefit from Moncler's strengths without sacrificing its individuality.

In summary, the key issue in the Stone Island-Moncler merger revolves around managing the nuanced risk of brand cannibalization. This involves a strategic balance between leveraging Moncler's global presence and preserving Stone Island's niche appeal. The decision-makers need to develop strategies that facilitate a harmonious integration, allowing both brands to maintain their individuality and continue their trajectory of growth and innovation in the luxury fashion sector.

3. Brand Cannibalization Risks in the Moncler-Stone Island Merger

Strategic Recommendations to Avoid Cannibalization

The most critical step in avoiding cannibalization is to ensure that Moncler and Stone Island maintain distinct brand identities. This can be achieved through differentiated marketing strategies, unique product designs, and distinct brand narratives. Each brand should continue to cater to its core customer base while exploring new markets, ensuring that their product lines do not overlap significantly.

Careful segmentation of product lines is essential. While both brands operate in the luxury outerwear space, they can focus on different aspects: Moncler could emphasize its heritage in luxury alpine wear, while Stone Island might continue its focus on innovative and urban sportswear. This segmentation will help in targeting different consumer demographics and preferences.

Diversifying marketing channels can help in reaching different customer segments. For instance, Moncler might continue to invest in high-end fashion events and celebrity

endorsements, whereas Stone Island could focus more on digital marketing strategies and collaborations with tech-savvy brands. This approach will help in minimizing direct competition for the same consumer base.

While operational synergies are beneficial, it is vital to maintain a level of independence in the creative and operational processes of each brand. This independence will ensure that each brand retains its unique appeal and continues to innovate in its respective domain. Utilizing data analytics to gain insights into customer preferences and buying patterns is crucial. This will help in identifying potential areas of overlap and competition between Moncler and Stone Island. Based on these insights, each brand can tailor its product development and marketing strategies to minimize cannibalization risks.

Expanding into new geographical markets should be done carefully, considering the existing presence of each brand in these markets. This expansion should aim to capture new customer segments without causing internal competition in regions where either brand already has a strong presence.

Regular monitoring and evaluation of the market performance of both brands are necessary to identify any signs of cannibalization early. This should include tracking sales data, customer feedback, and market trends. Based on these evaluations, the brands can adjust their strategies as needed.

To avoid cannibalization post-merger, Moncler and Stone Island must implement strategic measures that respect and emphasize their individual brand identities and strengths. This requires a balanced approach to product line segmentation, marketing, operational independence, and market expansion, guided by continuous monitoring and data-driven insights. By doing so, the merged entity can harness the full potential of this union while safeguarding the unique value proposition of each brand.

4. Managing Brand Identity Post-Merger

In the aftermath of the Moncler and Stone Island merger, managing brand identity was a critical task to mitigate brand cannibalization. The companies took strategic measures to preserve their unique identities while benefiting from the merger. This involved a clear delineation of brand positioning, target audiences, and product offerings. Moncler continued to focus on its established high-end luxury market, capitalizing on its reputation for quality and exclusivity. Stone Island, on the other hand, maintained its unique appeal in the premium segment, known for its innovative and functional fashion. The careful separation of brand strategies prevented overlap and internal competition, ensuring that each brand could leverage the merger to enhance its market presence without diluting its core identity.

Moncler and Stone Island have strategically managed their brand identities post-merger to avoid brand cannibalization. They have maintained distinct brand narratives and customer segments, avoiding overlaps in product offerings. This differentiation is crucial for catering to their respective markets without internal competition. Additionally, the merger has allowed for cross-brand synergies in marketing and global expansion, enhancing brand visibility and reach while retaining individual brand ethos.

5. Future Outlook for the Combined Entity

The future outlook for Moncler and Stone Island post-merger is optimistic and geared towards growth and expansion. With the combination of Moncler's luxury appeal and Stone Island's innovative edge, the merged entity aims to capture a larger share of the global luxury fashion market. Strategic plans include expanding into new geographic territories, especially in emerging markets, and further penetrating existing markets. Additionally, the focus is on expanding digital and e-commerce platforms to align with changing consumer behaviours. The combined entity is also expected to leverage synergies in design, technology, and marketing to

innovate and introduce new product lines, thereby catering to a broader audience. The outlook is also shaped by a commitment to sustainability initiatives, aligning with the increasing consumer demand for environmentally responsible practices.

6. Lessons Learned and Future Implications

The merger between Moncler and Stone Island provides valuable lessons for the luxury fashion industry, particularly in handling brand integration and strategic growth. The successful management of distinct brand identities post-merger serves as a model for preserving brand value and customer loyalty. Additionally, the merger illustrates how strategic acquisitions in the luxury sector can lead to enhanced market presence and diversified product offerings. Looking ahead, this merger could signify a trend towards more strategic, synergistic mergers and acquisitions in the luxury space, focusing on combining complementary strengths while maintaining brand individuality. This approach could pave the way for innovative collaborations and sustainable growth strategies in the industry.

Appendix – Group Part

Exhibit 1: European Luxury Market (€billion)

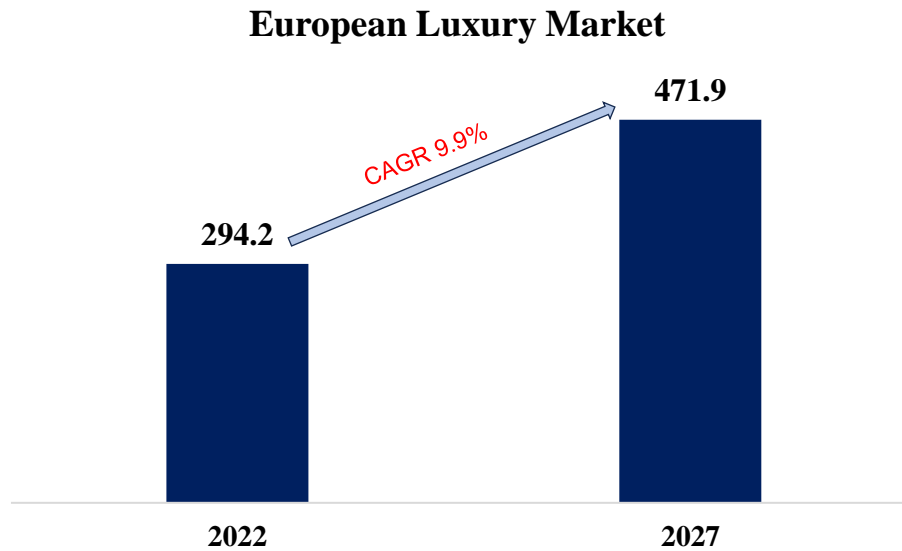
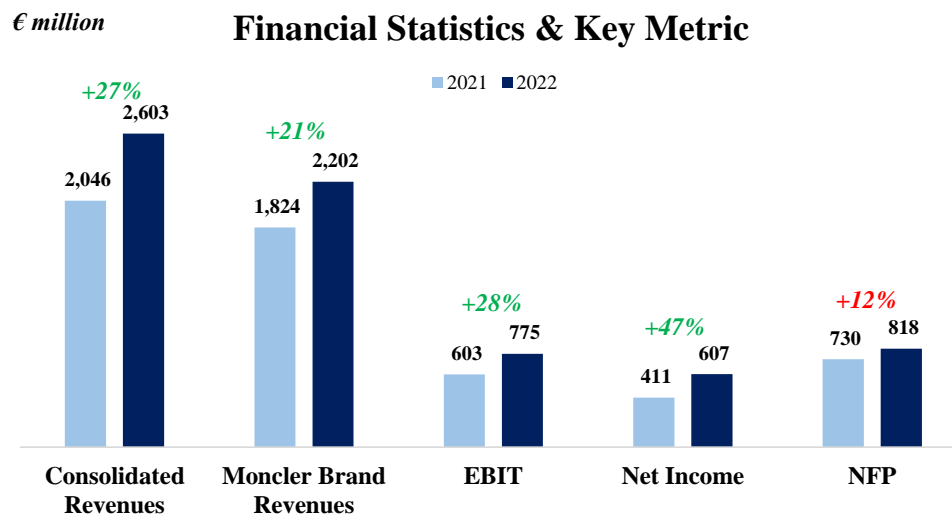


Exhibit 2: Financial Statistics & Key Metrics



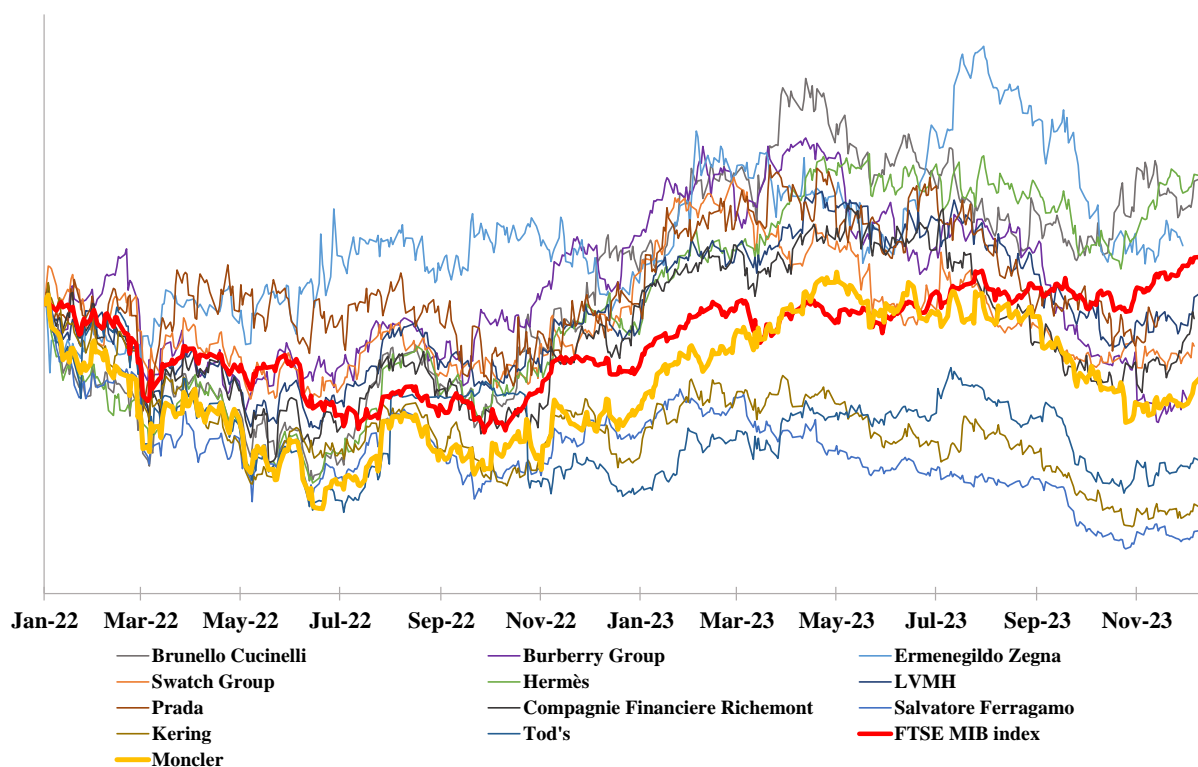
Source: 2022 Moncler Annual Report

Exhibit 3: Stock performances

	Stock performance		
	1Y (2022)	2Y (2022-2021)	5Y (2022-2018)
Brunello Cucinelli	13.80%	93.60%	155.80%
Burberry Group	11.70%	13.40%	13.30%
Ermenegildo Zegna	-0.10%	n.a.	n.a.
Swatch Group	-5.70%	8.90%	-33.80%
Hermès	-5.90%	64.30%	223.80%
LVMH	-6.50%	33.10%	177.10%
Prada	-11.60%	-13.90%	55.80%
Compagnie Financiere Richemont	-12.40%	49.70%	35.80%
Moncler	-22.70%	-1.30%	89.80%
Salvatore Ferragamo	-26.80%	4.00%	-25.60%
Kering	-32.70%	-20.00%	30.10%
TOD'S	-38.60%	6.40%	-50.30%
Luxury goods sector average	-11.50%	21.70%	61.10%
FTSE MIB average	-13.30%	6.60%	8.50%

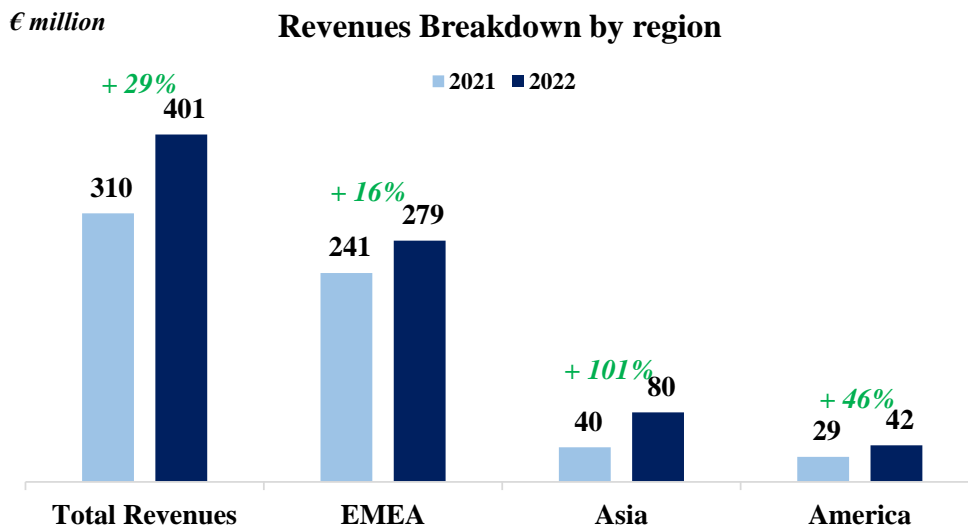
Source: FACTSET at 31 December 2022

Exhibit 4: Moncler’s Stock performances relative to peers



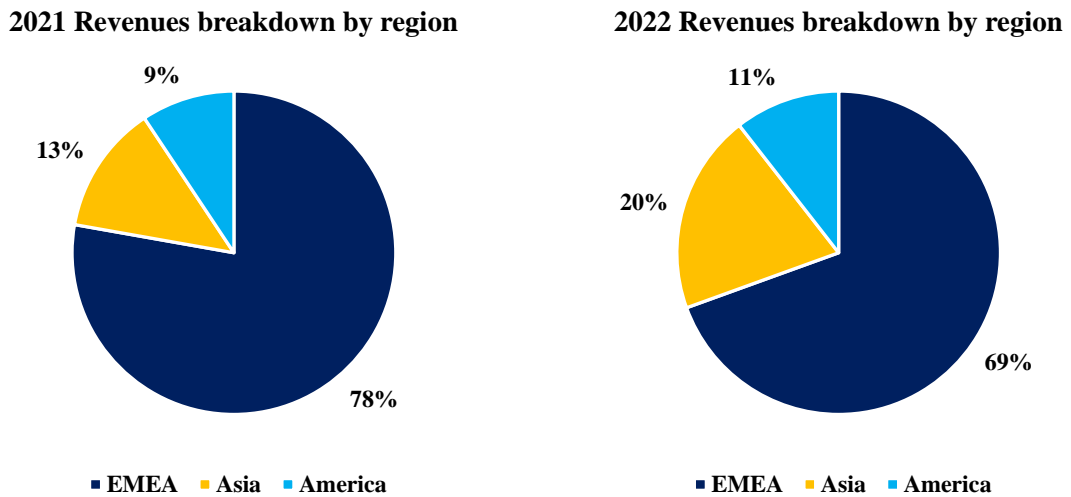
Source: S&P – Capital IQ (01/01/2022 – 2023 YTD)

Exhibit 5: Stone Island’s breakdown of revenues by region



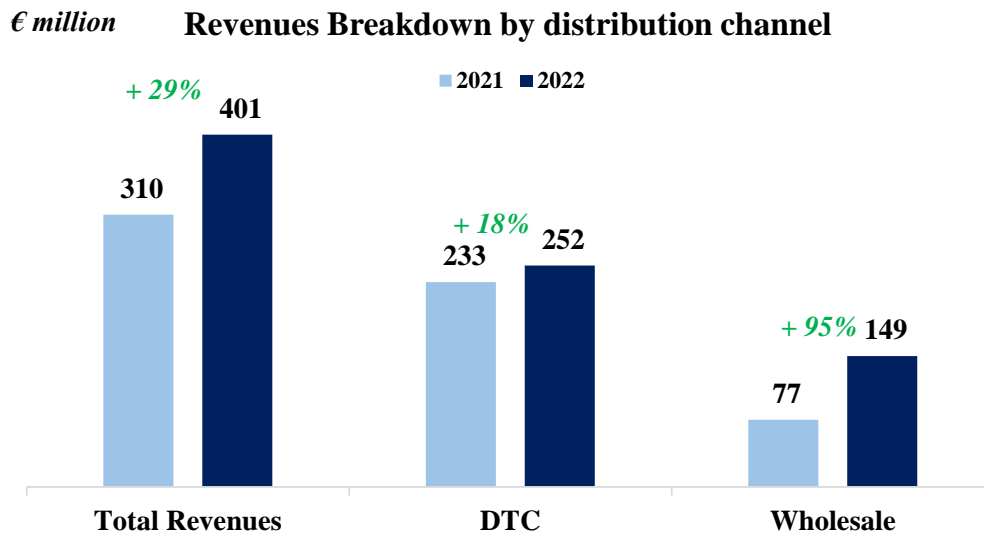
Source: Moncler 2022 Annual Report

Exhibit 6: Stone Island’s breakdown of revenues by region %



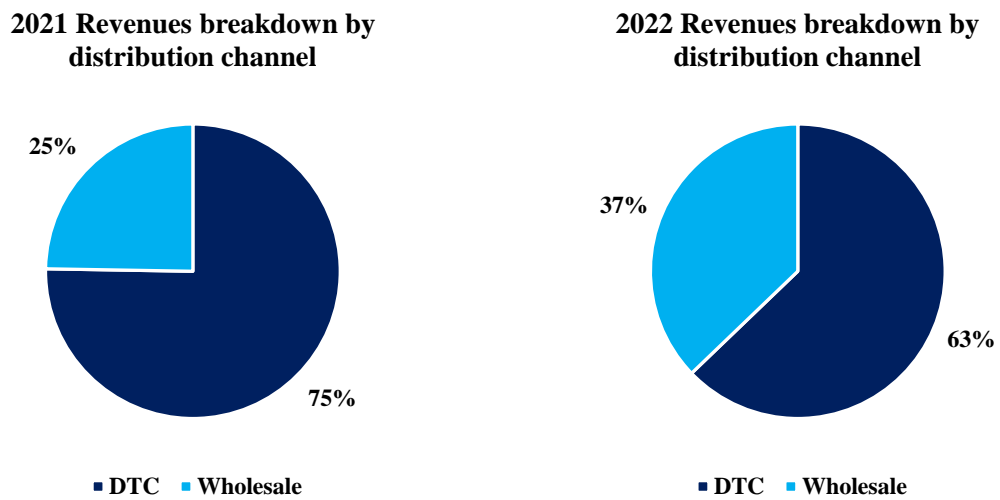
Source: Moncler 2022 Annual Report

Exhibit 7: Stone Island’s breakdown of revenues by distribution channel



Source: Moncler 2022 Annual Report

Exhibit 8: Stone Island’s breakdown of revenues by distribution channel %



Source: Moncler 2022 Annual Report

Exhibit 9: Valuation Summary – Football Field

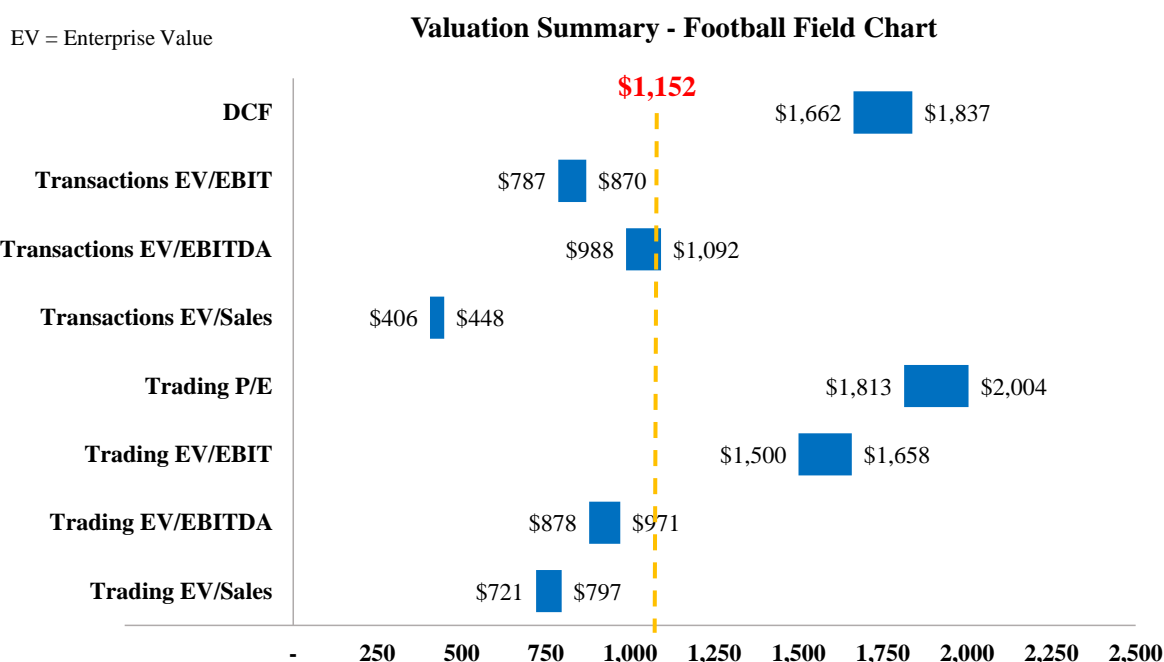


Exhibit 10: Business Plan Assumptions

Assumptions:

- The assumptions of the BP considers the average of the last 4 years
- Revenues grows in line with the CAGR of the Fashion & Luxury market for the first 2Y (9.9%) and at 7% afterwards, considering Stone Island being the target company of the deal and its already established market positioning
- Costs has been calculated as the rolling average of the previous 4Y for all the period
- Cost of Services and Cost of Personnel has been calculated with the average of the last 4Y -2% due to synergies after acquisition
- NWC has been projected assuming a 28% of revenues (Last 4Y Average 28.91%)
- D&A are projected to stay flat as the 4y average over the BP period respectively at 2.94% and 0.1% of CF from operating activities

Assumptions:

% on Total Revenues	FY 2018	FY 2019	FY 2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	Assumptions
Revenues	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	Avg Last 4Y
Other Revenues	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	Avg Last 4Y
Production Costs	31%	25%	32%	34%	30%	30%	30%	31%	31%	30%	Avg Last 4Y
Change in Raw Material	3%	0%	0%	5%	3%	2%	2%	2%	3%	3%	Avg Last 4Y
Cost of Services	31%	34%	33%	36%	30%	31%	31%	30%	29%	28%	Avg Last 4Y - 2%
Cost of third parties Goods	3%	3%	0%	0%	20%	5%	6%	6%	7%	9%	Avg Last 4Y
Personnel Costs	8%	8%	9%	6%	5%	5%	5%	4%	3%	2%	Avg Last 4Y - 2%
Other Expenses	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	Avg Last 4Y
Allowances for Bad Debt	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Avg Last 4Y
Provisions	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Avg Last 4Y
Depreciations	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%	Avg Last 4Y
Amortisations	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Avg Last 4Y
Financial Income/(Expenses)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Avg Last 4Y
Currency Results	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Avg Last 4Y
Extraordinary income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Avg Last 4Y
Extraordinary expenses	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Avg Last 4Y
Taxes	8%	1%	4%	7%	5%	5%	5%	5%	6%	5%	Avg Last 4Y

Net Working Capital

5Y Forecast	FY 2018	FY 2019	FY 2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Current Assets	83,370,000	107,150,000	125,749,000	126,743,000	190,916,000					
Current Liabilities	(31,939,000)	(35,423,000)	(41,394,000)	(66,504,000)	(87,684,000)					
Net Working Capital	51,431,000	71,727,000	84,355,000	60,239,000	103,232,000	101,616,670	111,714,229	119,552,639	127,893,550	136,729,707
Δ Net Working Capital		20,296,000	12,628,000	(24,116,000)	42,993,000	-1,615,330	10,097,559	7,838,410	8,340,911	8,836,157
NWC/Revenues	26.76%	30.01%	37.42%	18.95%	31.39%	28.00%	28.00%	28.00%	28.00%	28.00%

Depreciation, Amortization and CAPEX

5Y Forecast	FY 2019	FY 2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	
Depreciation/CF from Operating Activities	-10.92%	-7.44%	-3.13%	9.73%	-2.94%	-2.94%	-2.94%	-2.94%	-2.94%	Average 4Y and flat
CF from Operating Activities	41,266,000	33,261,000	88,426,000	-24,994,000	34,489,750	32,795,688	32,679,359	18,742,699	29,676,874	
Depreciation	-4,507,000	-2,476,000	-2,770,000	-2,432,000	-1,014,706	-964,866	-961,444	-551,420	-873,109	
Amortization/CF from Operating Activities	0.00%	-3.05%	-1.15%	4.23%	0.01%	0.01%	0.01%	0.01%	0.01%	Average 4Y and flat
Amortization	0	-1,015,000	-1,014,000	-1,057,000	2,645	2,515	2,506	1,437	2,276	
(-) CAPEX/Revenues	-3.49%	-1.28%	-1.22%	-8.36%	-3.59%	-3.61%	-4.19%	-4.94%	-4.08%	
CF from Investing Activities	(8,633,000)	(3,837,000)	(4,421,000)	(27,239,000)	(11,032,500)	(11,632,375)	(13,581,219)	(15,871,273)	(13,029,342)	
(-) CAPEX	(8,331,000)	(2,883,000)	(3,881,000)	(27,493,000)	(13,014,485)	(14,407,890)	(17,908,434)	(22,552,894)	(19,934,568)	
CAPEX	8,331,000	2,883,000	3,881,000	27,493,000	13,014,485	14,407,890	17,908,434	22,552,894	19,934,568	

Exhibit 11: WACC Assumptions

WACC	
Rf = Risk Free rate	2.2%
Rm = Market Return	9.1%
(Rm-Rf) = Market Risk Premium	6.9%
Beta Unlevered	0.7
Beta Relevered	1.2
Beta*(Rm-Rf) = Risk premium	8.0%
Ke = Cost of Equity	10.2%
Kd = Cost of Debt	6.6%
Tax rate	24.0%
Tax shield	-1.6%
After-tax Kd	5.0%
Target D/(D+E)	13%
Target E/(D+E)	87%
D/E+E	15%
WACC	9.5%

Source: S&P Capital IQ, Damodaran

Risk Free Rates - CIQ

Source: Capital IQ as of 16/12/23

Override	Description
16/12/2013	Starting date
16/12/2023	End date
desc	Sorting order

Ticker	Security
IQ50027548	Italy Government Debt - 10 Year

Italy Government Debt - 10 Year	
Current	3.65%
1 m	4.04%
3 m	4.42%
6 m	4.26%
12 m	4.21%
24 m	3.57%
60 m	2.20%
120 m	2.17%

BETA CONSTRUCTION											
As of		15/12/2023									
Company name		Ticker	Average Beta	Net Debt (Cash) Last Quarter	Market Cap	D/E LTM		Tax rate	Beta delevered	Beta relevered	D/(D+E)
Moncler	Italy	BIT-MONC	0.994	391,803,000	15,106,049,744	32%	debt	24%	0.799	1.271	3%
Brunello Cucinelli	Italy	BIT-BC	0.894	578,933,000	5,809,960,125	167%	debt	24%	0.394	0.627	9%
Burberry Group	United Kingdom	LSE:BRBY	1.335	887,000,000	5,427,385,049	139%	debt	25%	0.654	1.041	14%
Ermenegildo Zegna	Italy	NYSE:ZGN	0.223	614,225,000	2,926,126,974	121%	debt	24%	0.116	0.185	17%
The Swatch Group	Switzerland	SWX:UHR	1.004	(2,097,000,000)	11,949,154,650	0%	debt	18%	1.002	1.594	-21%
Hermès	France	ENXTP:ARMS	1.284	(7,361,000,000)	211,534,965,978	15%	debt	25%	1.154	1.837	-4%
LVMH	France	BIT:LMC	1.435	27,977,000,000	373,758,812,961	65%	debt	25%	0.967	1.539	7%
Prada	Italy	SEHK:1913	0.175	1,909,658,000	116,170,609,600	76%	debt	24%	0.111	0.176	2%
Richemont	Switzerland	SWX:CFR	1.606	(1,781,000,000)	71,638,412,639	84%	debt	18%	0.949	1.510	-3%
Salvatore Ferragamo	Italy	BIT:SFER	0.784	464,190,000	2,092,286,130	101%	debt	24%	0.444	0.707	18%
Kering	France	BIT:KER	1.361	8,905,000,000	50,829,607,692	80%	debt	25%	0.852	1.356	15%
TOD'S	Italy	BIT:TOD	0.933	591,192,000	1,128,489,680	65%	debt	24%	0.624	0.992	34%
Average			1.002			79%	debt		0.672	1.070	8%
Median			0.999			78%	debt		0.726	1.156	8%

Tax Rate	24.0%
Average D/E	77.8%

Source: S&P Capital IQ, Damodaran

Exhibit 12: Discounted Cash Flow Model

€m	2022	2023	2024	2025	2026	2027	TV
EBITDA	61.8	110.5	137.2	157.6	183.1	208.6	208.6
Var YoY	45.7%	44.1%	19.4%	13.0%	14.0%	12.2%	n.a.
Taxes	(17.9)	(25.1)	(31.5)	(36.5)	(42.7)	(48.8)	
NOPAT	44.0	85.5	105.6	121.1	140.4	159.8	159.8
% on EBITDA	71.1%	77.3%	77.0%	76.8%	76.7%	76.6%	76.6%
Δ CCN	43.0	(1.6)	10.1	7.8	8.3	8.8	8.8
Δ CAPEX	(27.5)	(13.0)	(14.4)	(17.9)	(22.6)	(19.9)	(19.9)
(+) Depreciation & Amortization	3.5	5.5	5.2	4.9	4.8	4.9	4.9
(+) Provisions	0.3	0.1	0.1	0.1	0.1	0.1	0.1
Cash Flow Operativo	63.0	76.4	106.6	115.9	131.0	153.6	153.6
Discounted Cash Flow	68.7	76.1	97.0	96.3	99.4	106.4	
Σ of Discounted Cash Flow	543.9						
WACC	9.5%						
"g" rate	0.7%						IMF - 2023 Projected Real GDP Growth
Terminal Value (undiscounted)	1,741.2						
Discounted TV	1,206.1						69%
Enterprise Value	1,750.0						
Net Debt (cash) @ 31.12.2022	(63.6)						
Equity Value (EUR)	1,813.6						

Sensitivity

		WACC				
		8.5%	9.0%	9.5%	10.0%	10.5%
g	0.1%	1,864.0	1,977.6	1,977.6	1,864.0	1,673.2
	0.3%	1,804.5	1,909.3	1,909.3	1,804.5	1,627.1
	0.5%	1,776.7	1,877.6	1,877.6	1,776.7	1,605.5
	0.7%	1,776.7	1,877.6	1,877.6	1,776.7	1,605.5
	0.9%	1,804.5	1,909.3	1,909.3	1,804.5	1,627.1
	0.7%	1,804.5	1,909.3	1,909.3	1,804.5	1,627.1
	1.1%	1,864.0	1,977.6	1,977.6	1,864.0	1,673.2

Source: Moncler 2019, 2020, 2021, 2022 Annual Reports and publicly available information

Exhibit 13: Trading Multiples Summary Table

Market data as of 15-Dec-23	Currency	EV / EBITDA					EV / EBIT					EV / Sales					P/E			
		2022A	LTM	2023E	2024E	2025E	2022A	LTM	2023E	2024E	2025E	2022A	LTM	2023E	2024E	2025E	2022A	2023	2024E	2025E
Moncler	EUR	18.0x	17.3x	13.0x	11.9x	10.7x	20.0x	19.1x	17.6x	16.1x	14.4x	5.95x	5.49x	5.26x	4.82x	4.36x	24.90x	25.02x	22.90x	20.49x
Brunello Cucinelli	EUR	34.7x	30.6x	19.4x	17.4x	15.5x	44.7x	38.5x	34.9x	30.7x	27.5x	6.95x	6.09x	5.66x	5.10x	4.61x	72.08x	51.21x	44.55x	39.77x
Burberry Group	EUR	9.4x	8.9x	6.9x	6.8x	6.3x	10.9x	10.3x	10.2x	10.6x	9.8x	2.15x	2.03x	2.01x	1.94x	1.84x	12.00x	11.88x	13.17x	12.14x
Ermenegildo Zegna	EUR	16.8x	18.1x	7.9x	6.9x	6.1x	22.8x	17.6x	15.0x	12.7x	10.9x	2.23x	2.00x	1.80x	1.59x	1.48x	52.08x	24.29x	19.56x	16.82x
The Swatch Group	EUR	7.0x	6.2x	5.8x	5.6x	5.3x	9.2x	7.8x	7.5x	7.2x	6.8x	1.42x	1.33x	1.27x	1.23x	1.17x	15.76x	12.32x	11.83x	11.21x
Hermès	EUR	40.1x	36.1x	32.9x	29.6x	26.4x	42.3x	37.7x	36.9x	33.1x	29.7x	17.59x	15.92x	15.24x	13.64x	12.34x	62.83x	52.68x	47.51x	43.26x
LVMH	EUR	1.2x	1.1x	1.0x	0.9x	0.8x	1.4x	1.3x	1.3x	1.2x	1.1x	0.36x	0.34x	0.33x	0.31x	0.29x	-	-	-	-
Prada	EUR	16.2x	13.6x	8.9x	8.2x	7.6x	20.0x	16.1x	15.1x	13.7x	12.3x	3.70x	3.43x	3.32x	3.07x	2.85x	29.32x	20.98x	18.89x	16.89x
Richemont	EUR	13.6x	13.2x	11.2x	10.8x	10.0x	15.5x	14.6x	14.2x	14.0x	12.7x	3.80x	3.58x	3.56x	3.39x	3.20x	383.30x	18.25x	18.17x	16.53x
Salvatore Ferragamo	EUR	14.9x	21.5x	10.2x	9.1x	8.0x	19.4x	30.6x	36.2x	26.7x	20.3x	2.06x	2.11x	2.21x	2.09x	1.95x	30.06x	64.89x	41.25x	29.34x
Kering	EUR	1.5x	1.5x	1.4x	1.4x	1.3x	1.7x	1.8x	1.9x	1.8x	1.7x	0.47x	0.47x	0.49x	0.46x	0.43x	-	-	-	-
TOD'S	EUR	21.3x	13.6x	6.9x	6.4x	5.8x	28.7x	16.4x	19.4x	16.6x	13.9x	1.67x	1.53x	1.53x	1.45x	1.36x	48.93x	25.52x	19.38x	14.93x
Average		16.2x	15.1x	10.5x	9.6x	8.7x	19.7x	17.6x	17.5x	15.4x	13.4x	4.0x	3.7x	3.6x	3.3x	3.0x	60.9x	25.6x	21.4x	18.4x
Smoothed Average		15.3x	14.4x	9.2x	8.5x	7.7x	19.1x	17.2x	17.2x	15.0x	13.0x	3.0x	2.8x	2.7x	2.5x	2.3x	34.8x	24.2x	21.0x	17.8x
Median		15.5x	13.6x	8.4x	7.6x	6.9x	19.7x	16.3x	15.0x	13.8x	12.5x	2.2x	2.1x	2.1x	2.0x	1.9x	29.7x	22.6x	19.1x	16.7x
Min		1.2x	1.1x	1.0x	0.9x	0.8x	1.4x	1.3x	1.3x	1.2x	1.1x	0.4x	0.3x	0.3x	0.3x	0.3x	-	-	-	-
Max		40.1x	36.1x	32.9x	29.6x	26.4x	44.7x	38.5x	36.9x	33.1x	29.7x	17.6x	15.9x	15.2x	13.6x	12.3x	383.30x	64.9x	47.5x	43.3x
Standard Deviation		11.3	10.2	8.3	7.4	6.6	13.2	11.9	12.0	9.9	8.5	4.5	4.1	3.9	3.5	3.1	99.7	19.8	15.0	12.9
Std. Dev. / Average		69.5%	67.1%	79.0%	77.0%	75.9%	67.0%	67.2%	68.3%	64.2%	63.4%	112.2%	110.2%	109.0%	106.1%	104.2%	163.7%	77.2%	70.2%	69.8%

Source: S&P Capital IQ

Source: S&P Capital IQ

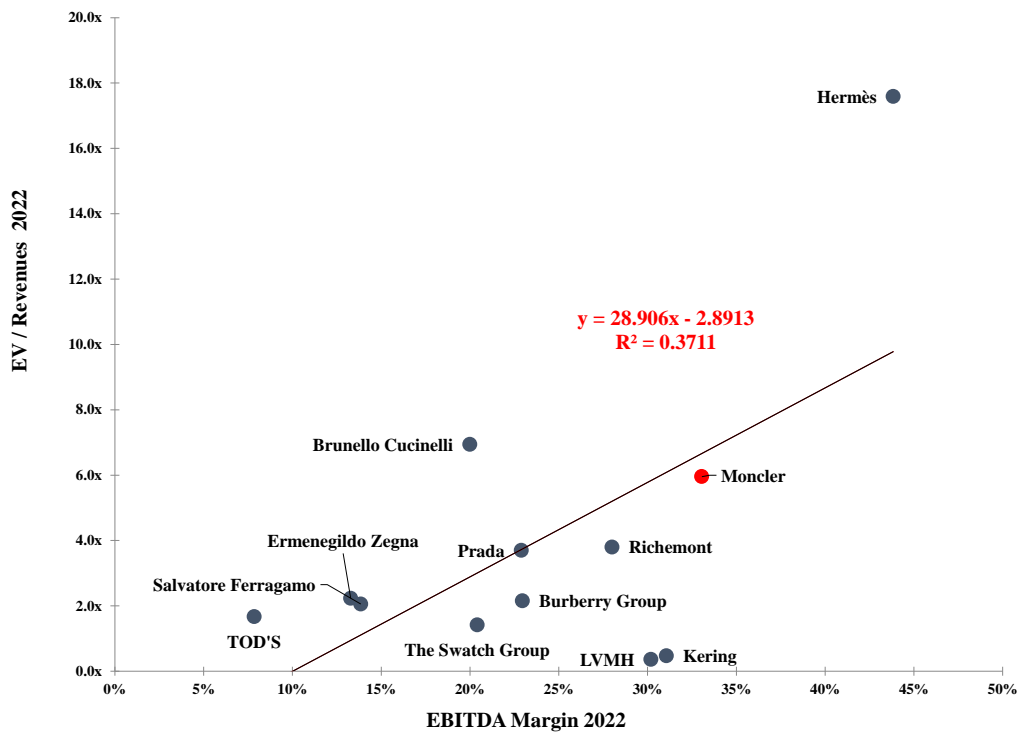
Exhibit 14: Selected Transactions Multiples

Target Name	Transaction Date	Stake (%)	Key Financials (€ m)				Multiples		
			EV	Revenues	EBITDA	EBIT	EV/Revenues	EV/EBITDA	EV/EBIT
Reiss Ltd (34% Stake)	01/12/2022	34%	439.8	370.3			1.2x	n.a.	n.a.
Cover 50 SpA (100% Stake)	31/12/2022	100%	39.5	27.9	5.2	5.0	1.4x	7.6x	7.9x
Ted Baker Ltd (99.95% Stake)	31/12/2021	100%	407.1	515.2	-12.7	-46.1	0.8x	-32.2x	-8.8x
Navabi GmbH	31/12/2020	100%	6.0	10.4			0.6x	n.a.	n.a.
Ashworth & Parker Limited	31/12/2020	100%	870.4	192.6	37.3	35.5	4.5x	23.3x	24.5x
Dorothy Perkins; Wallis; Burton	02/12/2020	100%	28.7	479.9	-16.0		0.1x	-1.8x	n.a.
Seraphine Limited	31/12/2019	100%	55.7	31.7	5.3		1.8x	10.5x	n.a.
Golden Goose SpA	03/12/2019	100%	1280.0	260.0	82.0		4.9x	15.6x	n.a.
Veritas NV	01/12/2018	100%	25.0	90.1	15.1	9.8	0.3x	1.7x	2.6x
Betty Blue SpA	01/12/2018	100%	190.0	120.1	22.8	19.8	1.6x	8.3x	9.6x
KappAhl AB (61.9% Stake)	31/12/2018	62%	193.3	449.5	41.0	26.6	0.4x	4.7x	7.3x
Roberto Cavalli SpA	31/12/2018	100%	160.0	160.0		-35.0	1.0x	n.a.	-4.6x
The Kooples Diffusion SAS	31/12/2018	100%	180.0	227.0	16.0		0.8x	11.3x	n.a.
Trussardi S.p.A (60% Stake)	31/12/2017	60%	154.0	154.0			1.0x	n.a.	n.a.
Choice Limited	31/12/2017	100%	6.0	27.2	1.2	0.8	0.2x	4.8x	7.4x
Naf Naf SA	01/12/2017	100%	59.1	207.7	7.6		0.3x	7.8x	n.a.
TOAST (Mail Order) Limited	01/12/2017	100%	24.5	21.7	1.9	1.7	1.1x	12.6x	14.3x
Ganni A/S (51% Stake)	31/12/2016	51%	67.2		3.9	3.2	n.a.	17.4x	20.7x
Jimmy Choo Group Ltd	31/12/2016	100%	1166.1	425.0	68.9	49.6	2.7x	16.9x	23.5x
Tendam Retail SA (33% Stake)	31/12/2016	33%	1000.0		151.0		n.a.	6.6x	n.a.
Christian Dior Couture S.A.	31/12/2016	100%	6500.0	1854.0	343.0		3.5x	19.0x	n.a.
Aquascutum Group Limited	31/12/2016	100%	111.2	58.7			1.9x	n.a.	n.a.
Best Secret GmbH	31/12/2015	100%	700.0	304.3	40.2	22.0	2.3x	17.4x	31.8x
IRO SAS (60% Stake)	01/12/2015	60%	130.0	60.0	10.0		2.2x	13.0x	n.a.
Billionaire Italian Couture Srl (51% Stake)	01/12/2015	51%	61.4	19.9	-3.0	-3.6	3.1x	-20.4x	-16.9x
Average							1.6x	7.2x	9.2x
Average -min/max excl.							1.6x	8.5x	9.5x
Median							1.2x	9.4x	7.9x
Min							0.1x	-32.2x	-16.9x
Max							4.9x	23.3x	31.8x

Source: Mergermarket

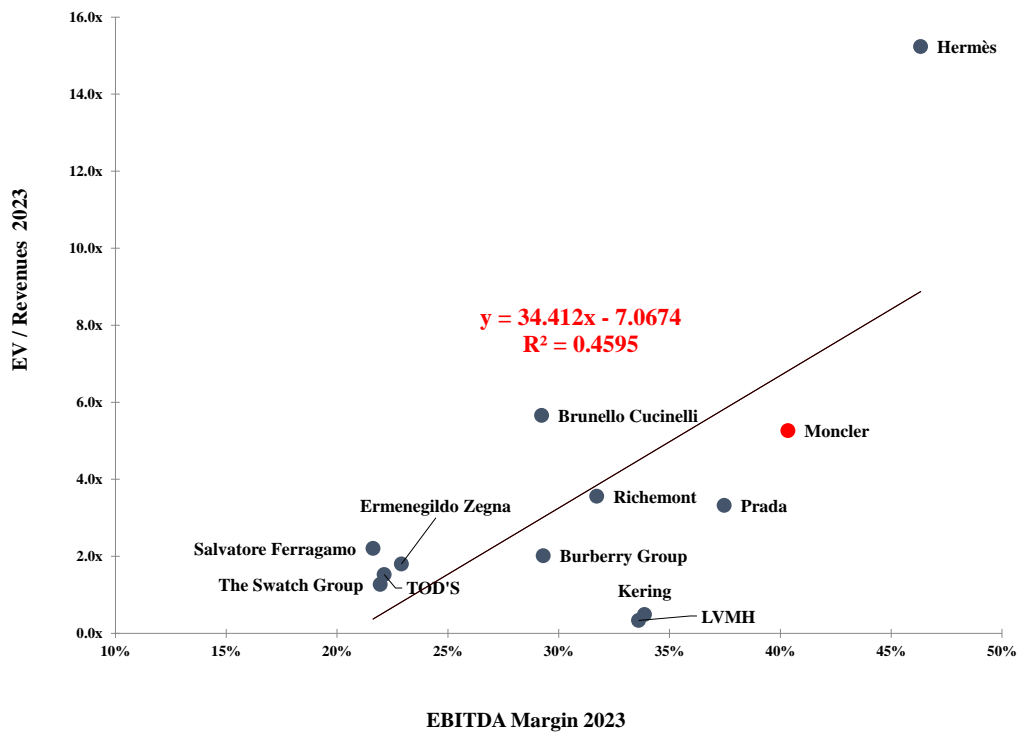
Source: Mergermarket

Exhibit 15: 2022 Regression analysis



Source: S&P Capital IQ

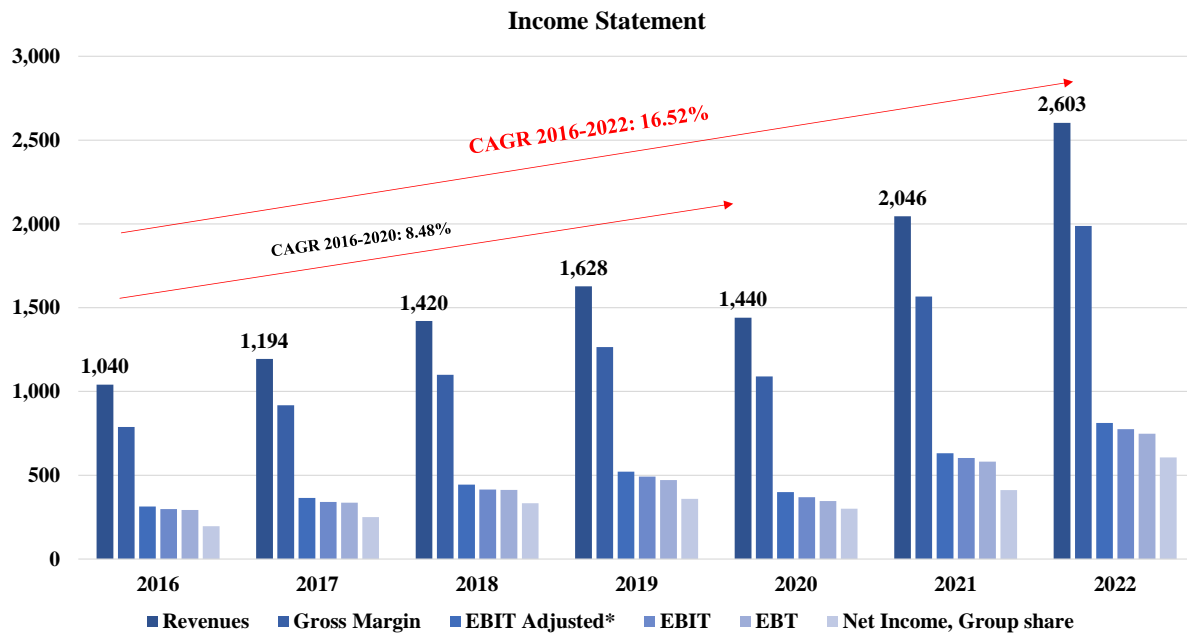
Exhibit 16: 2023E Regression analysis



Source: S&P Capital IQ

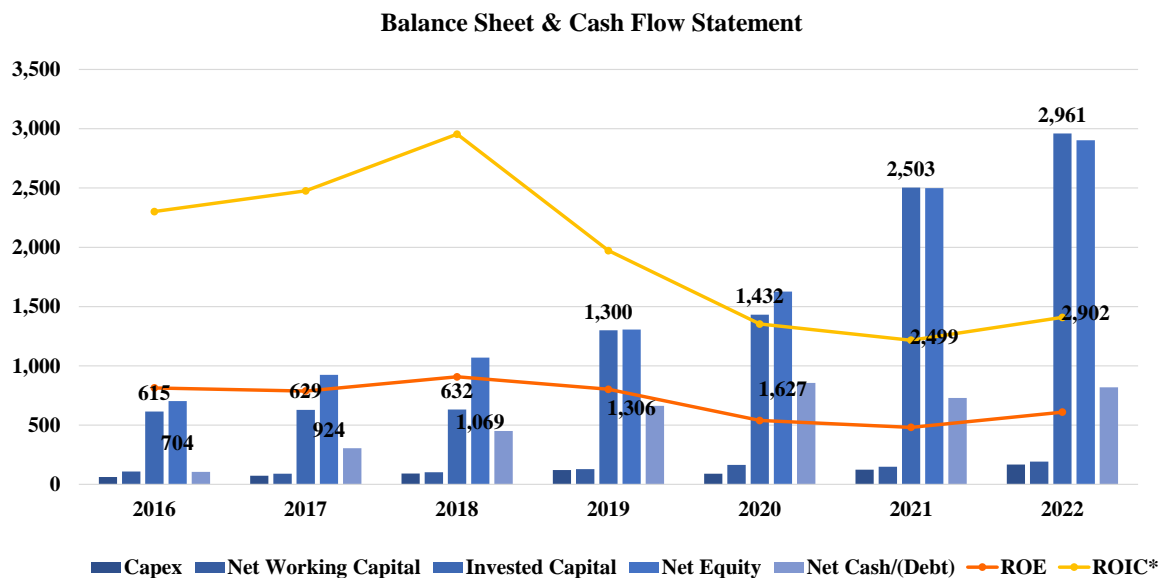
Appendix – Individual Part Rocco Gusti - 53381

Exhibit 1. Moncler Group’s Income Statement key metrics



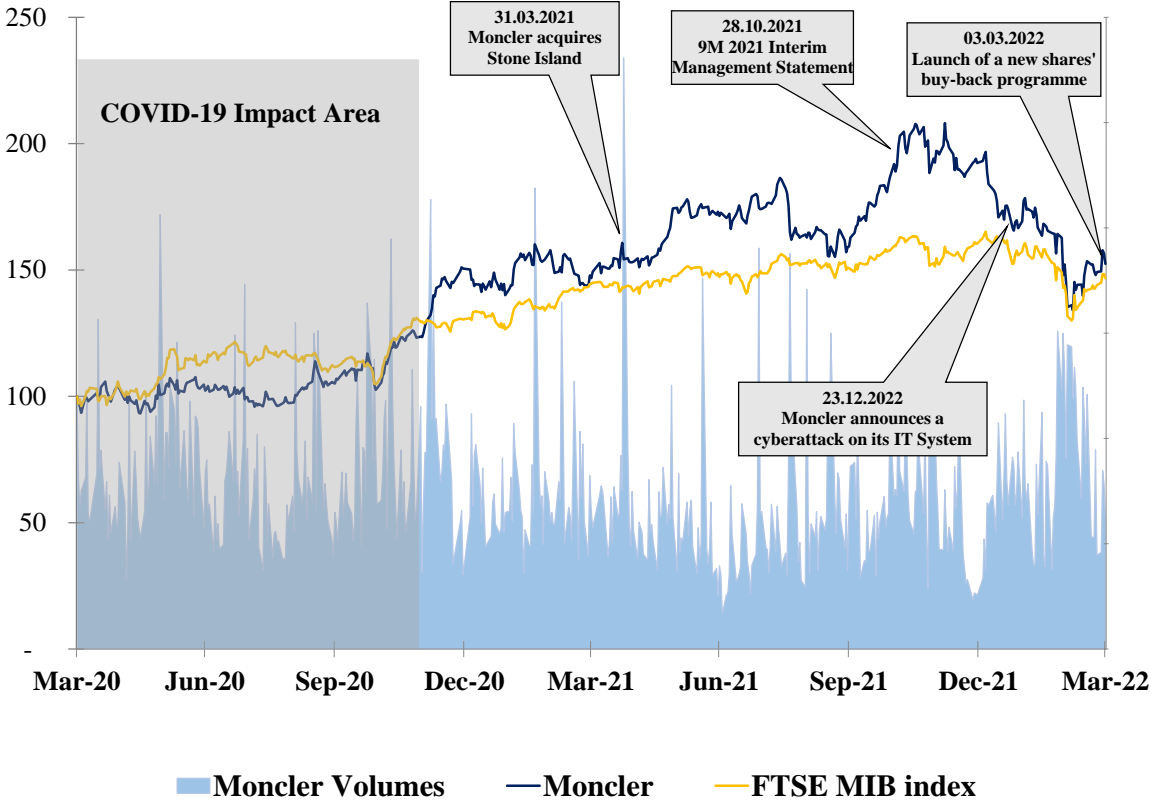
Source: 2022 Moncler’s annual report and publicly available information

Exhibit 2. Moncler Group’s Balance Sheet & Cash Flow Statement key metrics



Source: 2022 Moncler’s annual report and publicly available information

Exhibit 3. Stock Performance 1Y before and 1Y after the deal



Source: S&P Capital IQ and publicly available information

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