

## Prada S.P.A

Initial takes - ALERT

Prada reported FY14 (Jan 15) results that came in bang in line with our expectations at Gross Profit and EBITDA levels. Our EBITDA estimates were 2% below Bloomberg consensus in FY14 and 7% below in Q4 (10% below the last 28 days Bloomberg consensus). Group Net Income was 2% below our expectations in FY14 (and 4% below consensus) owing to unrealised forex hedging losses. There was little by way of outlook at this stage. More should be discussed at the time of the analyst meeting at 10am GMT this morning.

- **FY14 Revenues had already been released – down 1% reported and ex forex to €3,552m.** The geographic split provided in this release showed a deterioration in Europe (excl Italy) and a slowing of Americas offset by a lower than expected decline in Asia Pacific than JPME. The number of stores opened were contained in Q4 and some projects delayed into next year (this was as we expected) with a net 54 DOS openings in FY14. We think store openings will be contained into FY15 too (we expect c35 net openings).
- **FY14 and Q4 14 Gross Profit and EBITDA bang in line with JPME.** Gross Profit came in at €714m implying a GM of 71.4% or down c170bps yoy owing to negative product and geo mixes. Opex came in broadly in line with our expectations albeit with a more positive mix in our view: higher advertising spend and lower selling costs.
- **There was little by way of outlook at this stage** (more should be discussed at the time of the analyst meeting at 11am CET this morning) other than a general comment on an still uncertain macro and volatile currency environments, a focus on containing costs short term and improving supply chain and store efficiency longer term.
- **Inventories were up 45% yoy**, arguably impacted by the store openings, forex and new replenishment methods, still on the high side we would think.
- **Final dividend 11c/share.**
- **The analyst meeting is at 10am GMT in London** (also webcasted). We will attend and report back.

## Neutral

1913.HK, 1913 HK

Price: HK\$50.35

27 March 2015

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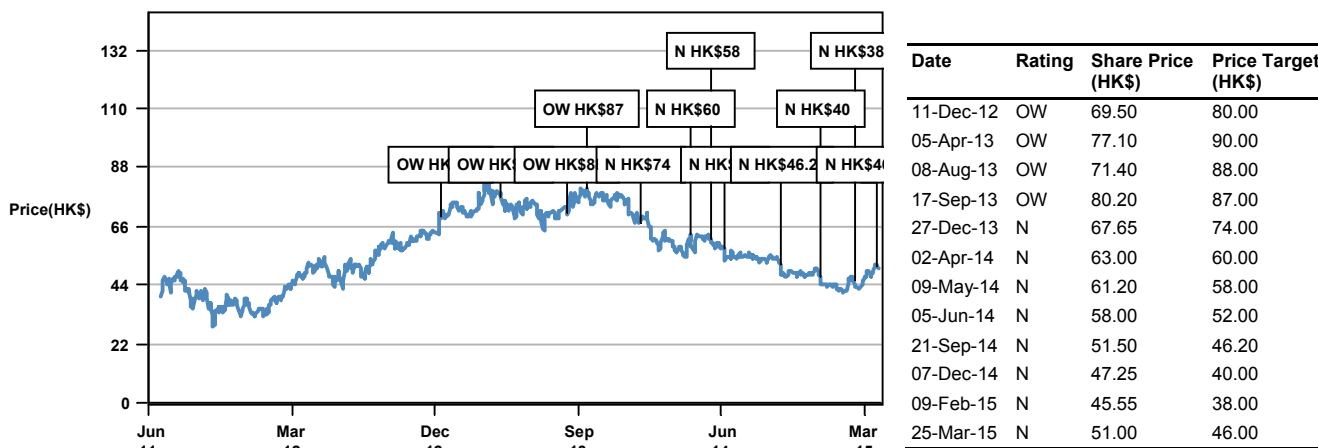
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Prada S.P.A (1913.HK, 1913 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Dec 11, 2012.

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