

March 30, 2015

# Prada SpA

## 1st Take: FY14/15 Enough for Now

Industry View

Stock Rating

**In-Line****Equal-weight**

Prada has reported FY14/15 results (end January) with EBIT €701.55m, just shy of consensus €711m (MSe 723m). The EBIT margin of 19.8% compares with consensus of 20.0%. Net income of €450.7m was 4% below market forecasts of €469m. The company had already released preliminary sales. We believe expectations were low, so the operational performance provides some comfort and highlights the focus on cost control at the group. There is limited information on current trading/outlook at this stage (meeting at 10am BST) but management highlights continued uncertainty for the luxury market and confirms the group is 'working to contain costs' short term. We expect the meeting (in London) to focus on (i) pricing, particularly the global architecture given recent news from Chanel/Patek Philippe to move to align regional price lists; (ii) cost control and efficiency programs (supply chain/store productivity) and (iii) performance of recent product launches.

MORGAN STANLEY &amp; CO. INTERNATIONAL PLC+

**Louise Singlehurst**

Louise.Singlehurst@morganstanley.com +44 20 7425-7239

**Elena Mariani**

Elena.Mariani@morganstanley.com +44 20 7425-0527

**Josephine Tay**

Josephine.Tay@morganstanley.com +44 20 7425-3623

MORGAN STANLEY ASIA LIMITED+

**Angela Moh**

Angela.Moh@morganstanley.com +852 2848-5405

**Robert Lin**

Rob.Lin@morganstanley.com +852 2848-5835

**Prada SpA ( 1913.HK, 1913 HK )****Brands / Italy****Stock Rating****Equal-weight****Industry View****In-Line**

Shr price, close (Mar 27, 2015)

HK\$50.35

52-Week Range

HK\$64.00-40.50

Mkt cap, curr (mn)

€15,264

Net debt (01/15e) (mn)\*

€(286)

EV, curr (mn)\*

€14,980

\* = GAAP or approximated based on GAAP

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Robert Lin, Elena Mariani, Angela Moh, Louise Singlehurst.

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(as of February 28, 2015)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)		
	COUNT	% OF TOTAL	COUNT	% OF TOTAL	% OF RATING IBC CATEGORY
Overweight/Buy	1161	35%	321	41%	28%
Equal-weight/Hold	1459	44%	370	47%	25%
Not-Rated/Hold	101	3%	10	1%	10%
Underweight/Sell	609	18%	88	11%	14%
<b>TOTAL</b>	<b>3,330</b>		<b>789</b>		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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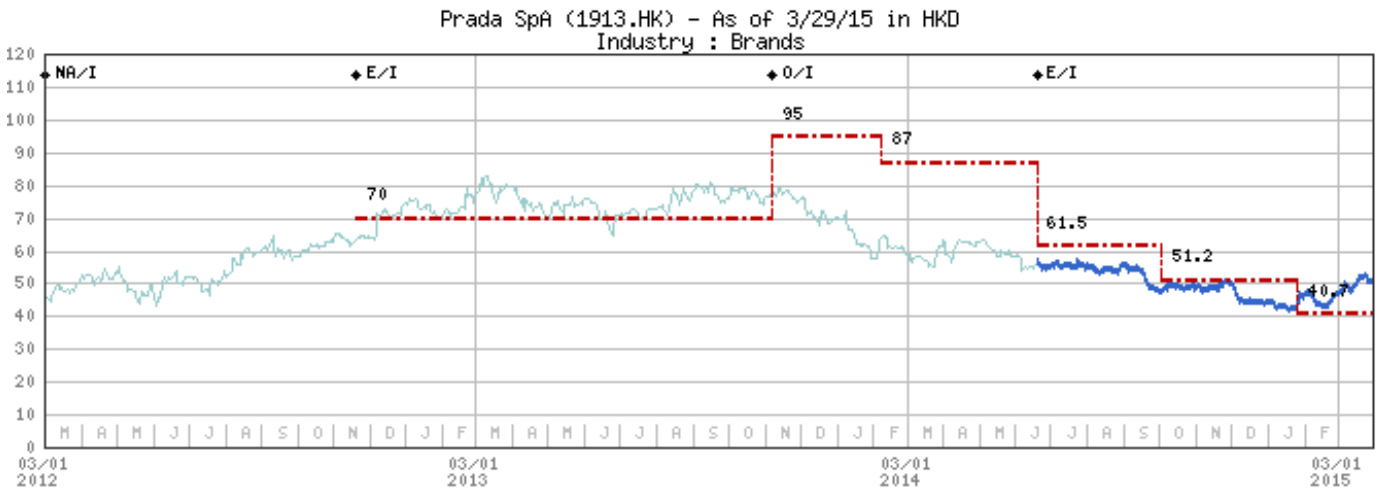
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Source: Morgan Stanley Research      Date Format : MM/DD/YY      Price Target --      No Price Target Assigned (NA)  
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■  
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View  
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)  
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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#### INDUSTRY COVERAGE: Brands

COMPANY (TICKER)	RATING (AS OF)	PRICE* (03/27/2015)
<b>Mariani, Elena</b>		
Luxottica (LUXM)	O (12/11/2014)	€58.45
Thule Group AB (THULE.ST)	E (01/06/2015)	Skr 92.50
<b>Research Europe, Morgan Stanley</b>		
Hugo Boss AG (BOSSn.DE)	NA (05/27/2014)	€114.75
Pandora AS (PNDORA.CO)	NA (08/19/2013)	DKr 605.50
PUMA AG (PUMG.DE)	NA (08/19/2013)	€170.60
Salvatore Ferragamo SpA (SFER.M)	NA (08/19/2013)	€28.60
Tod's SPA (TOD.M)	NA (08/19/2013)	€85.25
<b>Singlehurst, Louise</b>		
Adidas (ADSGn.DE)	U (05/23/2014)	€72.97
Burberry (BRBY.L)	O (04/10/2014)	1,767.00p
Kering (PRTP.PA)	E (10/24/2014)	€184.20
LVMH Moet Hennessy Louis Vuitton SA (LVMH.PA)	O (10/24/2014)	€162.25
Prada SpA (1913.HK)	E (06/19/2014)	HK\$50.35
Richemont SA (CFR.VX)	E (01/26/2015)	SFr 79.90
Swatch (UHR.VX)	U (04/30/2014)	SFr 419.80

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