Department of Economics and Finance **Course: Introduction to Business Economics**

KEY PERFORMANCE INDICATORS IN THE LUXURY INDUSTRY

A COMPREHENSIVE FINANCIAL ANALYSIS OF 5 ITALIAN COMPANIES

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To my Grandmother,

who made me become the man I am now.

Table of contents

Introduction

We now live in a society which focuses too much on appearance and where people tend to show off a lot they're level of social class. Here is where the luxury good born. The latter is a good that by definition is "not necessary "for living, (in fact is mainly purchased by people with a high financial status which have more income available to spend), and that includes a large variety of products: high quality and fashion clothes, automobiles, watches, jewelry, yachts, high quality drinks etc. In this discussion, we are going to analyze 5 well-known Italian companies which belong to the fashion industry, we will make a brief introduction of their history and then we will discuss more specifically their performances after their first IPO with the help of financial ratios and financial statements analysis. The chosen companies for this paper are: Brunello Cucinelli, Prada, Salvatore Ferragamo, Moncler and Tod's.

The decision to choose these companies comes from the fact that Italy, especially with Milan and Rome, is one of the main leader in terms of clothing and design, even though there are companies, more precisely "Groups", that have no rivals in this sector right now, they are: LVMH, Kering and Inditex, but since they include a lot of brands within them it was very complicated to do a specific analysis for the entire group. For example LVMH group includes within it companies like Louis Vuitton, Fendi, Sephora, Christian Dior, Bulgari, Moet etc. is considered to be the largest luxury group in the world and it has the most important French stock market capitalization, and if for example we take into consideration some numbers that belongs to the category of luxury goods on which this thesis is based (clothes&accessories), the largest division of LVMH, 'Fashion and Leather', grew by **17%** to **6.899** billion euros only in this first 6 months of 2017, with a **15%** growth in terms of Revenues. However, returning to our five companies, they are really interesting since they distinguish themselves from the others for a lot of different aspects and characteristics, that will be discussed in next chapters of the paper, and that makes them a great subject to analyze.

So, this thesis will be divided in two chapters, the first chapter will be about an introduction of the companies, their history, their first entry in the stock market, and the analysis of the results that they obtained so far provided with the help of the company's Financial Statements. In the second chapter we will make a financial analysis of the companies and we will compare them with the help of some key performance indicators. Then, the last part of the thesis, will be characterized by a conclusion where we will evaluate all the analyzed data, and by a brief introduction and comparison with another very big and performing Italian fashion company

(Gucci) which is now making impressive numbers in terms of revenues, and is actually driving the luxury activities of the group Kering, since is one of the main companies which belongs to it, with is **+ 49,3%** in terms of Revenues registered only in the first quarter of 2017, especially thanks to the strong success of Alessandro Michele's new fancy collections.

Chapter 1: Description of the companies

1.1 <u>Brief history of the companies</u>

Let's start with a brief history of the companies that will be the subjects of this paper. The name of the first company is "Brunello Cucinelli", it was founded in 1978 by the CEO Brunello Cucinelli who decided to develop a company based on a job that would go to respect the moral and economic dignity of the workers, thanks to his desire to develop a capitalism dream that valorizes man. In 1982, Cucinelli moved to Solomeo, the city that became the object of his dreams and the lab of his successes both as an entrepreneur and as a humanist. In 1985 he had the possibility, thanks to the good reception of the international market, to purchase the 14th century ruined castle of Solomeo to make it the company's home, and then in 2000 he had to acquire even a factory since he had to adapt the production facilities to the growing demands of the market. In 2012, the company was presented to the Milan Stock Exchange, not only for financial reasons, but above all because Cucinelli wanted to expand his idea of a humanistic capitalism more and more. In all this years, the CEO received a high number of national and international awards for his idea of humanistic capitalism, and maybe the most important is the nomination as the "Cavaliere del Lavoro" from the President of the Italian Republic. At the end we can say that this is a company that needs admiration for all the values on which it is based and all the principles that guide the business choices like: quality, craftsmanship, creativity, exclusivity and culture of the beauty that are the distinctive features of the brand that together with the desire to combine ancient and modern and human needs, are the secret of a company that is viewed with interest from everyone.

The second company that will be discussed is Prada. The company was established in 1913 in Milan by Mario Prada along with his brother Martino and it was simply a leather goods shop called "Fratelli Prada" that was specialized in the selling of leather goods and imported English steamer trunks and handbags. Mario Prada had his personal idea about the figure of the women inside a company, in fact he did not permit any of the females of his family to work for him, but at a certain point, due the lack of interest demonstrated by Mario's son, his daughter Luisa Prada took over the company as his successor. Luisa ran the company for almost 20 years before passing down her position to her own daughter Miuccia Prada which in 1977 decided to make a partnership with Patrizio Bertelli marking the beginning of the development of the Prada Label and bringing the company where it is today. In fact, after the partnership, thanks to the advices and breaking idea of Bertelli, Prada starts launching lots of products, from the first collection of women’s Prada footwear to the Prada backpack and the famous Miu Miu brand, launched in 1993, which included women’s ready-to-wear, bags, footwear and accessories. Prada started to become very popular among the world population, thanks to the ability in taking new and unconventional decisions, that brought to the company an amazing rise in the market in all these years. In 2011 the company raised US$2.14 billion in its initial public offering in Hong Kong, being the first Italian company listed in the Hong Kong stock market, with an IPO that was considered one the five biggest IPOs for that year. Of course, like all big companies, also Prada had some troubles, in fact in the Financial year 2014, the company was investigated for the case of Tax evasion, where they had to pay back a sum of 400 million pounds.

The third company that will be discussed is Salvatore Ferragamo. The company originates in 1927 and is one of the leading players in the luxury sector, active mainly in the creation, production and sale of footwear, leather goods, clothing, silk products and other accessories like watches and sunglasses, as well as perfumes for men and women all strictly made in Italy. The group is distinguished by the attention to uniqueness and exclusivity, obtained by combining style, creativity, innovation with the quality and craftsmanship of Made in Italy. The group extends to more than 90 countries around the world in different categories of stores like: single store brand “Salvatore Ferragamo” managed directly, single brand stores managed by third parties, boutiques inside department stores and high level multi-brand specialty stores. The products have been manufactured since the 1960’s in a highly selected network of laboratories, and in all these years, many important events have characterized the company's growth and development: in 1928, at a distance of 1 year from the foundation, there is the opening of the first single store brand “Salvatore Ferragamo”, which was managed directly in Italy and Great Britain, from there, the group launched a wide range of products including in 1965 the first collections of leather goods and ready-to-wear clothing for women, in 1975-80 the men's shoes and clothing collection, in 1997 we have the foundation of the “Ferragamo perfumes joint venture with Bulgari Spa for the creation and distribution of perfumes, in 1998 the launch of the eyewear market started, in 2008 the launch of the watch line, followed by the launch of the new website www.ferragamo.com with e-commerce in the main EU and US countries, and the end we have the first IPO in 2011.

The fourth company that will be discussed is Moncler. The company was founded in 1952 by René Ramillon and André Vincent and at the beginning, they specialized in the production of padded sleeping bags, a unique lining capped hood and curtains. The products were immediately appreciated by the public, and also the famous mountaineer Lionel Terray noticed them, in fact he will gave the raise to the line “Moncler puor Lionel Terray” with products like: duvets, salopettes, gloves and high-resistance sleeping bags for the most hostile climates. In 1964, Moncler became the official provider of shipments organized in Alaska by Lionel Terray, and in 1968 it became also the official supplier of the French Alpine Ski Team during the Winter Olympics in Grenoble. An important step for Moncler is when in 2003 the brand has been acquired by the Italian entrepreneur Remo Ruffini, the actual CEO, in fact he brought lots of innovations to the company with his "experimentalism", from the aesthetic point of view to the materials for the production. In 2006, Moncler was further enriched with the women collection "Haute Couture Moncler Gamme Rauge" and in 2010 there is the debut in New York with the man and woman collection Moncler Grenoble. December 2013, is the year for Moncler's first IPO in the telematic stock market (MTA) which is directed by the Borsa Italiana S.p.A of Milan and this is considered to be one the most successful IPOs of the last years before 2013.

The last company that we are going to analyze is Tod's. The company was founded in the early 1900s with Filippo Della Valle, who decided to create a small shoe factory, but only around the 70's, the company began its evolution and its development thanks to the entrance of Diego Della Valle. Today in fact, Tod's S.p.A is the holding company of a group that is one of the leading players in the luxury goods business, and the members of the group are: Tod's, Hogan, Fay and Roger Vivier. Although each brand has its own identity, they are matched by a philosophy that is characterized by a balanced mix of tradition and modernity, high quality, creative input and wide usability of each product. The products of the company are renowned for their high quality, in fact, each one is performed with high craftsmanship, to become, after numerous passages and controls, an exclusive and recognizable object. It relies on approximately three channels: directly operated stores (DOS), franchised retail outlets, and a series of selected, independent multiband stores.

1.2 <u>First entry in the stock market</u>

Now we will make a brief discussion about the first IPO of the five companies, and we will analyze whether their decision was useful or not. First of all, an initial public offering (IPO), consists of the very first sale of stock issued by a company to the public, and the company's primary goal is to raise a big sum of money in order for it to expand. However, a company when going public must consider some important pros and cons. The most important pros for a company when it decides to go public are: the company will have a large group of investors that will make it raise capital, it will have a low cost of capital, it will increase its exposure and prestige that will make it to raise profits and it facilitates acquisitions. The cons instead are related more to the possibility to incur in agency problems and to the disclosure of financial statements, in fact, a company when it goes public: it is required to disclose financial, accounting tax and other information, it bears the risk that required funding will not be raised if the market does not accept the IPO price and it can incur in loss of control and stronger agency problems due to new shareholders that can take decisions since the obtain voting rights**.** Let's now move to the first IPO of the five companies. Brunello Cucinelli first IPO, as it was stated in point 1.1, occurred in 2012, when the company was first presented to the Milan Stock Exchange. Some investors had defined this IPO as a record debut on the Milan Stock Exchange, in fact it was the only one who far exceeded expectations about the price per share, that was thought to be at maximum **7.75€** per share, but at the end of the day it actually closed at **11.60€, 49.7%** more than expected. The company closed 2012 with a price per share equal to **13,36€** (**72,4%** more respect to the expectation of **7.75€** per share), with an increase in Revenues from Sales and Services of **15.6%**, and an increase in Net Revenues of **15.1%**. After that year the price per share of Brunello Cucinelli has obviously undergone fluctuations, which are represented in the graph below, which refers to the stock quoted in the MIL.

From the graph we can see that today, 14 September 2017, the price per share is equal to **25.98€**, and since 2012, when it was listed for the first time, it made a lot of progression, bringing the market capitalization of the company (which correspond to the company's outstanding shares and it is obtained simply by multiplying the stock price times the total number of outstanding shares) to a value that now is equal to **1.767** Billion euros. However, in the next section and especially in the second chapter of this paper we will analyze some of the factors that can influence the price of a stock, in order to be able to give an interpretation to this graph.

The second company, Prada, as stated in point 1.1, was the first Italian company listed in Hong Kong, with an IPO that was considered one the five biggest IPOs for that year. In fact, just in the first half hour, Prada shares had been traded for a value of **1.47** billion dollars (Hong Kong dollars), and the company raised **2.14** billion dollars (US) with this IPO, an amount that however was lower than expected. In all these years, Prada's shares have been quite volatile as we can see form the graph:

From the graph we can see that today, the price per share listed in Hong Kong is equal to **26.00** dollars (Hong Kong dollars) and we can notice that it is lower than, for example, the price per share in 2012 which was on average **35** dollars per share, or with the price per share in 2013 where we have an average price per share equal to **76** dollars. A factor that definitely influenced a lot the volatility of the price is the scandal of 2014 that is enounced in point 1.1, when he was charged with tax evasion of **470** million euros, in fact we can notice that at the end of 2014 price per share was equal to **44$** per share, already much lower than 2013. Just like we will do for Cucinelli and for the remaining 3 companies, even Prada's stock will be analyzed better in the next chapter.

The third company, Salvatore Ferragamo, debuted on the Milan Stock Exchange in June 2011, with a peak that hit **9.75** euros per share, and with a market capitalization for the group of **1.5** billion euros. It has been defined as one the best IPOs of the MIL, in fact, if we look at the performance of the stock:

we can see that the stock made progressions in this years and today it is equal to **23.56** euros per share (obviously every day the price is subject to variations).

The fourth company is Moncler, which decided to go public in December 2013. The title was placed at **10.2** euros per share, but it immediately got up to **14.50** euros per share, and at the end it closed with a price of **14.97**euros per share, bringing to the company a market capitalization of **3,742** billion. The one of Moncler was the best IPO of the year in Europe, and from the graph now we will see the performance of the stock during these years:

today, price per share is equal to **24.70**, and we can see that it made a lot of progression especially from 2016 to 2017, with little pull backs that make us feel comfortable. Since now, we can see that the prices of all the stocks that we are analyzing, fell especially in 2014, in fact we will see the same thing even for Tod's in the next graph. One of the main reason is that in that year, the euro was in a condition of very bad deflation, in fact, it dropped to its weakest level in 9 years (**1€=1,18$**), a condition that usually forces investors to sell their shares and move to a fixed-income investment like for example bonds.

The last but not least company is Tod's which decided to go public for the first time in 2000. From the graph, we can see the performance of the stock:

now the price is at **59.45** euros per share with a market capitalization of **1,950** billion. When it first quoted the price was equal to an average of **46** euros per share, so the stock made a progression in those years, but, as stated above for the other companies, we can see a sharply fall on the price during 2014.

1.3 <u>Results obtained so far since the IPO: Analysis from Income statement, Balance sheet, Cash flow statement</u>

While in the second chapter we will carry out a more detailed financial analysis regarding the main factors and measures that can tell us more about the financial health of a company and if a potential investor, based on this analysis and on the effects that this measures will have on the welfare of the company, should invest on it or not, here in this point of the paper we will analyze some data from the Income Statement, Balance Sheet and Cash Flow Statement, to understand if our companies have made some progress during this years and especially after their IPO. Let's start by saying that, a good investor, should know how to deal with the numerous numbers inside a company's financial statements, and should be able to recognize if it has a strong Balance Sheet, solid earnings, and positive Cash Flows. Now we will mainly focus on the Income Statement of the five companies that we are analyzing, since it is essential for investors to know it in order to analyze the profitability and future growth of a company, and because is the only one that provides an overview of the company sales and Net Income. We will start with the

Income Statement of the first company, which is Brunello Cucinelli, and we will analyze some of the main components inside it that we will use later in chapter 2 for making the Financial Analysis of the five companies.

REVENUES	2016	2015	2014	2013	2012	2011
Period end date	31-Dec-2016	31-Dec-2015	31-Dec-2014	31-Dec-2013	31-Dec-2012	31-Dec-2011
NET SALES	455.971	414.151	355.909	322.480	279.321	243.448
Percentage growth rate	10.1%	16.4%	10.4%	15.5%	14.7%	19.1%
EXPENSES						
COST OF GOOD SOLD	77.436	70.797	50.268	53.957	44.166	46.832
Percentage growth rate	9.4%	40.8%	6.8%	22.2%	5.7%	4.6%
GENERAL ADMINISTRATIVE EXPENSE TOT	293.846	268.622	238.404	207.731	186.428	154.774
Percentage growth rate	9.4%	12.7%	14.8%	11.4%	20.5%	19.3%
OTHER OPERATING EXPENSE TOT	4.244	4.005	1.905	826	-451	1280
Percentage growth rate	6.0%	>99%	>99%	>99%	<99%	(0.5%)
NET PROFIT						
GROSS PROFIT	378.535	343.354	305.641	268.523	235.155	196.616
Percentage growth rate	10.2%	12.3%	13.8%	14.2%	19.6%	26.6%
OPERATING INCOME	56.645	50.975	49.329	46.956	35.744	34.907
Percentage growth rate	11.1%	3.3%	5.1%	31.4%	2.4%	73.4%
NET INCOME BEFORE TAXES	53.400	46.143	46.426	45.221	33.760	32.350
Percentage growth rate	15.7%	0.6%	2.7%	33.9%	4.4%	81.0%
NET INCOME	36.397	33.338	33.060	30.476	22.484	20.268
Percentage growth rate	9.2%	0.8%	8.5%	35.5%	10.9%	>99%

The Income Statement provided in the graph summarizes Revenues, Expenses and Net Profit of the company, the decision to consider it on an annual basis is only for convenience. Starting from Net Sales (or Net Revenues), which refers to the value of a company's sales of goods and services, we can notice that year by year starting from 2011 they are continuously growing, arriving at a value of **455.971** million euros in 2016. The main reasons of this increase are: i) Especially starting from 2011 the company started a big international expansion around the world, in fact we have those years are characterized by an organic growth of the retail channel, linked to the development of existing retail outlets and to the opening of new direct sales points (DOS) in Europe, North America and Greater China; ii) There has been a big expansion of the Single-Brand and Multi-brand Channels, especially in the North American and Asian markets; iii) There has been a great increase in the use of larger and better showrooms within stores, particularly within luxury department stores in international markets, for example in Japan where in 2014 there was opening of 13 showrooms in the most important Luxury Department Stores and of 3 new DOS; iv) In recent years, huge investments of **120.7** million euros has been made, including those made for the Big Digital Project at the beginning of 2015 aimed at the development of online sales and a new e-commerce project. Looking now at the Expenses part, Cost of Goods Sold, which refers to the expenses incurred for raw materials, labor, manufacturing used in the production of goods and to depreciation expense, we can notice that they have been increased during those years, which is quite obvious, since the company is continuing to expand more and more, and as you expand, you own more stores, and you will need more material to produce goods etc. We can say the same thing for General and Administrative expenses, which refers to the company operational expenses like Selling/General/Administrative /Labor/Advertising Expenses, and for the Others Operating expenses, the only value that should attract more the attention of a potential investor is the negative sign that we have at the end of the year 2012, since an investor when investing, wants to see green numbers, not red, but since is a negative value in expenses and not for example in Net Sales or Net Income, it is not a big problem. Now let's focus on the last part, that of the profits, that should be the one that is more in the interests of a potential investor. We are dealing with the Net Profit that derives from both operating and non-operating activities, and the first term that we have is the Gross Profit. For Gross Profit in this case we mean simply the Income given by subtracting the Cost of Goods Sold from Total Revenues that we have and later in the financial analysis we will use it to calculate a Profitability Ratio which is the Gross Profit Margin. About the Gross Profit, we can say that it is directly correlated with the Net Income, since the greater the former, the greater potential there is to incur in a positive increase in terms of Net Income. In this case we can see that we have a greater increase in Gross Income especially in the years 2011 and 2012 respectively **26.6%** from 2010 to 2011 and **14.7%** from 2011 to 2012, this is given also thanks to the IPO of 2012, however in the years that follow 2012 we can notice that it is continuously increasing. Then we have the Operating Income, which is given by subtracting all the operating expenses and depreciation from the Gross Income. It is used to show how much of a company's revenues will become profits. In our case we can see that every year it grows, especially in 2011 and 2013 where it has increased respectively by the **73.4%** from 2010 (where it was equal to **20.127** million euros) and by **31.4%** from 2012. Then we have our third voice which is the Net Income Before Taxes, which is another voice that is carefully watched by investors, it corresponds to earnings garnered before the Income Tax Expense is deducted, and we can see that year by year it is continuously growing, especially in 2011 and 2013, as for the Operating Income. Finally, we arrive at the most important voice of the Income Statement, the Net Income, which corresponds to a company total earnings or profit, and is calculated by subtracting from Revenues the costs of doing business such as Depreciation, Interest, Taxes and other expenses. We can notice from the table that it is continuously increasing, in the year after the IPO (2013) it increased by **35,5%** and by more than **99%** in 2011, going from **9.576** million euros to **22.484** milion euros.We will use Net Income later since it is used to calculate some of the most important Profitability Ratios.

ASSETS	2016	2015	2014	2013	2012	2011
Period end date	31-Dec-2016	31-Dec-2015	31-Dec-2014	31-Dec-2013	31-Dec-2012	31-Dec-2011
Cash and Short Term Investments	48.408	48.161	53.679	38.676	40.045	8.683
Percentage growth rate	0.5%	(10.3%)	38.8%	(3.4%)	>99%	24.8%
Accounts Receivable - Trade, Net	47.231	45.628	45.051	43.361	47.826	48.832
Percentage growth rate	3.5%	1.3%	3.9%	(9.3%)	(2.1%)	2.5%
Receivables - Other	12.211	14.711	12.492	12.401	9.468	12.606
Percentage growth rate	(17.0%)	17.8%	0.7%	31.0%	(24.9%)	>99%
Total Receivables, Net	59.442	60.339	57.543	55.762	57.294	61.438
Percentage growth rate	(1.5%)	4.9%	3.2%	(2.7%)	(6.7%)	14.1%
Total Inventory	154.814	143.957	125.114	94.464	80.089	64.708
Percentage growth rate	7.5%	15.1%	32.4%	17.9%	23.8%	34.8%
Prepaid Expenses	4.468	3.289	3.404	2.879	1.903	1.638
Percentage growth rate	35.8%	(3.4%)	18.2%	51.3%	16.2%	(6.8%)
Other Current Assets, Total	932	961	495	1.658	1.610	0
Percentage growth rate	(3.0%)	94.1%	(70.1%)	3.0%	1.6%	< (99%)
Total Current Assets	268.064	256.707	240.235	193.439	180.941	136.467
Percentage growth rate	4.4%	6.9%	24.2%	6.9%	32.6%	22.7%
Property/Plant/Equipment, Total - Net	111.348	101.045	80.157	59.180	41.931	28.568
Percentage growth rate	10.2%	26.1%	35.4%	41.1%	46.8%	(17.3%)
Intangibles, Net	28.823	31.479	29.649	26.552	16.548	11.807
Percentage growth rate	(8.4%)	6.2%	11.7%	60.5%	40.2%	29.8%
Long Term Investments	5.740	5.429	4.786	3.426	3.162	1.783
Percentage growth rate	5.7%	13.4%	39.7%	8.3%	77.3%	60.2%
Other Long Term Assets, Total	15.919	16.443	13.307	10.082	7.489	6.754
Percentage growth rate	(3.2%)	23.6%	32.0%	34.6%	10.9%	> 99%
Total Assets	429.894	411.103	368.134	292.679	250.071	185.379
Percentage growth rate	4.6%	11.7%	25.8%	17.0%	34.9%	17.6%
LIABILITIES						
Accounts Payable	63.356	68.826	62.185	62.607	62.718	56.129
Percentage growth rate	(7.9%)	10.7%	(0.7%)	(0.2%)	11.7%	27.6%
Accrued Expenses	9.497	8.747	7.492	6.578	6.061	10.765
Percentage growth rate	8.6%	16.8%	13.9%	8.5%	(43.7%)	14.1%
Notes Payable/Short Term Debt	43.153	32.249	20.395	22.860	22.358	0
Percentage growth rate	33.8%	58.1%	(10.8%)	2.2%	22.4%	0.0%
Current Port. of LT Debt/Capital Leases	16.071	16.938	29.996	9.734	6.080	38.539
Percentage growth rate	(5.1%)	(43.5%)	> 99%	60.1%	(84.2%)	25.2%
Other Current liabilities, Total	17.935	19.075	19.716	14.699	15.110	19.348
Percentage growth rate	(6.0%)	(3.3%)	34.1%	(2.7%)	(21.9%)	> 99%
Total Current Liabilities	150.012	145.835	139.784	116.478	112.327	124.781
Percentage growth rate	2.9%	4.3%	20.0%	3.7%	(10.0%)	35.1%
Total Long Term Debt	39.488	54.541	45.113	21.758	11.778	17.611
Percentage growth rate	(27.6%)	20.9%	> 99%	84.7%	(33.1%)	(38.4%)
Deferred Income Tax	2.519	2.370	3.280	3.308	806	692
Percentage growth rate	6.3%	(27.7%)	(0.8%)	> 99%	16.5%	40.9%
Minority Interest	6.939	6.545	5.568	3.160	1.794	1.690
Percentage growth rate	6.0%	17.5%	76.2%	76.1%	6.2%	(66.5%)
Other Liabilities, Total	11.993	11.579	9.632	5.921	5.543	4.311
Percentage growth rate	3.6%	20.2%	62.7%	6.8%	28.6%	11.9%
Total Liabilities	210.951	220.870	203.377	150.625	132.248	149.085
Percentage growth rate	(4.5%)	8.6%	35.0%	13.9%	(11.3%)	14.4%
Shareholders Equity						
Common Stock, Total	13.600	13.600	13.600	13.600	13.600	12.000
Percentage growth rate	0.0%	0.0%	0.0%	0.0%	13.3%	> 99%
Additional Paid-In Capital	57.915	57.915	57.915	57.915	57.915	0
Percentage growth rate	0.0%	0.0%	0.0%	0.0%	57.9%	0.0%
Retained Earnings (Accumulated Deficit)	147.428	118.718	93.242	70.539	46.308	24.294
Percentage growth rate	24.2%	27.3%	32.2%	52.3%	90.6%	6.6%
Total Equity	218.943	190.233	164.757	142.054	117.823	36.294
Percentage growth rate	15.1%	15.5%	16.0%	20.6%	> 99%	32.5%
Total Liabilities & Shareholders' Equity	429.894	411.103	368.134	292.679	250.071	185.379
Percentage growth rate	4.6%	11.7%	25.8%	17.0%	34.9%	17.6%

We will now turn to talk about the Balance Sheet of our company, in this case on the following Balance Sheet we have all the items that are needed to make calculations in order to define the value of Total Assets, Total Current Liabilities, and Total Shareholder Equity, but starting from the Balance Sheet of the second company we will only provide the values of the main items. Let's start by saying that the main formula behind the Balance Sheet is given by:

Assets = Liabilities + Shareholders' Equity

This equation tells us that the Assets that they use to operate their business, are balanced by the Liabilities, which represent the company's financial obligations, along with the Shareholders'Equity, which represent the equity investment brought into the company plus any Retained Earnings. From our Balance Sheet, we can deduce that there are different type of Assets as well as there are different kind of Liabilities, in fact we will now make a brief distinction between them. We have mainly two types of Assets, the Current ones and Non-Current ones. The Current Assets are the ones that can be converted easily into cash, ans as we can see from the Balance Sheet of Cucinell S.p.A they are: Cash and short term investments (which can be readily converted into cash, an example are U.S Treasuries), Accounts Receivables (which are short-term obligations owed to the company by its clients), Inventory (which consists of raw materials, company's finished goods, work in progress goods), Prepaid expenses plus other current Assets and Receivables, for a total value in this case of **268.064** million of euros (value recorded for the year 2016), value that has been increasing since 2011. Non Current Assets instead, are the ones that cannot be easily converted into cash, maybe within a year, and in our Balance Sheet they are represented by Property/Plant/Equipment (which consist of land, Buildings, Machinery, Construction in progress) from which we have deducted the value that we have calculated for annually Depreciation, by other intangible assets and by some long term investments. Summing the Current-Assets and the Non-Current Assets we reach a total of **429.894** million euros for the year 2016, a value that has continued to grow since 2011. We have the same distinction even for the Liabilities side, in fact, they are divided into Current and Non-Current Liabilities. Current-Liabilities are represented by those obligations that must be paid within an year, for example in our case we have: Accounts Payable (which represents an entity obligation to pay off a short-term debt to its creditors), Accrued Expenses (a simply short term liability), Notes Payable and Short Term Debt, for a total value of **150.012** million euros (2016). Non-Current Liabilities instead are represented by debts and other non-debt financial obligations which are due after a period of at least one year, and in our case they are represented by Total Long Term Debt, Deferred Income Tax and other long term Liabilities, which summed up with the Current ones give us a value of **210.951** million euros (2016). As for the Asset side, they have been increasing since 2011, except for the years 2012 and 2016 where we have a decrease of: **11.3%** from 2011 to 2012 and a decrease of **4.5%** from 2015 to 2016. Before talking about the last part of our Balance Sheet, which is the Shareholder's Equity, we will explain in brief the concept of Net Worth. Later in the second chapter, we will use the values inside the Balance Sheet, Income Statement, Cash Flow Statement, to compute our ratios to make the financial analysis of the companies, but when dealing with the Balance Sheet, it is important to mention the concept of Net Worth, which is the amount by which Assets exceed Liabilities, and if we have a consistent increase in the Net Worth during the life spam of a company, this indicates good Financial Health.

NET WORTH	2016	2015	2014	2013	2012	2011
Total Assets-Total Liabilities	218.943	190.233	164.757	142.054	117.823	36.294

To create this table, we have simply deducted the value of the Total Liabilities from the value of the Total Assets, and as we can see, the value of the Net Worth has increased from 2011 to 2016 each year. Now we will talk about the last part of our Balance Sheet, the Shareholders'Equity part. It consists in the amount of money initially invested in a company plus any Retained Earnings. In our Balance Sheet this part is represented by: Common Stock (which is a security that represents the ownership inside the company), Retained Earnings (which is the percentage of Net Earnings that is not paid out as Dividends but it will be reinvested in the business or used to pay debt), Additional Paid in Capital (which is the amount of capital paid in by investors during the issuance for example of Common Stock), which all together give us a value of **218.943** million euros (2016). So, based on the equation of the Balance Sheet we have that Assets must be equal to Liabilities plus Shareholders' Equity, and in this case we have that: Total Assets (**429.894**)= Total Liabilities (**210.951**)+ Shareholders'Equity (**218.943**), so the equation of the Balance Sheet as been respected for 2016, and making the calculations for all the other years in the Balance Sheet we can see that is the same thing from 2011 to 2015. We will now briefly talk about the Cash Flow Statement of Cucinelli S.p.A. Let's start by saying that the Cash Flow Statement provides all cash inflows and outflows that a company respectively receives from its operations and that pays out for business related activities and investments,it is divided into three parts: the **Cash Flow from Operating Activities**, the **Cash Flow from Investing Activities** and the **Cash Flow from Financing Activities**. The cash flow from operations, as the name states, regards transactions from operational business activities, it reconciles all the cash and non-cash items as we can see from the table. It mainly starts with the Net Income and then it proceeds with the reconciliation of the cash items and non-cash items, for example, even if it is not stated in the table, we can find Accounts Receivables, in the non-cash items, since if it goes up, we know that even Sales are going up, but the important thing is that no cash is received effectively at time of sale. We also find Accounts Payable, Depreciation, Amortization and Inventories and numerous prepaid items inside it, which are all items booked as revenue or expenses but with no associated cash flow. The Cash Flow from Investing Activities instead regards the cash spent on property, plant and equipment, is where we can find the main changes in capital expenditures. Referring to the cash flow from investing activities, we can say that Cucinelli has made many investments, especially since 2013, where we have seen an increase in investments related to the opening of new exclusive boutiques, to the expansion of some sales areas and dedicated spaces in the Luxury Department Stores, investment in production, logistics and IT / Digital as well as those related to the continuous renewal of the single-boutique network, with the introduction of innovative visual merchandising solutions to improve performances and sales. One of the most important points for an investor is, however, the value of Capital Expenditure, since an increase in it means that the company is investing in future operations, even if , it is also a sign of a reduction in cash flow. From the table we can see that the value of the CAPEX increased from 2011 to 2015, we have a reduction only from 2015 to 2016. The last part of the Cash Flow Statement, is the Cash Flow from Financing Activities, which provides an overview of cash used in business financing, it is mainly used by investors to find out the amount paid out in dividends or share buybacks. Another very important value that an investor must look at, is the Cash Flow from Operating Activites since if it is represented by a negative number it means that the company is losing cash. In the case of Cucinelli, we can see that the Cash Flow from Operating Activities has grown especially from 2014 to 2016, in fact we can notice that the company paid higher Dividends in these years, since we know that two terms are correlated (in fact, if the Cash Flow from Operating had been negative, and the company had still paid a high dividend, this would mean that we must ask ourselves…from where they are taking the money?).

CASH FLOW FROM OPERATING ACTIVITIES	2016	2015	2014	2013	2012	2011
Net Income/Starting Point	37.119	32.949	31.787	29.575	22.243	21.025
Percentage growth rate	12.7%	3.7%	7.5%	33.0%	5.8%	83.8%
Depreciation/Depletion	20.047	18.149	13.712	11.225	7.125	5.253
Percentage growth rate	10.5%	32.4%	22.2%	57.5%	35.6%	36.8%
Deferred Taxes	-255	-3214	-2611	-1405	-4520	-1235
Percentage growth rate	92.1%	(23.1%)	(85.8%)	68.9%	< (99%)	< (99%)
Non-Cash Items	3.702	-1.375	4.916	-254	-442	2293
Percentage growth rate	> 99%	< (99%)	> 99%	42.5%	< (99%)	> 99%
Cash Flow from Operating Activities	44.539	35.877	13.771	23.554	17.005	20.342
Percentage growth rate	24.1%	> 99%	(41.5%)	38.5%	(16.4%)	7.0%
CASH FLOW FROM INVESTING ACTIVITIES						
Capital Expenditures	-29.613	-40.137	-33.952	-31.487	-25.788	-17.610
Percentage growth rate	26.2%	(18.2%)	(7.8%)	(22.1%)	(46.4%)	< (99%)
Other Investing Cash Flow Items, Total	-1.004	-436	19	-2.250	-1.196	3.112
Percentage growth rate	< (99%)	< (99%)	> 99%	(88.1%)	< (99%)	> 99%
Cash from Investing Activities	-30.617	-40.573	-33.933	-33.737	-26.984	-14.498
Percentage growth rate	24.5%	(19.6%)	(0.6%)	(25.0%)	(86.1%)	(88.3%)
CASH FLOW FROM FINANCING ACTIVITIES						
Financing Cash Flow Items	-731	444	3.518	2.744	60.233	-
Percentage growth rate	< (99%)	(87.4%)	28.2%	(95.4%)	-	-
Total Cash Dividends Paid	-8.889	-8.435	-7.955	-5.794	-2.817	-5066
Percentage growth rate	(5.4%)	(6.0%)	(37.3%)	< (99%)	44.4%	(69.7%)
Issuance (Retirement) of Debt, Net	-6.393	6.089	38.350	12.241	-15.915	857
Percentage growth rate	< (99%)	(84.1%)	> 99%	> 99%	< (99%)	> 99%
Cash from Financing Activities	-16.013	-1.902	33.913	9.191	41.501	-4.209
Percentage growth rate	< (99%)	< (99%)	> 99%	(77.9%)	> 99%	45.8%
Net Cash - Beginning Balance	48.075	53.635	38.676	40.045	8.683	6.960
Percentage growth rate	(10.4%)	38.7%	(3.4%)	> 99%	24.8%	> 99%
Net Cash - Ending Balance	46.428	48.075	53.635	38.676	40.045	8.683
Percentage growth rate	(3.4%)	(10.4%)	38.7%	(3.4%)	> 99%	24.8%
Net Change in Cash	-1.647	-5.560	14.959	-1.369	31.362	1.723
Percentage growth rate	70.4%	< (99%)	> 99%	< (99%)	> 99%	(53.1%)
Cash Interest Paid	2.174	2.577	2.079	1.717	1.998	2.039
Percentage growth rate	(15.6%)	24.0%	21.1%	(14.1%)	(2.0%)	7.9%
Cash Taxes Paid	17.511	17.192	17.765	18.465	18.414	9.482
Percentage growth rate	1.9%	(3.2%)	(3.8%)	0.3%	94.2%	> 99%

Now, we will continue by providing the Income Statement of the second company that we are analyzing, Prada S.p.A, which decided to go public in 2011, so we will analyze data from that year in order to see if there are been improvements or not. We will consider even, in this case, an annual growth rate.

REVENUES	2016	2015	2014	2013	2012	2011	2010
Net Sales	3.547.771	3.551.696	3.587.347	3.297.219	2.555.606	2.046.651	1.561.238
Percentage growth rate	(0.1%)	(1.0%)	8.8%	29.0%	24.9%	31.1%	(5.0%)
EXPENSES							
Cost of Good Sold	980.206	1.001.117	938.698	920.678	727.581	658.763	586.582
Percentage growth rate	(2.1%)	6.6%	2.0%	26.5%	10.4%	12.3%	(15.1%)
Selling/General/Admin. Expenses, Total	1.930.400	1.716.445	1.579.605	1.375.390	1.095.970	872.337	690.830
Percentage growth rate	12.5%	8.7%	14.8%	25.5%	25.6%	26.3%	2.5%
Total Operating Expense	3.044.878	2.850.145	2.648.110	2.407.438	1.926.671	1.632.338	1.374.225
Percentage growth rate	6.8%	7.6%	10.0%	25.0%	18.0%	18.8%	(5.3%)
Research & Development	134.272	132.583	129.807	111.370	103.120	97.164	96.794
Percentage growth rate	1.3%	2.1%	16.6%	8.0%	6.1%	0.4%	9.7%
NET PROFIT							
Gross Profit	2.567.565	2.550.579	2.648.649	2.376.541	1.828.025	1.387.888	974.656
Percentage growth rate	0.7%	(3.7%)	11.4%	30.0%	31.7%	42.4%	2.3%
Operating Income	502.893	701.551	939.237	889.781	628.935	414.313	187.013
Percentage growth rate	(28.3%)	(25.3%)	5.6%	41.5%	51.8%	> 99%	(2.7%)
Net Income Before Taxes	475.332	667.702	922.896	883.616	602.908	388.229	155.150
Percentage growth rate	(28.8%)	(27.7%)	4.4%	46.6%	55.3%	> 99%	0.9%
Net Income	330.888	450.730	627.785	625.681	431.929	250.819	100.163
Percentage growth rate	(26.6%)	(28.2%)	0.3%	44.9%	72.2%	> 99%	1.4%

Before starting to talk about Prada's Income Statement, it is important to clarify that the values contained within it are some of the most important, and mainly those we will use later for our financial analysis, obviously, they aren't all the values that an analyst needs in order to calculate the Net Income.

Giving a first look at Prada's statement, we can already notice that there are many values in red compared to, for example, Cucinelli's statement, let's try now to give an explanation to this. Starting from 2010, we can see that, especially after the first IPO occurred in 2011, the value of the Net Sales has always gone up until we reach 2014, where we can see the first signs showing that something is going wrong. According to the CEO of the company, the drop in the value of Net Sales, as well as the consequent drop in the value of Net Income, is due to factors such as: for the drop occurred from 2014 to 2015, the CEO said that it was mainly due to the challenging environment in which the group was operating during that year, an environment characterized by an ongoing economic uncertainty and a political and social tension that was affecting several important markets, plus a local demand that was following different trends in the various markets, it was growing in Japan and America and it was decreasing in Europe, Italy and Asia Pacific. Instead, he justified the decrease occurred from 2015 to 2016 by saying that the difficult moment faced by the Asian market in that period was having a strong impact on sales performances, especially in Hong Kong (we have to remember that Prada was the first Italian company quoted in the Hong Kong stock market), plus, he said that the forex fluctuation that the euro was having in the first half of 2015, brought a decrease in the flows of Chinese customers, which are a very important asset for the group. However, is important to remind that in 2014, Prada was investigated for a very big Tax evasion, a situation that caused many problems for the company, especially in terms of reputation, so, who knows if this tax evasion, with all the other issues that could have been behind it, is one of the main reasons that led the company to face a decline in the Net Income of **28.2%?** Unfortunately, this is not a topic that can be expanded in this paper, but it would be very interesting to dig into it. However, during this two years characterized by a decrease in Revenues and increase in Expenses, the company tried to solve those issues by making lots of improvements, like for example they launched a lot of new communications initiatives in order to strengthen the brand image and returns and also, they decided to adjust prices, to take account of the forex exchange rate market trends and brand positioning. We will discuss more of the effect of this decrease in the second Chapter, where we will have ratios to analyze and to compare. Let’s turn now to the analysis of Prada’s Balance Sheet, but as stated above, we will only highlight the most important factors that will be useful for us later in the calculation of the ratios. As we did for Cucinelli, we will calculate the Net Worth even for Prada, and we will do the same for all the other companies.

NET WORTH	2016	2015	2014	2013	2012	2011	2010
Total Assets-Total Liabilities	3.080.340	3.000.737	2.687.554	2.320.472	1.822.743	1.204.350	1.047.983

Looking at the Net Worth of Prada, we can notice that it has been increasing from 2010 to 2016, especially after the IPO of 2012. If we compare it with the one of Cucinelli, the numbers are clearly higher, this is normal, since Prada is a better-known brand with respect to Cucineli world-wide, but we don’t have to forget, that latter has no percentages decreasing in terms of Profit in the Income Statement, while Prada does. As for Cucinelli, even this statement is balanced, for example for 2016 we have that: **Assets (4.756.555) = Liabilities (1.676.215) + Shareholders ‘Equity (3.080.340)**. We can also say that there have been no significant decreases from 2010 to 2015, while from 2015 to the end of 2016 we have a lot of values characterized by a percentage decrease for example: Cash and Short-Term Investments by **4%**, Accounts Receivable by **26.6%**, Total Current Assets by **0.6%**, Accounts Payable by **35.6%**, Total Liabilities by **3.6%**, Retained Earnings by **26.6%**. The CEO justified this situation by saying that 2015 has been a difficult year for the luxury good market, which was characterized by volatile financial markets and by heightening geopolitical tension in many world regions, and that all this brought a lot of instability inside the company.

ASSETS	2016	2015	2014	2013	2012	2011	2010
Cash and Short Term Investments	680.601	708.966	568.414	571.746	362.284	96.572	98.564
Percentage growth rate	(4.0%)	24.7%	(0.6%)	57.8%	> 99%	(2.0%)	13.5%
Accounts Receivable - Trade, Net	254.183	346.284	308.405	304.525	266.404	274.175	224.198
Percentage growth rate	(26.6%)	12.3%	1.3%	14.3%	(2.8%)	22.3%	(10.5%)
Total Receivables, Net	420.549	460.762	371.624	363.131	314.991	340.181	299.758
Percentage growth rate	(8.7%)	24.0%	2.3%	15.3%	(7.4%)	13.5%	(11.9%)
Total Inventory	693.954	656.896	453.087	345.280	379.614	280.975	232.627
Percentage growth rate	5.6%	45.0%	31.2%	(9.0%)	35.1%	20.8%	(8.3%)
Prepaid Expenses	71.492	57.882	43.809	56.442	23.052	31.842	30.514
Percentage growth rate	23.5%	32.1%	(22.4%)	> 99%	(27.6%)	4.4%	(13.1%)
Total Current Assets	1.888.438	1.899.955	1.461.596	1.387.449	1.117.503	770.025	686.960
Percentage growth rate	(0.6%)	30.0%	5.3%	24.2%	45.1%	12.1%	(7.9%)
Property/Plant/Equipment, Total - Net	1.517.779	1.474.218	1.230.192	857.299	713.870	536.717	417.965
Percentage growth rate	3.0%	19.8%	43.5%	20.1%	33.0%	28.4%	10.2%
Other Long Term Assets, Total	395.247	373.442	266.756	230.383	228.155	188.402	139.728
Percentage growth rate	5.8%	40.0%	15.8%	1.0%	21.1%	34.8%	0.1%
Total Assets	4.756.555	4.738.877	3.888.292	3.385.279	2.943.568	2.366.015	2.147.481
Percentage growth rate	0.4%	21.9%	14.9%	15.0%	24.4%	10.2%	(1.3%)
LIABILITIES							
Accounts Payable	281.699	437.420	348.534	330.613	283.538	233.866	196.396
Percentage growth rate	(35.6%)	25.5%	5.4%	16.6%	21.2%	19.1%	(14.8%)
Other Current liabilities, Total	222.975	396.895	284.666	139.815	182.128	169.951	114.392
Percentage growth rate	(43.8%)	39.4%	> 99%	(23.2%)	7.2%	48.6%	10.8%
Total Current Liabilities	791.819	1.115.025	706.475	742.062	716.584	659.166	829.550
Percentage growth rate	(29.0%)	57.8%	(4.8%)	3.6%	8.7%	(20.5%)	10.2%
Total Long Term Debt	520.475	255.203	207.969	79.348	179.542	305.917	119.107
Percentage growth rate	> 99%	22.7%	> 99%	(55.8%)	(41.3%)	> 99%	(56.2%)
Other Liabilities, Total	310.002	308.868	229.637	177.741	168.810	138.083	82.761
Percentage growth rate	0.4%	34.5%	29.2%	5.3%	22.3%	66.8%	10.7%
Total Liabilities	1.676.215	1.738.140	1.200.738	1.065.257	1.120.825	1.161.665	1.099.578
Percentage growth rate	(3.6%)	44.8%	12.7%	(5.0%)	(3.5%)	5.6%	(6.3%)
Shareholders Equity							
Common Stock, Total	255.882	255.882	255.882	255.882	255.882	250.000	250.000
Percentage growth rate	0.0%	0.0%	0.0%	0.0%	2.4%	0.0%	0.0%
Retained Earnings (Accumulated Deficit)	330.888	450.730	627.785	625.681	431.929	782.677	641.724
Percentage growth rate	(26.6%)	(28.2%)	0.3%	44.9%	(44.8%)	22.0%	8.9%
Total Equity	3.080.340	3.000.737	2.687.554	2.320.022	1.822.743	1.204.350	1.047.903
Percentage growth rate	2.7%	11.7%	15.8%	27.3%	51.3%	14.9%	4.5%
Total Liabilities & Shareholders' Equity	4.756.555	4.738.877	3.888.292	3.385.279	2.943.568	2.366.015	2.147.481
Percentage growth rate	0.4%	21.9%	14.9%	15.0%	24.4%	10.2%	(1.3%)

We will look now at the Cash Flow Statement of Prada S.p.A. From table below, we can see that, Cash Flow from Operating Activities has been decreased especially from 2014 to 2016, this is not a good sign, it means that the company is losing money, in fact, apart from the decrease that we can notice in Net Income especially from 2014 to 2016, we can see that they reduced even their investments (mainly devoted to Fixed Assets like machinery, buildings, land), from **549.364** million euros in 2014 to **393.905** in 2016. The interesting fact, is that, even though the value of Cash Flow from Operating Activities has been decreased, the company still paid its higher Dividends in 2015 and 2016, so, considering what we have written previously about this topic, and considering what happened to Prada in 2014, a potential investor should analyze a bit better the situation. Maybe we will understand something more later with the financial analysis.

Cash Flow from Operating Activities	2016	2015	2014	2013	2012	2011	2010
Net Income/Starting Line	475.332	667.702	922.896	883.616	602.908	388.229	155.150
Percentage growth rate	(28.8%)	(27.7%)	4.4%	46.6%	55.3%	> 99%	0.9%
Depreciation/Depletion	290.408	213.462	198.857	154.839	126.302	111.455	93.804
Percentage growth rate	36.0%	7.3%	28.4%	22.6%	13.3%	18.8%	17.4%
Non-Cash Items	65.438	51.572	64.026	-5.252	47.245	56.454	42.350
Percentage growth rate	26.9%	(19.5%)	> 99%	< (99%)	(16.3%)	33.3%	9.5%
Changes in Working Capital	-462.713	-484.324	-416.342	-273.931	-296.501	-188.424	-11.418
Percentage growth rate	4.5%	(16.3%)	(52.0%)	7.6%	(57.4%)	< (99%)	89.3%
Cash from Operating Activities	368.465	483.597	769.437	759.272	479.954	367.714	279.886
Percentage growth rate	(23.8%)	(37.1%)	1.3%	58.2%	30.5%	31.4%	68.7%
Cash Flow from Investing Activities							
Capital Expenditures	-393.905	-361.624	-549.364	-350.243	-248.619	-187.606	-132.791
Percentage growth rate	(8.9%)	34.2%	(56.9%)	(40.9%)	(32.5%)	(41.3%)	8.0%
Other Investing Cash Flow Items, Total	1.780	-7.246	1.016	18.598	-8.528	-4.000	-9.310
Percentage growth rate	> 99%	< (99%)	(94.5%)	> 99%	< (99%)	57.0%	(19.5%)
Cash from Investing Activities	-392.125	-368.870	-548.348	-331.645	-257.147	-191.606	-142.101
Percentage growth rate	(6.3%)	32.7%	(65.3%)	(29.0%)	(34.2%)	(34.8%)	6.6%
Casf Flow from Financing Activities							
Financing Cash Flow Items	-3.229	-9.378	-6.634	-5.576	-3.886	-530	-343
Percentage growth rate	65.6%	(41.4%)	(19.0%)	(43.5%)	< (99%)	(54.5%)	72.8%
Total Cash Dividends Paid	-281.471	-281.471	-230.294	-127.941	-2.482	-58.852	-47.750
Percentage growth rate	0.0%	(22.2%)	(80.0%)	< (99%)	95.8%	(23.3%)	(47.8%)
Issuance (Retirement) of Debt, Net	274.514	231.697	17.091	-65.614	-159.805	-109.884	-77.030
Percentage growth rate	18.5%	> 99%	> 99%	58.9%	(45.4%)	(42.7%)	< (99%)
Cash from Financing Activities	-9.777	-57.027	-219.797	-197.965	40.410	-169.266	-125.123
Percentage growth rate	82.9%	74.1%	(11.0%)	< (99%)	> 99%	(35.3%)	< (99%)
Net Cash - Beginning Balance	708.873	568.299	571.722	353.554	79.498	69.195	59.862
Percentage growth rate	24.7%	(0.6%)	61.7%	> 99%	14.9%	15.6%	8.6%
Net Cash - Ending Balance	680.594	708.873	568.300	571.722	353.554	79.498	69.195
Percentage growth rate	(4.0%)	24.7%	(0.6%)	61.7%	> 99%	14.9%	15.6%

We will now discuss the Financial Statements of Salvatore Ferragamo S.p.A. We will start as usually, from the Income Statement, that will be provided in the table below:

REVENUES	2016	2015	2014	2013	2012	2011
Net Sales	1.437.923	1.430.039	1.331.822	1.258.034	1.152.965	986.375
Percentage growth rate	0.6%	7.4%	5.9%	9.1%	16.9%	26.2%
EXPENSES						
Cost of Good Sold	472.808	481.961	483.389	458.955	410.963	352.918
Percentage growth rate	(1.9%)	(0.3%)	5.3%	11.7%	16.4%	22.0%
Selling/General/Admin. Expenses, Total	635.904	621.838	550.570	538.158	536.582	445.736
Percentage growth rate	2.3%	12.9%	2.3%	0.3%	20.4%	18.9%
Depreciation/Amortization	61.637	58.973	46.907	38.493	9.416	26.101
Percentage growth rate	4.5%	25.7%	21.9%	> 99%	(63.9%)	(0.2%)
Total Operating Expense	1.177.195	1.165.439	1.086.406	1.038.976	958.636	829.726
Percentage growth rate	1.0%	7.3%	4.6%	8.4%	15.5%	19.4%
NET PROFIT						
Gross Profit	965.115	948.078	848.433	799.079	742.002	633.457
Percentage growth rate	1.8%	11.7%	6.2%	7.7%	17.1%	28.7%
Operating Income	260.728	264.600	245.416	219.058	194.329	156.649
Percentage growth rate	(1.5%)	7.8%	12.0%	12.7%	24.1%	81.2%
Net Income Before Taxes	245.673	251.383	237.980	220.691	188.366	154.340
Percentage growth rate	(2.3%)	5.6%	7.8%	17.2%	22.0%	72.8%
Net Income	201.984	172.733	156.565	150.451	105.552	81.290
Percentage growth rate	16.9%	10.3%	4.1%	42.5%	29.8%	66.3%

As we said before, Salvatore Ferragamo S.p.A debuted in the Milan Stock Exchange in June 2011, with an IPO that has been defined as one of the best IPOs in the MIL. If we look at the Income Statement we can notice that the performances of the company have had the greatest increase exactly at the end of 2011 (31 December), with an increase in Net Sales from 2010 of **26.2%**, an increase in Net Income of **66.3%** and in Operating Income of **81.2%**. From there, we can see that for example Net Sales are always been increasing mainly thanks to the appreciation of the three currencies apart from the euro, where most of the Group's revenues come from, that are the US dollar, the Chinese Renminbi and the Japanese Yen. However, an unstable macroeconomic context and the various socio-political tensions that certainly do not favor the company, in fact from 2015, Net Sales reported an increase by only **0.6%**. We can say the same thing for the Gross Profit, that has always been increasing, but from 2015 to 2016 we notice an increase by only **1.8%**, this is mainly due to the fact that Net Sales made only a very small increase by **0.6%** and this and this has not been balanced by a possible greater decrease in the Cost of Goods Sold (even though they have fallen by **1.9%** from 2015). Apart from this, we can notice that Net Income has been always increasing from 2011, even in 2016 it has grown by the **16.9%** from 2015, and this is mainly due to tax breaks in favor of the company and to an increase in sales in the Retail channel where the company operates, respectively by **2.3%**. The expenses have increased, even from 2015 to 2016, since the company has invested heavily in tangible and intangible assets, but we will discuss about this in the Cash Flow Statement. Now we will look at the Balance Sheet of the company provided in the table below. We will calculate the Net Worth for Ferragamo S.p.A using the values of Total Assets and Total Liabilities provided in the table below:

NET WORTH	2016	2015	2014	2013	2012	2011
Total Assets-Total Liabilities	693.138	563.926	466.190	365.465	267.290	211.403

Looking at the table, we can see that even for Ferragamo we have an increasing Net Worth from 2011 to 2016, keeping in mind that the Net Worth, is nothing more than the money that are going down into the Equity of the business, the higher it is, the higher the Financial Health of the company. From the table we can see that the Total Assets have been increasing from 2011 to 2016, where we have a value of **1.195.241** billion of euros, Total Liabilities have been increasing too but from 2015 to 2016 we have a decrease by **10.3%** (so less Financial obligations for the company) for a total value of **502.103** million euros, the Equity has been increasing as we can see from the Net Worth above and in 2016 we have a value of **693.138** millions, so, from the formula we have: Assets (**1.195.241**)=Liabilities(**502.103**)+Equity(**693.138**). After, in the Cash Flow Statement, we will have a voice called Changes in Working Capital, that we will discuss later in the Financial Analysis of the company. Here we will just say, that like the Net Worth, even the Working Capital (which is given by the difference between the Current Assets and the Current Liabilities that we find inside the Balance Sheet) is a very important measure to evaluate a company operational efficiency and its short-term Financial Health, since, if a company's Current Assets do not exceed its Current Liabilities, it may have some troubles in paying back creditors in the short-term. Here, in the case of Ferragamo, we can see that the amount of Current Assets exceeds every year, since 2011, the amount of Current Liabilities, so it seems that the Working Capital will be positive and that the company is in a good Financial Health.

ASSETS	2016	2015	2014	2013	2012	2011
Cash and Short Term Investments	117.249	142.121	97.439	70.308	110.881	75.850
Percentage growth rate	(17.5%)	45.9%	38.6%	(36.6%)	46.2%	(43.4%)
Accounts Receivable - Trade, Net	179.688	167.953	150.898	121.415	105.189	97.711
Percentage growth rate	7.0%	11.3%	24.3%	15.4%	7.7%	29.6%
Total Receivables, Net	261.681	203.035	177.824	145.861	125.393	118.995
Percentage growth rate	28.9%	14.2%	21.9%	16.3%	5.4%	24.3%
Total Inventory	374.710	351.132	338.555	290.705	249.804	242.564
Percentage growth rate	6.7%	3.7%	16.5%	16.4%	3.0%	32.7%
Prepaid Expenses	15.174	14.421	18.739	13.357	12.915	7.933
Percentage growth rate	5.2%	(23.0%)	40.3%	3.4%	62.8%	(8.5%)
Total Current Assets	771.653	714.418	634.435	537.193	511.883	445.342
Percentage growth rate	8.0%	12.6%	18.1%	4.9%	14.9%	5.7%
Property/Plant/Equipment, Total - Net	243.692	236.452	212.077	168.398	139.580	113.730
Percentage growth rate	3.1%	11.5%	25.9%	20.6%	22.7%	12.5%
Other Long Term Assets, Total	117.672	114.991	101.957	84.808	72.175	74.906
Percentage growth rate	2.3%	12.8%	20.2%	17.5%	(3.6%)	12.2%
Total Assets	1.195.241	1.123.821	999.397	834.507	762.628	675.749
Percentage growth rate	6.4%	12.4%	19.8%	9.4%	12.9%	7.9%
LIABILITIES						
Accounts Payable	179.165	201.243	186.866	201.873	156.408	153.703
Percentage growth rate	(11.0%)	7.7%	(7.4%)	29.1%	1.8%	49.6%
Other Current liabilities, Total	66.270	74.587	76.128	59.683	65.137	95.553
Percentage growth rate	(11.2%)	(2.0%)	27.6%	(8.4%)	(31.8%)	28.2%
Total Current Liabilities	378.344	412.768	398.254	373.459	398.382	356.586
Percentage growth rate	(8.3%)	3.6%	6.6%	(6.3%)	11.7%	7.4%
Total Debt	124.985	152.102	146.532	103.967	170.308	105.240
Percentage growth rate	(17.8%)	3.8%	40.9%	(39.0%)	61.8%	(30.9%)
Other Liabilities, Total	87.367	75.076	67.447	54.111	58.065	60.022
Percentage growth rate	16.4%	11.3%	24.6%	(6.8%)	(3.3%)	25.2%
Total Liabilities	502.103	559.895	533.207	469.042	495.338	464.346
Percentage growth rate	(10.3%)	5.0%	13.7%	(5.3%)	6.7%	7.2%
SHAREHOLDERS EQUITY						
Common Stock, Total	16.879	16.879	16.841	16.841	16.841	16.841
Percentage growth rate	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Retained Earnings (Accumulated Deficit)	695.953	566.741	465.364	374.764	279.468	194.562
Percentage growth rate	22.8%	21.8%	24.2%	34.1%	43.6%	10.4%
Total Equity	693.138	563.926	466.190	365.465	267.290	211.403
Percentage growth rate	22.9%	21.0%	27.6%	36.7%	26.4%	9.5%
Total Liabilities & Shareholders' Equity	1.195.241	1.123.821	999.397	834.507	762.628	675.749
Percentage growth rate	6.4%	12.4%	19.8%	9.4%	12.9%	7.9%

We will now look now at the Cash Flow Statement of Salvatore Ferragamo S.p.A. From the table below we can notice that Cash Flow from Operating activities has been decreased from 2015 to 2016 by **18.5%** , and we can say the same thing for the Cash Flow from Investing Activities, which regards the investments that the company mainly devoted to the opening and restructuring of retail stores and investments for the development of the digital platform that supports e-commerce activities, then the company is also investing in a new project called "old replacement", which consists mainly in the design of a new distribution system. At the voice “Other Investing Cash Flow items” we have a value of **31** million in 2016 since we had only the data available for the Sales that the company made in terms of Fixed Assets. We can also notice from the Cash Flow from Financing Activities, that the company paid its highest Dividends from 2014 to 2016, even if we had the higher increase from 2011 to 2012 after the first IPO.

Cash Flow from Operating Activities	2016	2015	2014	2013	2012	2011
Net Income/Starting Line	198.358	174.450	163.515	159.967	125.279	103.259
Percentage growth rate	13.7%	6.7%	2.2%	27.7%	21.3%	69.8%
Depreciation/Depletion	52.267	50.608	39.906	40.919	33.962	27.045
Percentage growth rate	3.3%	26.8%	(2.5%)	20.5%	25.6%	1.3%
Non-Cash Items	7.166	12.560	11.881	-2.023	6.133	21.298
Percentage growth rate	(42.9%)	5.7%	> 99%	< (99%)	(71.2%)	> 99%
Changes in Working Capital	-107.871	-34.679	-73.543	-34.888	-41.329	-30.186
Percentage growth rate	< (99%)	52.8%	< (99%)	15.6%	(36.9%)	< (99%)
Cash from Operating Activities	160.970	197.459	143.775	149.985	121.140	115.961
Percentage growth rate	(18.5%)	37.3%	(4.1%)	23.8%	4.5%	(4.6%)
Cash Flow from Investing Activities						
Capital Expenditures	-68.539	-79.955	-82.871	-82.261	-59.393	-42.325
Percentage growth rate	14.3%	3.5%	(0.7%)	(38.5%)	(40.3%)	(94.5%)
Other Investing Cash Flow Items, Total	31	356	-1.476	11.958	-1.770	-49
Percentage growth rate	(91.3%)	> 99%	< (99%)	> 99%	< (99%)	< (99%)
Cash from Investing Activities	-68.508	-79.599	-84.347	-70.303	-61.163	-42.374
Percentage growth rate	13.9%	5.6%	(20.0%)	(14.9%)	(44.3%)	(95.1%)
Cash Flow from Financing Activities						
Financing Cash Flow Items	-41.786	-3.368	33.379	-69.990	24.640	-106.203
Percentage growth rate	< (99%)	< (99%)	> 99%	< (99%)	> 99%	< (99%)
Total Cash Dividends Paid	-77.643	-70.732	-67.364	-55.575	-47.155	-24.015
Percentage growth rate	(9.8%)	(5.0%)	(21.2%)	(17.9%)	(96.4%)	(59.5%)
Cash from Financing Activities	-119.264	-73.356	-32.975	-125.661	-23.304	-130.278
Percentage growth rate	(62.6%)	< (99%)	73.8%	< (99%)	82.1%	< (99%)
Net Cash - Beginning Balance	142.121	96.455	70.292	110.808	73.179	132.469
Percentage growth rate	47.3%	37.2%	(36.6%)	51.4%	(44.8%)	72.0%
Net Cash - Ending Balance	117.249	142.121	96.455	70.292	110.808	73.179
Percentage growth rate	(17.5%)	47.3%	37.2%	(36.6%)	51.4%	(44.8%)

We will now turn to our fourth company, Moncler, and we will analyze its Financial Statements, but this time we will provide data from 2013, since the company first IPO has occurred in that date. What we can see from the table below, is that since the IPO, we have very positive values in terms of profit for Moncler, in fact, in 2016, one of the main achievements of the company is that they exceeded 1 billion euros in Revenues as we can see from our IS in the voice “Net Sales”, with an increase of **18.2%** respect to the 2015. Especially the 2016 for Moncler has been a very great year, apart from the increase in Net Sales, during the course of the year it has overperformed its main competitors in terms of Total Shareholders Return, with a percentage of **29.2%**, the only one who performed better is Kering group with a Return of **38.8%** (for example LVMH registered a Return of **28.0%**). From the Income Statement we can see that we have also a constant increase in Gross Profit, Operating Income and Net Income from the 2013 to 2016, this is mainly due to the company's good performance in its main markets, where we have a **23%**

increase in term of Revenues in Asia and in the rest of the world; good performance also in China and Korea, where Moncler is enhancing brand awareness and its presence in the retail channel. In the Americas, sales grew **23%** and in EMEA (not considering Italy) by **15%**, mainly thanks to the United Kingdom. In Italy, we have a **5%** increase, driven by the direct sales network and the organic growth of the wholesale channel. It is important to mention even the recent Partnerships that the company made with the goal of strengthening the brand in the global luxury goods industry, the one with Temasek, which is an investment fund based in Singapore, and the one with Juan Carlos Torres, who is a shareholder and president of Durfy, a leader group in the travel retail.

REVENUES	2016	2015	2014	2013
Net Sales	1.040.311	880.393	694.189	580.577
Percentage growth rate	18.2%	26.8%	19.6%	(6.9%)
EXPENSES				
Cost of Good Sold	252.303	225.495	192.524	166.520
Percentage growth rate	11.9%	17.1%	15.6%	(28.8%)
Selling/General/Admin. Expenses, Total	474.589	390.830	295.081	241.539
Percentage growth rate	21.4%	32.4%	22.2%	(2.5%)
Total Operating Expense	742.630	627.714	492.639	414.178
Percentage growth rate	18.3%	27.4%	18.9%	(22.9%)
NET PROFIT				
Gross Profit	788.008	654.898	501.665	414.057
Percentage growth rate	20.3%	30.5%	21.2%	6.2%
Operating Income	297.681	252.679	201.550	166.399
Percentage growth rate	17.8%	25.4%	21.1%	92.8%
Net Income Before Taxes	293.089	250.971	195.486	145.246
Percentage growth rate	16.8%	28.4%	34.6%	> 99%
Net Income	196.043	167.863	130.338	76.072
Percentage growth rate	16.8%	28.8%	71.3%	> 99%

We will now look at the Balance of the company, always starting from 2013. As usual, we will provide the Net Worth of the company, remembering that if it goes up during the life spam of a company, the latter is in good Financial Health. Looking at the Net Worth of Moncler, we notice that it has been increasing from 2013 to 2016, meaning that the company is getting better and better over the years.

NET WORTH	2016	2015	2014	2013
Total Assets-Total Liabilities	703.452	546.158	419.503	307.495

Turning our attention to the Balance Sheet, we can see that the value of Total Assets has been increased from 2013 to 2016, as well as the value of the Total Current Assets available to be easily converted into cash, instead, the values of Total Liabilities and Total Debt have been decreased from 2013.Also the value of Total Equity, as we can see from the Net Worth has increased since 2013 as well as the value of Retained Earnings, which will be reinvested into the business or used to repay Debt.

ASSETS	2016	2015	2014	2013
Cash and Short Term Investments	246.408	148.603	123.419	105.300
Percentage growth rate	65.8%	20.4%	17.2%	11.2%
Accounts Receivable - Trade, Net	104.864	89.782	86.593	76.521
Percentage growth rate	16.8%	3.7%	13.2%	(29.3%)
Receivables - Other	13.287	18.488	28.830	48.460
Percentage growth rate	(28.1%)	(35.9%)	(40.5%)	> 99%
Total Inventory	135.849	134.063	122.821	77.224
Percentage growth rate	1.3%	9.2%	59.0%	(20.1%)
Prepaid Expenses	5.629	6.652	10.655	14.755
Percentage growth rate	(15.4%)	(37.6%)	(27.8%)	(23.7%)
Total Current Assets	506.037	397.588	372.318	322.260
Percentage growth rate	27.3%	6.8%	15.5%	(2.1%)
Property/Plant/Equipment, Total - Net	123.925	102.234	77.254	58.248
Percentage growth rate	21.2%	32.3%	32.6%	12.4%
Intangibles, Net	266.882	268.014	258.771	252.739
Percentage growth rate	(0.4%)	3.6%	2.4%	(4.9%)
Other Long Term Assets, Total	98.951	88.262	59.712	36.796
Percentage growth rate	12.1%	47.8%	62.3%	5.6%
Total Assets	1.151.799	1.012.064	927.144	825.625
Percentage growth rate	13.8%	9.2%	12.3%	(1.4%)
LIABILITIES				
Accounts Payable	132.586	112.969	112.323	107.077
Percentage growth rate	17.4%	0.6%	4.9%	(14.4%)
Accrued Expenses	26.414	16.556	13.416	16.608
Percentage growth rate	59.5%	23.4%	(19.2%)	(4.2%)
Other Current liabilities, Total	48.482	52.267	60.110	30.967
Percentage growth rate	(7.2%)	(13.0%)	94.1%	(3.4%)
Total Current Liabilities	272.259	252.974	266.180	270.896
Percentage growth rate	7.6%	(5.0%)	(1.7%)	(0.1%)
Total Debt	140.612	198.198	234.574	276.360
Percentage growth rate	(29.1%)	(15.5%)	(15.1%)	(14.9%)
Other Liabilities, Total	29.181	16.514	11.711	11.477
Percentage growth rate	76.7%	41.0%	2.0%	(51.3%)
Total Liabilities	448.347	465.906	507.641	518.130
Percentage growth rate	(3.8%)	(8.2%)	(2.0%)	(13.5%)
SHAREHOLDERS EQUITY				
Common Stock, Total	50.043	50.025	50.000	50.000
Percentage growth rate	0.0%	0.1%	0.0%	0.0%
Retained Earnings (Accumulated Deficit)	648.331	384.308	264.075	150.455
Percentage growth rate	68.7%	45.5%	75.5%	84.7%
Total Equity	703.452	546.158	419.503	307.495
Percentage growth rate	28.8%	30.2%	36.4%	28.9%
Total Liabilities & Shareholders' Equity	1.151.799	1.012.064	927.144	825.625
Percentage growth rate	13.8%	9.2%	12.3%	(1.4%)

We will turn now to the Cash Flow Statement of our company. We have already said that we will talk about the Working capital later in the financial analysis, so, let’s move on to the Cash Flow from Operating Activities, which is increased from 2013 to 2016, especially from 2014 to 2015 and from 2015 to 2016, where we can observe an increase greater than **50%**.Looking at the Cash

Flow from Investing Activities, we can notice that the company increased its Investments from 2013, where they had invested **25.242** million euros, while now in 2016 they have invested **62.290** million euros. The investments were mainly devoted to the opening of new DOS and the establishment of a new production unit in Romania with more than 900 employees, which are one the main players for the growth of the company. Unfortunately, we don't have data available for the amount of the Total Cash Dividend paid in 2013, but we can see that from 2014 the company paid both in 2015 and 2016 a Divided higher than 30 million euros, which is reasonable if we consider the increase in Cash from Operating Activities and the amazing performance of the stock in 2016.Also, they increased the Capital Expenditures since they want to improve their brand awareness around the world and also because they are opening a lot of new DOS and they are trying to expand the Wholesale Channel, since in 2016 for example, the **73%** of Revenues came from the Retail channel.

Cash Flow from Operating Activities	2016	2015	2014	2013
Net Income/Starting Line	196.322	167.910	130.109	78.386
Percentage growth rate	16.9%	29.1%	66.0%	> 99%
Depreciation/Depletion	32.756	27.762	20.393	19.185
Percentage growth rate	18.0%	36.1%	6.3%	(9.2%)
Non-Cash Items	116.889	91.376	81.745	88.013
Percentage growth rate	27.9%	11.8%	(7.1%)	(23.7%)
Changes in Working Capital	-77.395	-113.358	-96.435	-95.170
Percentage growth rate	31.7%	(17.5%)	(1.3%)	(20.4%)
Cash from Operating Activities	277.451	181.887	141.695	90.414
Percentage growth rate	52.5%	28.4%	56.7%	2.1%
Cash Flow from Investing Activities				
Capital Expenditures	-63.301	-67.657	-50.216	-34.346
Percentage growth rate	6.4%	(34.7%)	(46.2%)	(18.5%)
Other Investing Cash Flow Items, Total	1.011	1.470	659	9.104
Percentage growth rate	(31.2%)	> 99%	(92.8%)	> 99%
Cash from Investing Activities	-62.290	-66.187	-49.557	-25.242
Percentage growth rate	5.9%	(33.6%)	(96.3%)	11.6%
Cash Flow from Financing Activities				
Financing Cash Flow Items	-2.422	1.753	-575	-1.420
Percentage growth rate	< (99%)	> 99%	59.5%	85.9%
Total Cash Dividends Paid	-34.883	-30.014	-25.000	--
Percentage growth rate	(16.2%)	(20.1%)	--	--
Issuance (Retirement) of Debt, Net	-68.595	-61.237	-43.439	-47.589
Percentage growth rate	(12.0%)	(41.0%)	8.7%	< (99%)
Cash from Financing Activities	-117.780	-88.229	-69.014	-49.009
Percentage growth rate	(33.5%)	(27.8%)	(40.8%)	< (99%)
Net Cash - Beginning Balance	146.081	122.400	99.276	83.113
Percentage growth rate	19.3%	23.3%	19.4%	> 99%
Net Cash - Ending Balance	243.385	146.081	122.400	99.276
Percentage growth rate	66.6%	19.3%	23.3%	19.4%
Net Change in Cash	97.304	23.681	23.124	16.163
Percentage growth rate	> 99%	2.4%	43.1%	(62.5%)

We will now analyze the Financial Statements of our last company, which is Tod's S.p.A. Tod's first IPO occurred in the 2001, since it is not useful to provide data from 2001 to 2016, we will limit ourselves to evaluate Tod's performances from 2013 like we did for Moncler.

REVENUES	2016	2015	2014	2013
Net Sales	1.015.047	1.048.396	976.008	983.120
Percentage growth rate	(3.2%)	7.4%	(0.7%)	(0.2%)
EXPENSES				
Cost of Good Sold	498.665	501.301	478.404	463.160
Percentage growth rate	(0.5%)	4.8%	3.3%	(2.6%)
Selling/General/Admin. Expenses, Total	303.578	311.716	270.051	253.443
Percentage growth rate	(2.6%)	15.4%	6.6%	10.8%
Depreciation/Amortization	46.165	48.233	41.583	39.284
Percentage growth rate	(4.3%)	16.0%	5.9%	3.1%
Total Operating Expense	886.686	899.829	827.829	789.965
Percentage growth rate	(1.5%)	8.7%	4.8%	1.8%
NET PROFIT				
Gross Profit	516.382	547.095	497.604	519.960
Percentage growth rate	(5.6%)	9.9%	(4.3%)	2.0%
Operating Income	128.361	148.567	148.179	193.155
Percentage growth rate	(13.6%)	0.3%	(23.3%)	(7.5%)
Net Income Before Taxes	114.967	137.270	144.380	191.172
Percentage growth rate	(16.2%)	(4.9%)	(24.5%)	(8.0%)
Net Income	86.293	92.735	97.114	133.780
Percentage growth rate	(6.9%)	(4.5%)	(27.4%)	(8.0%)

Before we start to talk about the IS of Tod's S.p.A, let's remind that we are talking about a group which operates in the luxury sector with the following brands: Tod's, Hogan, Fay and Roger Vivier (which was previously licensed and has been definitively purchased at the beginning of 2016), and each of them contributes in obtaining the values that we have in the Income Statement etc. Moving now to the IS of the group, we can notice that the group is not going very well, in fact, talking about the Net Sales, we can notice that only from 2014 to 2015 we have an increase of **7.4%**, which is good since the company reached more than 1 billion Revenues, but from 2015 to 2016 we can see that results are starting to fall again, with a percentage decrease of **3.2%**. Like Net Sales, also the Gross Profit and the Operating Income registered a decrease in their values from 2015 to 2016, and talking about the Net Income, it is decreasing since 2013. The main reasons, according to the financial relation of the company for the year 2016, are that: Directly operated stores sales declined by **4.3%** compared to 2015 since there was a sharp decline in customers registered by the stores, a decline in tourism, a macroeconomic environment that has been very difficult and volatile for some years now, and all this generated a decline in revenue especially for Tod's and Hogan brands. Regarding the remaining two brands, FAY recorded a **5.3%** increase in revenues thanks to the continued expansion abroad of the brand, Roger Vivier recorded instead of an increase in Revenues by **6.6%** from 2015. We will analyze the Balance Sheet of Tod's S.p.A which is provided in the table below.

ASSETS	2016	2015	2014	2013
Cash and Short Term Investments	227.706	217.801	165.949	228.178
Percentage growth rate	4.5%	31.2%	(27.3%)	35.6%
Accounts Receivable - Trade, Net	118.142	111.521	99.445	94.326
Percentage growth rate	5.9%	12.1%	5.4%	(38.1%)
Total Receivables, Net	146.788	129.158	130.143	103.376
Percentage growth rate	13.6%	(0.8%)	25.9%	(38.4%)
Total Inventory	291.892	347.445	327.085	282.348
Percentage growth rate	(16.0%)	6.2%	15.8%	6.4%
Other Current Assets, Total	39.493	35.984	38.982	39.223
Percentage growth rate	9.8%	(7.7%)	(0.6%)	> 99%
Total Current Assets	705.879	730.388	662.159	653.125
Percentage growth rate	(3.4%)	10.3%	1.4%	5.2%
Property/Plant/Equipment, Total - Net	216.888	226.504	217.826	192.353
Percentage growth rate	(4.2%)	4.0%	13.2%	(1.2%)
Intangibles, Net	589.788	175.854	176.877	177.921
Percentage growth rate	> 99%	(0.6%)	(0.6%)	0.0%
Other Long Term Assets, Total	80.253	71.215	66.772	64.930
Percentage growth rate	12.7%	6.7%	2.8%	10.4%
Total Assets	1.608.700	1.218.948	1.140.362	1.106.804
Percentage growth rate	32.0%	6.9%	3.0%	3.2%
LIABILITIES				
Accounts Payable	130.804	142.881	160.220	152.619
Percentage growth rate	(8.5%)	(10.8%)	5.0%	9.6%
Accrued Expenses	18.092	20.138	16.871	15.957
Percentage growth rate	(10.2%)	19.4%	5.7%	6.8%
Other Current liabilities, Total	34.054	35.351	50.748	21.197
Percentage growth rate	(3.7%)	(30.3%)	> 99%	(10.4%)
Total Current Liabilities	248.898	222.192	243.477	215.739
Percentage growth rate	12.0%	(8.7%)	12.9%	2.5%
Total Debt	263.087	83.565	35.936	47.053
Percentage growth rate	> 99%	> 99%	(23.6%)	(27.1%)
Other Liabilities, Total	39.443	43.010	32.618	33.620
Percentage growth rate	(8.3%)	31.9%	(3.0%)	(1.9%)
Total Liabilities	521.488	356.915	330.831	311.348
Percentage growth rate	46.1%	7.9%	6.3%	(1.1%)
SHAREHOLDERS EQUITY				
Common Stock, Total	66.187	61.219	61.219	61.219
Percentage growth rate	8.1%	0.0%	0.0%	0.0%
Retained Earnings (Accumulated Deficit)	578.932	574.127	543.003	531.084
Percentage growth rate	0.8%	5.7%	2.2%	10.3%
Other Equity, Total	25.505	12.632	-8.746	-10.902
Percentage growth rate	> 99%	> 99%	19.8%	< (99%)
Total Equity	1.087.212	862.033	809.531	795.456
Percentage growth rate	26.1%	6.5%	1.8%	4.9%
Total Liabilities & Shareholders' Equity	1.608.700	1.218.948	1.140.362	1.106.804
Percentage growth rate	32.0%	6.9%	3.0%	3.2%

As usually, we will take a look at the Net Worth of the company:

NET WORTH	2016	2015	2014	2013
Total Assets-Total Liabilities	1.087.212	862.033	809.531	795.456

Since the Net Worth is increasing from 2013 to 2016, it seems that the company is in a good Financial Health, however we will understand better the situation when in the second chapter we will use other ratios that indicate the Health and Profitability of a company, since we have seen from the Income Statement, that at least profitability, is getting worse. From the BS we can see that Total Assets increased from 2013 to 2016, also the Financial obligations increased, especially from 2015 to 2016 where we have an increase in Liabilities by **46.1%**. An important factor that made Liabilities grow so much is the amount of Total Debt, which is increased by more than **99%** from 2014 to 2015 and again by more than **99%** from 2015 to 2016. This is mainly due to the fact that the company made a financing agreement with Mediobanca and Crèdit Agricole to support the acquisition of the brand Roger Vivier. So, considering 2016, from the BS formula we have that: Assets (**1.608.700**) = Liabilities (**521.488**) + Equity (**1.087.212**). We will now briefly analyze the Cash Flow Statement of Tod's S.p.A and finally we will then move to the Financial Analysis of the companies.

Cash Flow from Operating Activities	2016	2015	2014	2013
Net Income/Starting Line	85.768	92.088	96.761	134.000
Percentage growth rate	(6.9%)	(4.8%)	(27.8%)	(7.9%)
Depreciation/Depletion	81.801	55.028	41.910	42.256
Percentage growth rate	48.7%	31.3%	(0.8%)	1.3%
Changes in Working Capital	-49.398	-36.535	-50.639	34.009
Percentage growth rate	(35.2%)	27.9%	< (99%)	> 99%
Non-Cash Items	31.513	2.735	2.666	-2.187
Percentage growth rate	> 99%	2.6%	> 99%	< (99%)
Cash from Operating Activities	149.684	108.895	90.411	206.930
Percentage growth rate	37.5%	20.4%	(56.3%)	97.3%
Cash Flow from Investing Activities				
Capital Expenditures	-34.181	-47.139	-63.086	-49.582
Percentage growth rate	27.5%	25.3%	(27.2%)	(5.2%)
Other Investing Cash Flow Items, Total	-432.297	-1.462	-3.173	-1.959
Percentage growth rate	< (99%)	53.9%	(62.0%)	< (99%)
Cash from Investing Activities	-466.478	-48.601	-66.259	-51.541
Percentage growth rate	< (99%)	26.6%	(28.6%)	(22.1%)
Cash Flow from Financing Activities				
Total Cash Dividends Paid	-66.187	-61.669	-82.902	-83.014
Percentage growth rate	(7.3%)	25.6%	0.1%	(8.5%)
Issuance (Retirement) of Debt, Net	176.960	42.685	-3.325	-5.844
Percentage growth rate	> 99%	> 99%	43.1%	33.6%
Cash from Financing Activities	318.273	-18.984	-86.227	-88.858
Percentage growth rate	> 99%	78.0%	3.0%	(12.4%)
Net Cash - Beginning Balance	204.063	154.961	207.100	141.304
Percentage growth rate	31.7%	(25.2%)	46.6%	(7.1%)
Net Cash - Ending Balance	211.993	204.063	154.961	207.100
Percentage growth rate	3.9%	31.7%	(25.2%)	52.5%
Net Change in Cash	7.929	49.102	-52.140	65.796
Percentage growth rate	(83.9%)	> 99%	< (99%)	> 99%

From the CS of Tod's S.p.A we can see that Cash Flow from Operating Activities increased from 2014 to 2016, that Capital Expenditures decreased from 2014 to 2016, and that Cash Flow from Investing Activities increased by more than **99%** mainly because the company paid out **415** million euro for the acquisition of the brand Roger Vivier. Other important investments of the company were those related to the opening of new Directly Operated Stores, especially the one opened in Miami, and those aimed at the modernization of the structures and the development of new management systems. We can notice that the company paid its highest Dividend in 2014, in 2015 instead they paid out a Dividend which was **25.6%** lower than the previous one.

Chapter two: Financial Analysis of the companies

2.1. What to look at when investing

Is an entity stable, solvent, liquid or profitable enough to warrant a monetary investment? This is one the main questions that a potential investor should address himself before going to invest money in a company. What we will do in the second chapter of this paper, is to try to answer this main question by providing a Financial Analysis of the five companies that we are analyzing, but let's first start by explaining what a financial analysis is and how we will proceed. A Financial Analysis is the process by which an investor evaluates a business to determine its performance and suitability, to identify the major changes in trends, relationships and to investigate about the reasons underlying those changes. One of the most common techniques used to compute a Financial Analysis is probably the ratio analysis (which is mainly the analysis of the relationships between two or more line items on the Financial Statements), in fact we will use this technique in this second chapter in order to determine if the companies that we are analyzing are good enough to warrant a hypothetical monetary investment. There are mainly two approaches to make a Financial Analysis: the bottom-up approach and the top-down approach. The latter is based on looking at macroeconomic opportunities, such as high-performing sectors, and then it digs in to find the best companies within that sector, the bottom-up approach instead, which will also be the one we will rely on, looks at specific companies and conducts similar ratios analysis among them, to understand if a company was and will be profitable. We know that investors are constantly searching for one key measurement that can be obtained by looking at a company's Financial Statements for evaluating a stock, but is not that easy, in fact, there are multiple Financial metrics that must be considered to evaluate the financial profitability, health, and long-term sustainability of a company. What we will do now in the second point of this chapter is to explain which are those financial metrics, and we will use them to compute an accurate evaluation of our five companies and to compare them using ratios.

2.2. Financial Ratios-Liquidity Ratios

In this second chapter, we will analyze four main areas that will help us in indicating the Financial Health of our five companies, they are: Liquidity Area, Profitability Area, Financial Leverage Area and Operating Efficiency Area. Each area has its own financial ratios, we will now start by talking about the first area: **Liquidity Area**. When we refer to the word liquidity, we are referring to the amount of cash and easily-convertible-to-cash Assets (Current Assets) that a company owns to manage its short-term obligations. We will use four different metrics to measure the liquidity of our five companies, in order, they are: the **Current Ratio**, the **Quick Ratio**, and the **Working Capital**. Starting from the Current ratio we can say that is mainly used to give an idea of the company's ability to pay back its liabilities with the assets that it owns. The formula for the **Current Ratio** is the following:

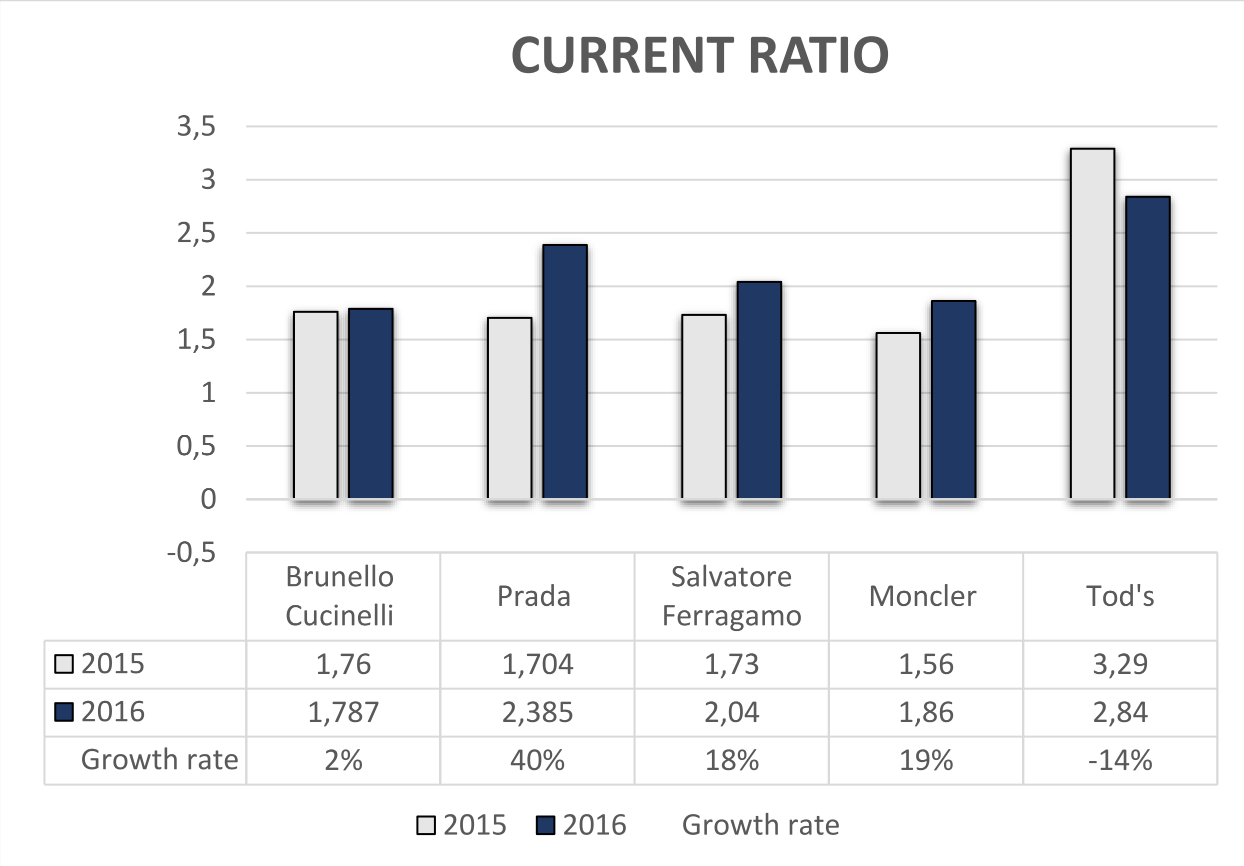
$$\frac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$$

We will now calculate the Current Ratio for our five companies, we will consider the years 2015 and 2016, we will at the end compare the results of the ratio between them and analyze the results. The first company is Brunello Cucinelli, from the Balance Sheet which we have previously analyzed, we can see that the values of Current Assets and Current Liabilities for 2015 and 2016 are: Current Assets (**268.064** for 2016, **256.707** for 2015), Current Liabilities (**150.012** for 2016, **145.835** for 2015), so the respectively Current Ratios are equal to **1,787** for 2016 and **1,760** for 2015. In order to analyze these numbers, we must say that any Current Ratio below 1 indicates that a company own more obligations to pay rather than Assets, and suggests that it will be unable to pay off its obligations, instead, the higher the Current Ratio, the more capable the company is of paying its obligations. So, given the results that we obtained from our calculations, we can say that Cucinelli has enough short-term Assets to cover its short-term Debt since the ratio provided good results. Now we will compute the Current Ratio for our second company, Prada. From the Balance Sheet we can see that the values of Current Assets and Current Liabilities for 2015 and 2016 are: Current Assets (**1.888.438** for 2016, **1.899.955** for 2015), Current Liabilities (**791.819** for 2016, **1.115.025** for 2015), so the respectively Current Ratios are equal to **2,385** for 2016 and **1,704** for 2015. From the ratios of Prada, we can see that in 2015 it was acceptable, in 2016 instead it is higher than two, and this can have mainly two explanations: the first is that Prada is very capable of paying off its obligations, and that, as we can see from the Balance Sheet, it owns a larger proportion of assets value relative to liabilities, instead the second explanation may be the existence of redundant assets, since, a current ratio significantly higher than the industry average may not always be a positive thing. Let's calculate now the Current Ratio for Salvatore Ferragamo. From the Balance Sheet we can see that the values of Current Assets and Current Liabilities for 2016 and 2015 are: Current Assets (**771.653** for 2016, **714.418** for 2015), Current Liabilities (**378.344** for 2016, **412.768** for 2015), so the respectively Current Ratio are equal to **2,04** for 2016 and **1,73** for 2015. We can notice that we have more or less the same situation of Prada, with a ratio that is acceptable for 2015 and a ratio that it is over 2 (even if less high than the one of Prada) in 2016, so we can deduce that even

Ferragamo has a larger proportion of asset value relative to liabilities, and that the company will be capable in paying off its obligations. Now we will calculate the Current ratio for Moncler. From the BS we can see that the values of Current Assets and Current Liabilities for 2016 and 2015 are: Current Assets (**506.037** for 2016, **397.588** for 2015), Current Liabilities (**272.259** for 2016, **252.974** for 2015), so the respectively Current Ratio are equal to **1,86** for 2016 and **1,56** for 2015. In this case, in both 2015 and 2016, we have two normal results, this means that the company has enough short-term Assets to cover its short-term debt and that it is investing properly its excess cash. The last company is Tod's. From the Balance Sheet we can see that the values, in this case, are: Current Assets (**705.879** for 2016, **730.388** for 2015), Current Liabilities (**248.898** for 2016, **222.192** for 2015), so the respectively Current Ratio are equal to **2,84** for 2016 and **3,29** for 2015. The results for Tod's are very high, we can see from the Balance Sheet that the company has a high proportion of asset value relative to liabilities, so it seems that, despite the bad performances in terms of Net Income etc... the company is really capable of paying off its obligations.

CURRENT RATIO	2016	2015
Brunello Cucinelli S.p.A	1,787	1,76
Prada S.p.A	2,385	1,704
Salvatore Ferragamo S.p.A	2,04	1,73
Moncler S.p.A	1,86	1,56
Tod's S.p.A	2,84	3,29

We can clearly see from the Table that the ones which are performing better are Tod's and in 2016 Prada. Now we will provide a graph showing the changes in the Current Ratios of our five companies, and we will do the same thing for all the other ratios that we will calculate.



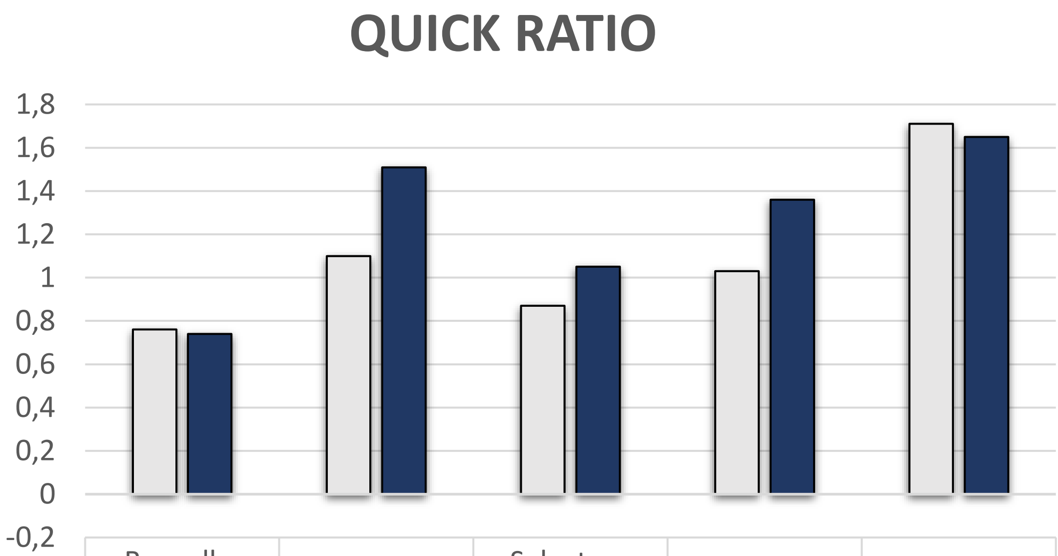
We will now proceed by calculating the Quick Ratio for our five companies and we will put the results directly on a table and then analyze them since we understand that is more convenient for us. The formula for the **Quick Ratio** is given by:

$$\frac{\textbf{(Current Assets - Inventories)}}{\textbf{Current Liabilities}}$$

The first difference that we can notice from the formula to calculate the Current Ratio is that the Quick Ratio does not include inventory and the current part of long-term debt from liabilities. Thus, the main difference is that it provides a more realistically indication of a company ability to repay short-term obligations, in fact, it measures a company's ability to meet its short-term obligations with its most liquid assets. We will provide now in a table the calculations for the Quick Ratios of our five companies and then we will analyze them:

QUICK RATIO	2016	2015
Brunello Cucinelli S.p.A	268.064 - 154.814 / 150.012= **0,74**	256.707 - 143.957 / 145.835= **0,76**
Prada S.p.A	1.888.438 - 693.954 / 791.819= **1,51**	1.899.955 - 656.896 / 1.115.025= **1,10**
Salvatore Ferragamo S.p.A	771.653 - 374.710 / 378.344= **1,05**	714.418 - 351.132 / 412.768= **0,87**
Moncler S.p.A	506.037 - 135.849 / 272.259= **1,36**	397.588 - 134.063 / 252.974= **1,03**
Tod's S.p.A	705.879 - 291.892 / 248.898= **1,65**	730.388 - 347.445 / 222.192= **1,71**

Before starting to talk about the numbers that we obtained, let’s try to give a brief explanation of what it means for example to obtain a Quick Ratio equal to **1,8**. A Quick Ratio of **1,8** means that a company has available **1,80** euros of liquid assets to cover **1** euros of current liabilities. In our case, we can see from the table that the Quick Ratio has given us completely different values from the Current Ratio, in fact, if we thought that Cucinelli was able to meet its short-term obligations, now we obtained two values that are both below 1 for 2015 and 2016. Taking, for example, the year 2016, we have a Quick Ratio of **0.74**, which means that Cucinelli has **0.74** euros of liquid assets available to cover **1** euro of current liabilities, so, from this analysis, it seems that the company has not enough money to cover its short-term obligations. Basing ourselves on the fact that, the higher the Quick Ratio, the better the company liquidity position, it seems that the company with the best capability to cover its short-term obligations it’s Tod’s, followed by Prada, Moncler, and Ferragamo (which has a Quick Ratio lower than 1 only in 2015).



	Brunello Cucinelli	Prada	Salvatore Ferragamo	Moncler	Tod's
2015	0,76	1,1	0,87	1,03	1,71
2016	0,74	1,51	1,05	1,36	1,65
Growth rate	-3%	37%	21%	32%	-4%

2015 2016 Growth rate

Now, as it was stated in Chapter 1, we will analyze briefly the Working Capital of our five companies, which is a measure of both a company's efficiency and its short-term financial health. Before calculating it, we should remind that, if Current Assets do not exceed Current Liabilities, the company may be in serious trouble. The formula is the following:

Working Capital= Current Assets – Current Liabilities

For our companies we have:

WORKING CAPITAL	2016	2015
Brunello Cucinelli S.p.A	268.064 - 150.012= **118.052**	256.707 - 145.835= **110.872**
Prada S.p.A	1.888.438 - 791.819= **1.096.619**	1.899.955 - 1.115.025= **784.930**
Salvatore Ferragamo S.p.A	771.653 - 378.344= **393.309**	714.418 - 412.768= **301.650**
Moncler S.p.A	506.037 - 272.259= **233.778**	397.588 - 252.974= **144.614**
Tod's S.p.A	705.879 - 248.898= **456.981**	730.388 - 222.192= **508.196**

From the table we can see that for every company there is an excess of Assets respect to Liabilities, so no one is in trouble from that point of view, every company should be able to repay its short-term debt. Even in this case the best ones are Prada and Tod’s (with Cucinelli being again the worst performer), and if we will only base our analysis on liquidity ratios, we could say that they are the most profitable and efficient companies respect to the other three, but we have other ratios to compute to make a complete analysis of them. We will not provide a graph for the Working Capital since it is not properly a ratio.

2.2.1 Profitability Ratios

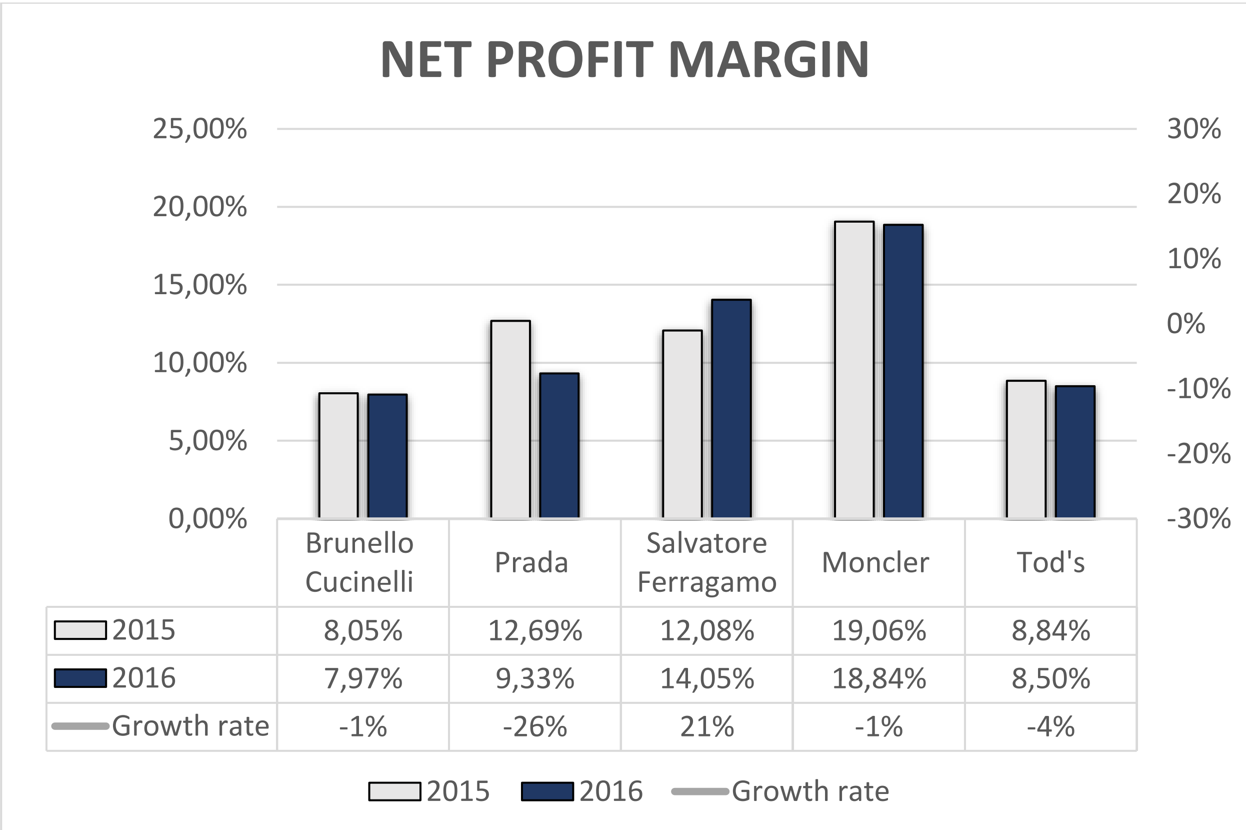
We will now turn to the computation of the Profitability Ratios of our five companies. These type of ratios, which are arguably the most widely used when computing an investment analysis, are a class of financial metrics which are used to identify the ability of a company to generate earnings whit respect to expenses and costs incurred during a specific period. We will calculate different types of Profitability Ratios, providing graphs in order to see if the company is generating more profits with respect to previous periods. The first ratio that we will analyze is the **Net Profit Margin**, which is used to show how much dollars collected by a company as Revenues translates into Profit. The formula is given by:

$$\frac{\textbf{Net Income}}{\textbf{Net Sales}}$$

We will provide now in a table the values of the Net Profit Margin for our companies:

NET PROFIT MARGIN	2016	2015
Brunello Cucinelli S.p.A	(36.397 / 455.971)*100= **7,97%**	(33.338 / 414.151)*100= **8,05%**
Prada S.p.A	(330.888 / 3.547.771)*100= **9,33%**	(450.730 / 3.551.696)*100= **12,69%**
Salvatore Ferragamo S.p.A	(201.984 / 1.437.923)*100= **14,05%**	(172.733 / 1.430.039)*100= **12,08%**
Moncler S.p.A	(196.043 / 1.040.311)*100= **18,84%**	(167.863 / 880.393)*100= **19,06%**
Tod's S.p.A	(86.293 / 1.015.047)*100= **8,5%**	(92.735 / 1.048.396)*100= **8,84%**

To understand what these numbers represent, we will make an example. If for example, we take the Net Profit Margin of Cucinelli for 2016, we have a value of **7,97%** (0,0797), and this number means that the company earns **7.97** cents for every dollar it collects. Given the explanation of what these values mean, we can see from the table that the only company that has increased its Net Profit Margin from 2015 to 2016 it's Salvatore Ferragamo, in which we have an increase by **0,15%.** For all the other companies we notice that, from 2015 to 2016, the percentages have decreased respectively by **0,9%** for Cucinelli, **26%** for Prada, **1%** for Moncler and **4%** for Tod's. The higher Profit Margins, however, are the ones of Ferragamo and Moncler, which are even the ones that are performing better in terms of increase in Net Income and increase in Net Sales. Since a business, thanks to increases or decreases in Net Profit Margin can assess whether or not current business practices are working, apart from Ferragamo in which we have an increase, maybe the other four companies should change something and cut some operating expenses to increase their Net Profit Margin.



	Brunello Cucinelli	Prada	Salvatore Ferragamo	Moncler	Tod's
2015	8,05%	12,69%	12,08%	19,06%	8,84%
2016	7,97%	9,33%	14,05%	18,84%	8,50%
Growth rate	-1%	-26%	21%	-1%	-4%

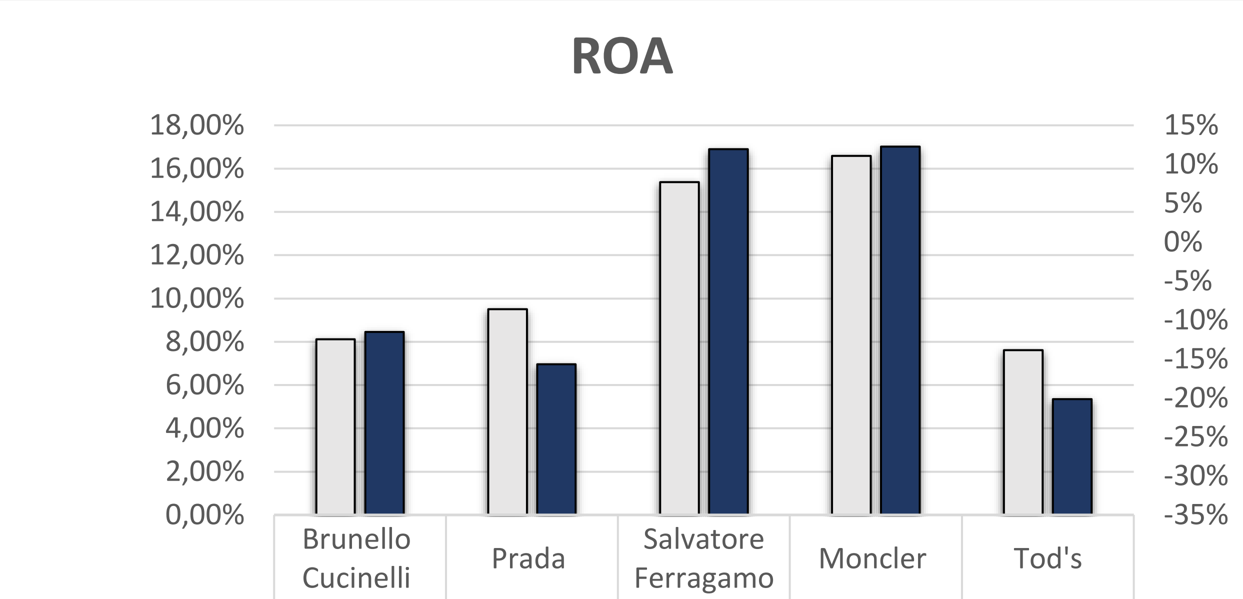
We will proceed now with the calculation of other two important Profitability Ratios which in order are: ROA (Return on Assets) and ROE (Return on Equity). We will start with the Return on Assets which is given by the following formula:

$$\frac{\textbf{Net Income}}{\textbf{Total Assets}}$$

The Return on Assets, gives an idea about the company ability to utilize its assets to create profits and it is displayed as a percentage. For our five companies we have that:

ROA	2016	2015
Brunello Cucinelli S.p.A	(36.397 / 429.894)*100= **8,46%**	(33.338 / 411.103)*100= **8,11%**
Percentage growth rate	4,00%	-
Prada S.p.A	(330.888 / 4.756.555)*100= **6,96%**	(450.730 / 4.738.877)*100= **9,51%**
Percentage growth rate	-27,00%	-
Salvatore Ferragamo S.p.A	(201.984 / 1.195.241)*100= **16,90%**	(172.733 / 1.123.821)*100= **15,37%**
Percentage growth rate	10,00%	-
Moncler S.p.A	(196.043 / 1.151.799)*100= **17,02%**	(167.863 / 1.012.064)*100= **16,59%**
Percentage growth rate	3,00%	-
Tod's S.p.A	(86.293 / 1.608.700)*100= **5,35%**	(92.735 / 1.218.948)*100= **7,61%**
Percentage growth rate	-30,00%	-

From the table, we can see that the only companies in which we have an increase in ROA from 2015 to 2016 are Ferragamo, Moncler and Cucinelli, since they are the only one where we can notice an increase in Net Income and Total Assets from 2015. The values for Ferragamo and Moncler are pretty good, for Cucinelli we can say that ROA is not very high, but this is mainly given to the fact that the company is not yet very known worldwide, but expectations for it are very high, and we think that in 2017 the performances will be much higher. Concerning instead, are the results that we obtained for Prada and Tod's (**-27%** for the former, **-30%** for the latter). For both the companies, in the Financial Statements Analysis we saw that performances in these years were not as good as before, in fact we registered a decrease in Net Income for both, and we can see that ROA values that we obtained are very low for two well-known companies like these two. So, if in terms of Liquidity Ratios, the two companies were pretty good, for now, we can say that we are observing the opposite thing in terms of Profitability.



	Brunello Cucinelli	Prada	Salvatore Ferragamo	Moncler	Tod's
2015	8,11%	9,51%	15,37%	16,59%	7,61%
2016	8,46%	6,96%	16,90%	17,02%	5,35%
Growth rate	4%	-27%	10%	3%	-30%

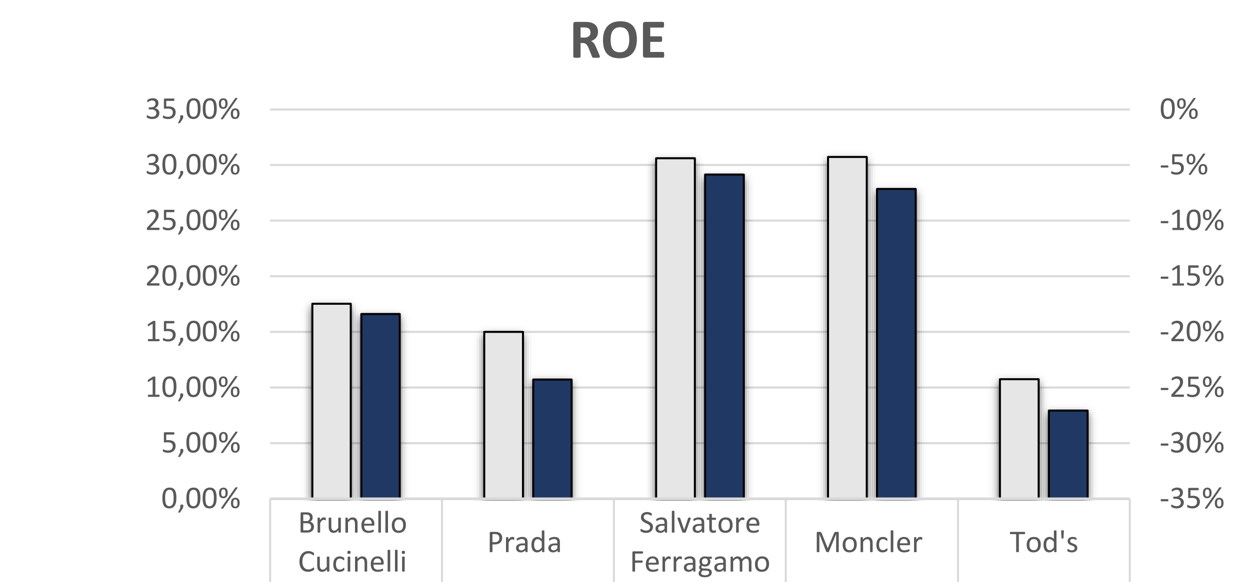
We will now proceed in the calculation of the Return on Equity (ROE), which is given by:

$$\frac{\textbf{Net Income}}{\textbf{Shareholder's Equity}}$$

Before that we provide the results that we obtained for the ROE, we must explain that is a ratio that tells us the amount of profits that a company is making with the money that is invested by Shareholders, and the more this percentage is high, the more tends to increase the number of potential investors. The values for the ROE are the following:

ROE	2016	2015
Brunello Cucinelli S.p.A	(36.397 / 218.943)*100= **16,61%**	(33.338 / 190.233)*100= **17,53%**
Percentage growth rate	-5,00%	-
Prada S.p.A	(330.888 / 3.080.340)*100= **10,73%**	(450.730 / 3.000.737)*100= **15,02%**
Percentage growth rate	-29,00%	-
Salvatore Ferragamo S.p.A	(201.984 / 693.138)*100= **29,14%**	(172.733 / 563.926)*100= **30,63%**
Percentage growth rate	-5,00%	-
Moncler S.p.A	(196.043 / 703.452)*100= **27,87%**	(167.863 / 546.158)*100= **30,73%**
Percentage growth rate	-9,00%	-
Tod's S.p.A	(86.293 / 1.087.212)*100= **7,94%**	(92.735 / 862.033)*100= **10.76%**
Percentage growth rate	-26,00%	-

From the table, we can see that even in this case we have low percentages for Prada and Tod's which again declined more than the other three companies. Even if, from 2015 to 2016, in every company, we have a decline in the percentage, the value of ROE especially for Moncler and Ferragamo are pretty high, and even Cucinelli with his **16,61%** is not in a bad position. Usually, for a high-growth company you should expect a higher ROE, that's why we are really impressed by the results that we obtained especially for Prada where we have a decrease by **29%** from 2015 to 2016.



	Brunello Cucinelli	Prada	Salvatore Ferragamo	Moncler	Tod's
2015	17,53%	15,02%	30,63%	30,73%	10,76%
2016	16,61%	10,73%	29,14%	27,87%	7,94%
Growth rate	-5%	-29%	-5%	-9%	-26%

2015 2016 Growth rate

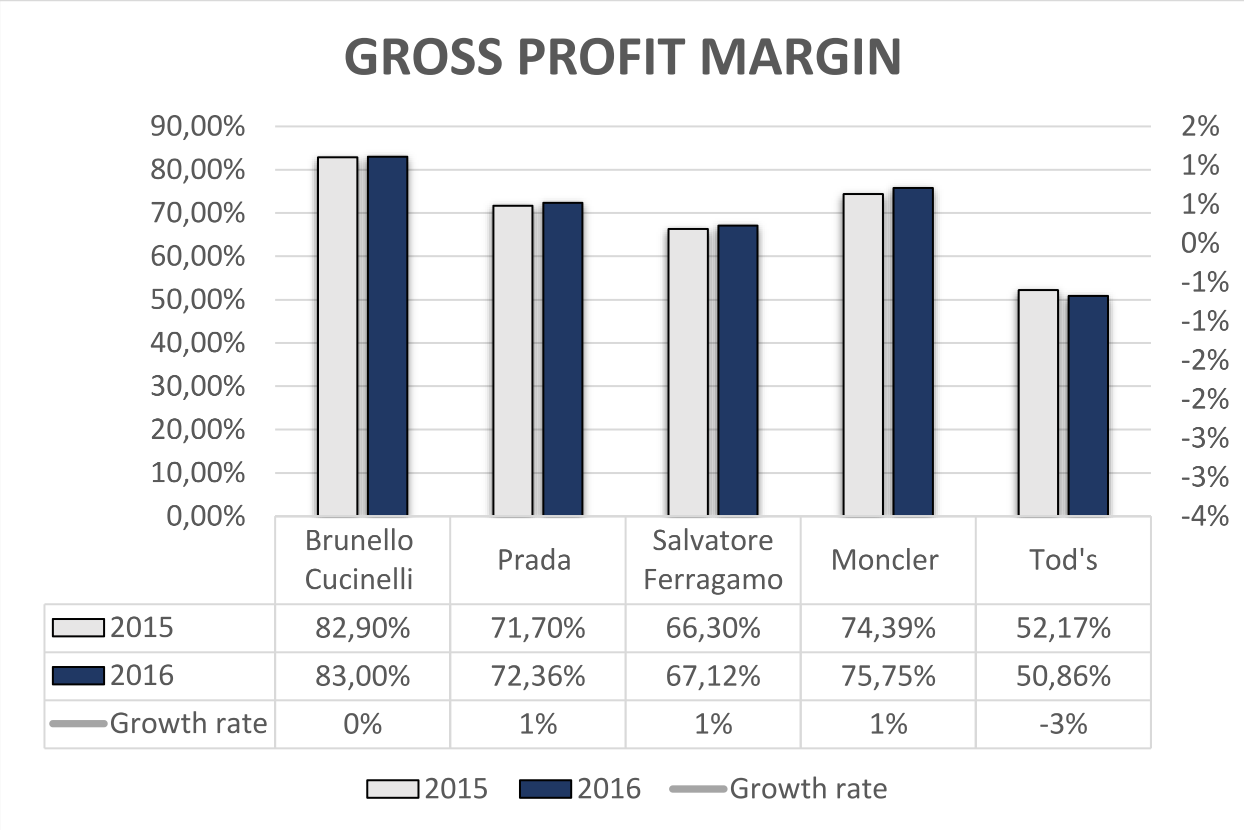
We will now calculate our last two profitability ratios which are: the **Gross Profit Margin** and the **Operating Profit Margin**. Starting by the Gross Profit Margin, we have that its formula is given by:

$$\frac{\textbf{Gross Profit}}{\textbf{Net Sales}}$$

We can see that we have the Gross Profit at the Numerator, which is obtained by subtracting the Cost of Goods Sold from the Revenues, and the Net Sales at the denominator, after calculations we have that:

GROSS PROFIT MARGIN	2016	2015
Brunello Cucinelli S.p.A	(378.535 / 455.971)*100= **83%**	(343.354 / 414.151)*100= **82,9%**
Percentage growth rate	0,00%	-
Prada S.p.A	(2.567.565 / 3.547.771)*100= **72,36%**	(2.550.579 / 3.551.696)*100= **71,7%**
Percentage growth rate	1,00%	-
Salvatore Ferragamo S.p.A	(965.115 / 1.437.923)*100= **67,12%**	(948.078 / 1.430.039)*100= **66,3%**
Percentage growth rate	1,00%	-
Moncler S.p.A	(788.008 / 1.040.311)*100= **75,75%**	(654.898 / 880.393)*100= **74,39%**
Percentage growth rate	1,00%	-
Tod's S.p.A	(516.382 / 1.015.047)*100= **50,86%**	(547.095 / 1.048.396)*100= **52,17%**
Percentage growth rate	-3,00%	-

Before talking about the percentages that we obtained, it’s important to say that the Gross Profit Margin is very useful to assess the Financial Health of a company since it reveals the proportion of money left over from Revenues after accounting for the cost of them (CGS). Stating that, the higher the Gross Profit Margin, the more efficient is the company’s ability to amortize its costs, from our table we can see that the percentages that we got for our companies are quite high, and as it has been for the other profitability ratios that we have calculated, even in this case Tod's it turns out to be one of the worst, being the only company in which we have a decrease in percentage from 2015 to 2016 by **3%**, while, Prada is saved, closing 2016 with a **1%** increase over 2015. Let’s take for example the value of Gross Profit Margin for Tod’s in 2016 which is equal to **50,86%** , that means that the company is earning **50,86** cents on the dollar in gross margin, which considering the situation of Tod’s in these years is not bad, but we it’s important to say that if a company has a higher Gross Profit Margin with respect to its competitors, it will likely holds a competitive advantage in terms of quality and perception of the brand, which will enable it to charge higher prices for its products (like for example Cucinelli can do with a Gross Profit Margin of **83%** for 2016).



Now we will talk about our last Profitability Ratio, which is the **Operating Profit Margin**. The formula is given by:

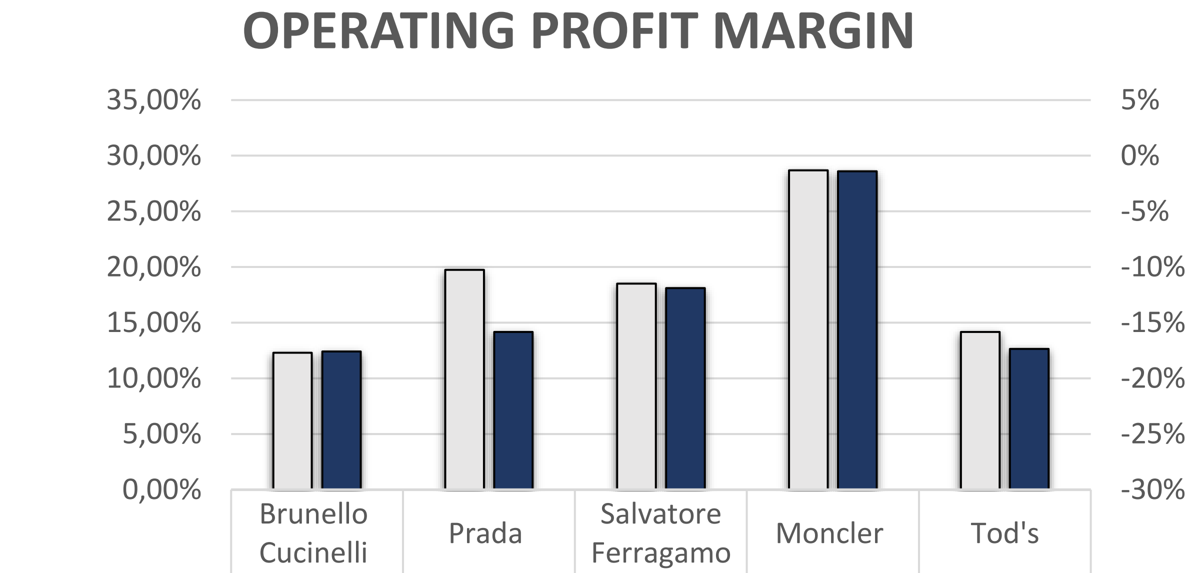
$$\frac{\textbf{Operating Income}}{\textbf{Net Sales}}$$

This ratio is important for us since it reveals if the company will be able to create value for Shareholders and to pay for its fixed costs. The percentages for the Operating Margin of our five companies are the following:

OPERATING PROFIT MARGIN	2016	2015
Brunello Cucinelli S.p.A	(56.645 / 455.971)*100= **12,42%**	(50.975 / 414.151)*100= **12,31%**
Percentage growth rate	1,00%	-
Prada S.p.A	(502.893 / 3.547.771)*100= **14,16%**	(701.551 / 3.551.696)*100= **19,74%**
Percentage growth rate	-28,00%	-
Salvatore Ferragamo S.p.A	(260.728 / 1.437.923)*100= **18,12%**	(264.600 / 1.430.039)*100= **18,50%**
Percentage growth rate	-2,00%	
Moncler S.p.A	(297.681 / 1.040.311)*100= **28,61%**	(252.679 / 880.393)*100= **28,7%**
Percentage growth rate	0,00%	-
Tod's S.p.A	(128.361 / 1.015.047)*100= **12,64%**	(148.567 / 1.048.396)*100= **14,17%**
Percentage growth rate	-11,00%	-

From the table, we can see that, apart for Cucinelli, we have a decrease in the Operating Margins of all the other companies, even if only by a small percentage in the case of Moncler and

Ferragamo. Taking, for example, the value of Cucinelli for the year 2016, an Operating Margin of **12,42%** means that the company is earning about 12 cents for every dollar of Sales, which is not bad considering that Net Sales are equal to **455.971** million euros. Worrying is instead the situation for Prada and Tod's, in which both have a very high value in terms of Net Sales (especially Prada with **3.547.771** million euros) and a percentage in Operating Margin that is very low with respect to it, so the fear that a potential investor may have and that even creditors should have is that the two companies will not be able to cover their Fixed Costs.



	Brunello Cucinelli	Prada	Salvatore Ferragamo	Moncler	Tod's
2015	12,31%	19,74%	18,50%	28,70%	14,17%
2016	12,42%	14,16%	18,12%	28,61%	12,64%
Growth rate	1%	-28%	-2%	0%	-11%

2.2.2 <u>Financial Leverage Ratios</u>

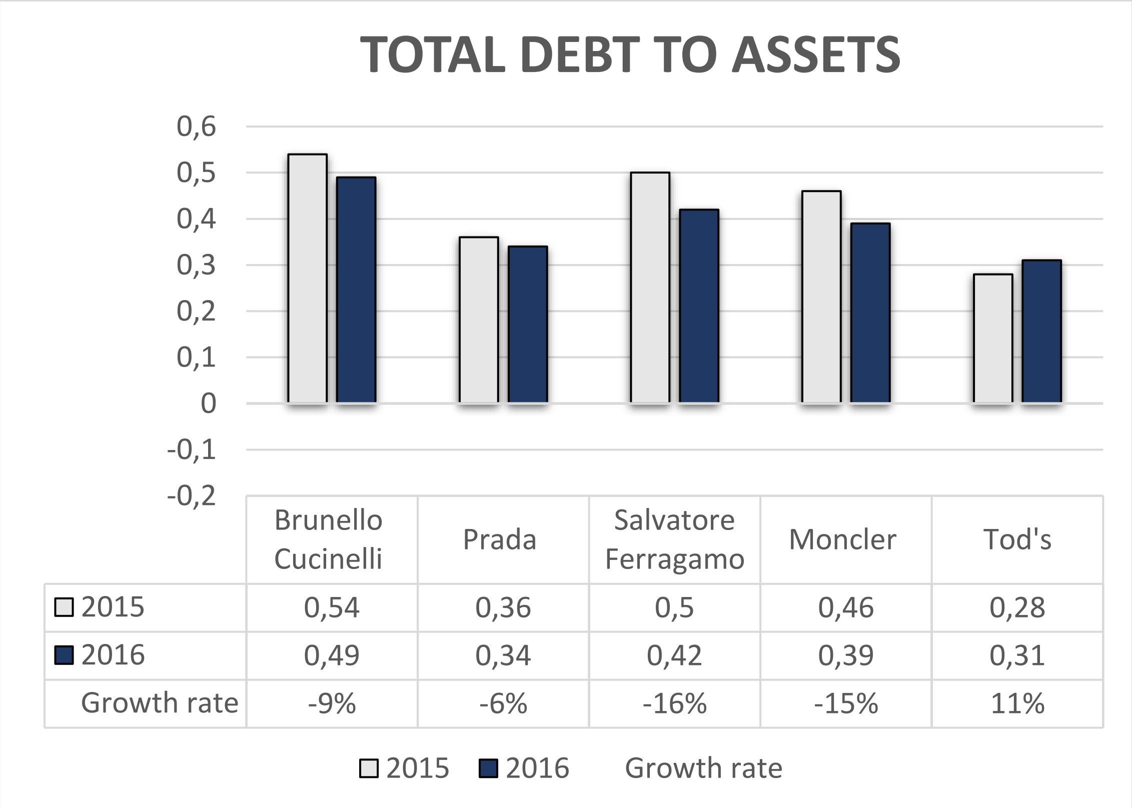
Financial Leverage Ratios are really important for investors since they are very useful to assess how much capital flows inside a company in the form of debt and if the company will be able to meet its financial obligations in the future. We will analyze the most important Financial Leverage Ratios, in order: **Total Debt to Assets** ratio, and the **Total Debt to Total Equity** ratio. We will start with the Total Debt to Assets ratio, which is given by:

$$\frac{\textbf{Total Liabilities}}{\textbf{Total Assets}}$$

This ratio is very important since it is used to assess the Financial Risk of a business, in fact, if the ratio is greater than 1, this could indicate that the company is putting itself at risk, since there is the possibility that it won't be able to pay back its debts. The ratios for our five companies are the following:

TOTAL DEBT TO ASSETS	2016	2015
Brunello Cucinelli S.p.A	210.951 / 429.894= **0,49**	220.870 / 411.103= **0,54**
Percentage growth rate	-9,00%	-
Prada S.p.A	1.676.215 / 4.756.555= **0,34**	1.738.140 / 4.738.877= **0,36**
Percentage growth rate	-6,00%	-
Salvatore Ferragamo S.p.A	502.103 / 1.195.241= **0,42**	559.895 / 1.123.821= **0,50**
Percentage growth rate	-16,00%	-
Moncler S.p.A	448.347 / 1.151.799= **0,39**	465.906 / 1.012.064= **0,46**
Percentage growth rate	-15,00%	-
Tod's S.p.A	521.488 / 1.608.700= **0,31**	356.915 / 1.218.948= **0,28**
Percentage growth rate	11,00%	-

Looking at the table, we can see that no one of our companies has a ratio which is lower than 1, so it seems that they all will able to pay back their debts and that the major part of their asset funding is coming from equity and not from debt. Apart from that we can see that the only company in which we have an increase in percentage is Tod's, where we have an increase of **11%** from 2015 to 2016. The higher ratio is the one of Cucinelli, **0,49** in 2016, so it seems that it is the company that uses more debt respect to the others to fund asset. We have then, a high decrease in percentages for Ferragamo and Moncler, respectively **-16%** and **-15%**, this means that the companies are using less debt and more equity (which has been increased for both) to fund their asset.



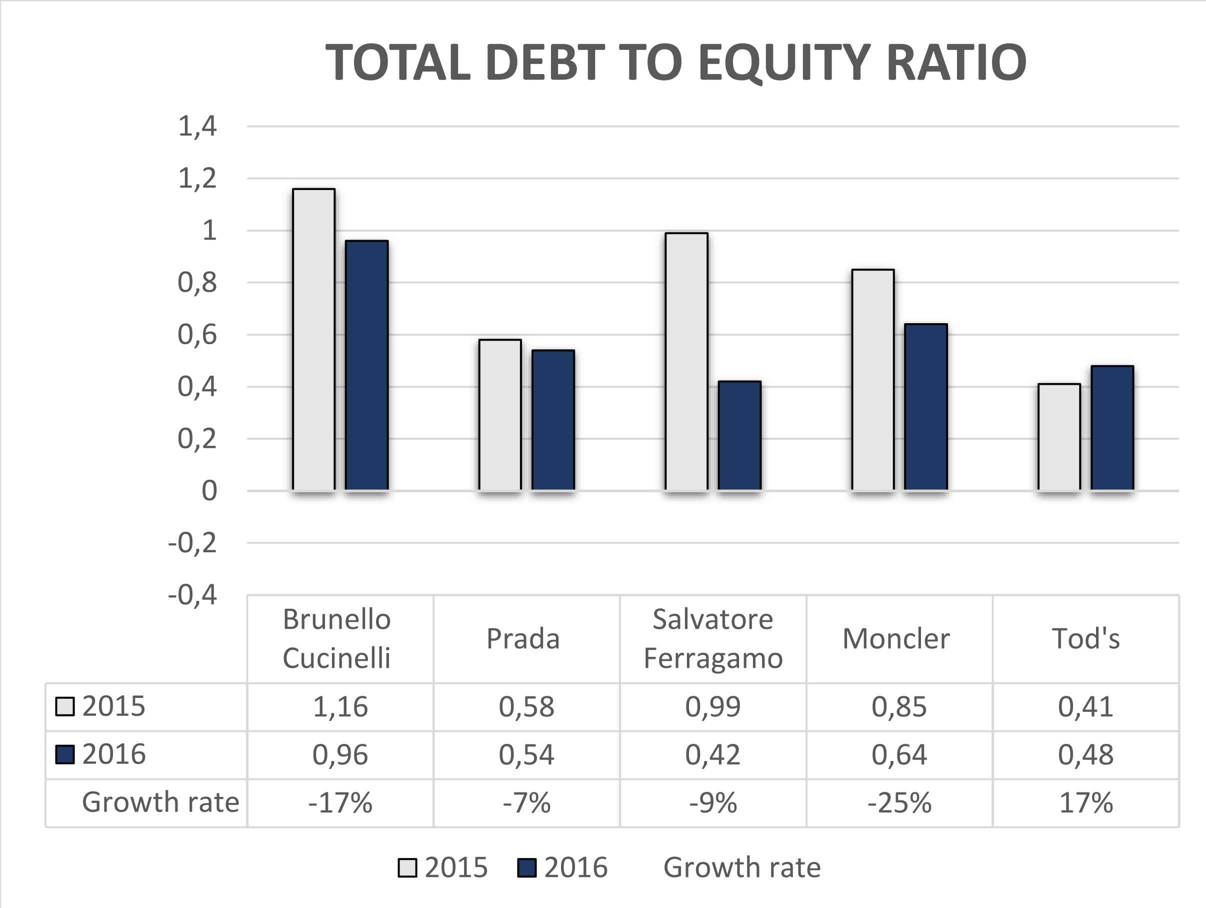
We will now turn to the **Total Debt over Total Equity** ratio. This ratio is used in order to indicate how much debt a company is using to finance its assets relative to the amount of value represented in shareholders equity, in fact, the formula is given by:

$$\frac{\textbf{Total Liabilities}}{\textbf{Shareholders' Equity}}$$

Even in this case, we expect that the ratio to be lower 1, since if it is higher, it means that the relative company has been aggressive in financing its growth with debt, situation that can lead to a high level of risk and very volatile earnings. The values for our 5 companies are following:

TOTAL DEBT TO EQUITY RATIO	2016	2015
Brunello Cucinelli S.p.A	210.951 / 218.943= 0,96	220.870 / 190.233= 1,16
Percentage growth rate	-17,23%	
Prada S.p.A	1.676.215 / 3.080.340= 0,54	1.738.140 / 3.000.737= 0,58
Percentage growth rate	-6,90%	
Salvatore Ferragamo S.p.A	502.103 / 559.895= 0,90	559.895 / 563.926= 0,99
Percentage growth rate	-9,09%	
Moncler S.p.A	448.347 / 703.452= 0,64	465.906 / 546.158= 0,85
Percentage growth rate	-24,70%	
Tod's S.p.A	521.488/ 1.087.212= 0,48	356.915 / 862.033= 0,41
Percentage growth rate	17%	

Before we said, that if the ratio is greater than one, it means that the relative company used a lot of debt in order to finance its growth. From the table we can see that in 2015 Cucinelli had a ratio equal to **1,16**, so it used a lot of debt in order to finance its assets, in fact in the Cash Flow Statement we can see that from 2014 to 2015 we have a decrease in debt by more than **80%** ,and even in 2016 the decrease in debt was really higher the only thing is that we have an increase in Shareholders Equity and a decrease in Total Liabilities, that's why the ratio is lower and equal to **0,96** in 2016. Ferragamo was near 1 in 2015 and in 2016 we have a decrease by **9,09%** in the ratio which is equal to **0,90**, placing it in the second place in terms of the proportion of debt used to finance its assets. Moncler reduced a lot the issuance of debt to finance assets from 2015 to 2016 as we can see from the table, Prada remains more or less stable between the two years, with a decrease in the ratio equal to 6,90% from 2015 to 2016, we have instead an increase in the proportion of debt used for Tod's between the two years with an increase of **17%** in 2016.



	Brunello Cucinelli	Prada	Salvatore Ferragamo	Moncler	Tod's
2015	1,16	0,58	0,99	0,85	0,41
2016	0,96	0,54	0,42	0,64	0,48
Growth rate	-17%	-7%	-9%	-25%	17%

2.2.3 Operating Efficiency Ratios

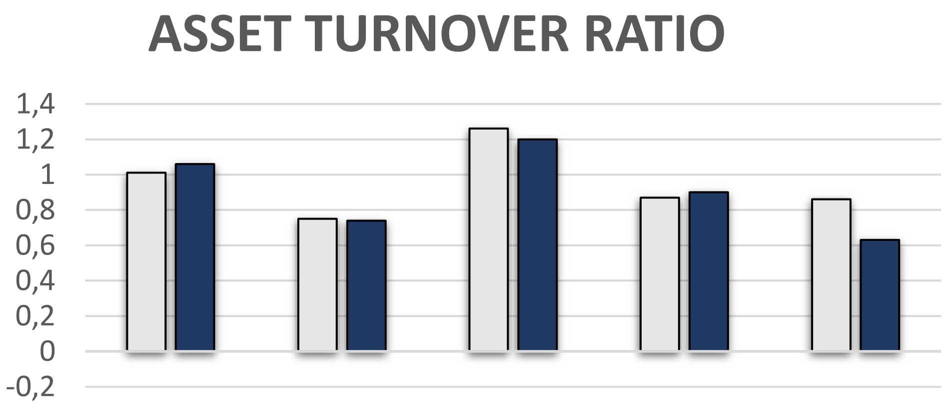
The last group of ratios that we will analyze are the Operating Efficiency Ratios. This kind of ratios are useful to understand how efficiently a company is in using its assets and managing its liabilities to generate revenues. We will mainly analyze a type of Efficiency Ratios which are called the "Turnover Ratios", and the first ratio that we will analyze is the **Asset Turnover Ratio**. The formula is given by:

$$\frac{\textbf{Net Sales}}{\textbf{Total Assets}}$$

As we can see from the formula, the Asset Turnover Ratio compares the value of a company's sales relative to the value of its total assets, and the higher this ratio will be, the higher percentage of revenues per dollar of assets will be generating by the company. The Asset Turnover Ratios for our companies are the following:

ASSET TURNOVER	2016	2015
Brunello Cucinelli S.p.A	455.971 / 429.894= **1,06**	414.151 / 411.103= **1,01**
Percentage growth rate	5%	
Prada S.p.A	3.547.771 / 4.756.555= **0,74**	3.551.696 / 4.738.877= **0,75**
Percentage growth rate	-1%	
Salvatore Ferragamo S.p.A	1.437.923 / 1.195.241= **1,20**	1.430.039 / 1.123.821= **1,26**
Percentage growth rate	-5%	
Moncler S.p.A	1.040.311 / 1.151.799= **0,9**	880.393 / 1.012.064= **0,87**
Percentage growth rate	3%	
Tod's S.p.A	1.015.047 / 1.608.700= **0,63**	1.048.396 / 1.218.948= **0,86**
Percentage growth rate	-27%	

From the table we can see that the higher ratios are those of Cucinelli and Ferragamo, meaning that they are the companies which are generating the higher percentage of Revenues per dollar of Assets. For Cucinelli we can see that we have an increase from 2015 to 2016 by **5%**, mainly because Sales have been increased by **10,1%** from 2015, instead, for Ferragamo we have a decrease by **5%**, in this case, we can notice that the increase in Net Sales has been relatively low. The turnover for Moncler is not bad, from 2015 we have an increase by **3%**, even Net Sales have been increased by **18,2%**, so Moncler is increasing its efficiency in using Assets to generate profits. Not impressive instead, the values for Prada and Tod's, for the latter we have a decrease by **27%** from 2015, mainly because Net Sales have been decreased and Total Assets increased, and the same thing for Prada, where we have a small decrease in turnover by **1%** from 2015. From this first ratio, we could deduce that Tod's and Prada, (as it was for the Profitability part), may have some internal problems and that are not using their Assets in the most efficient way.

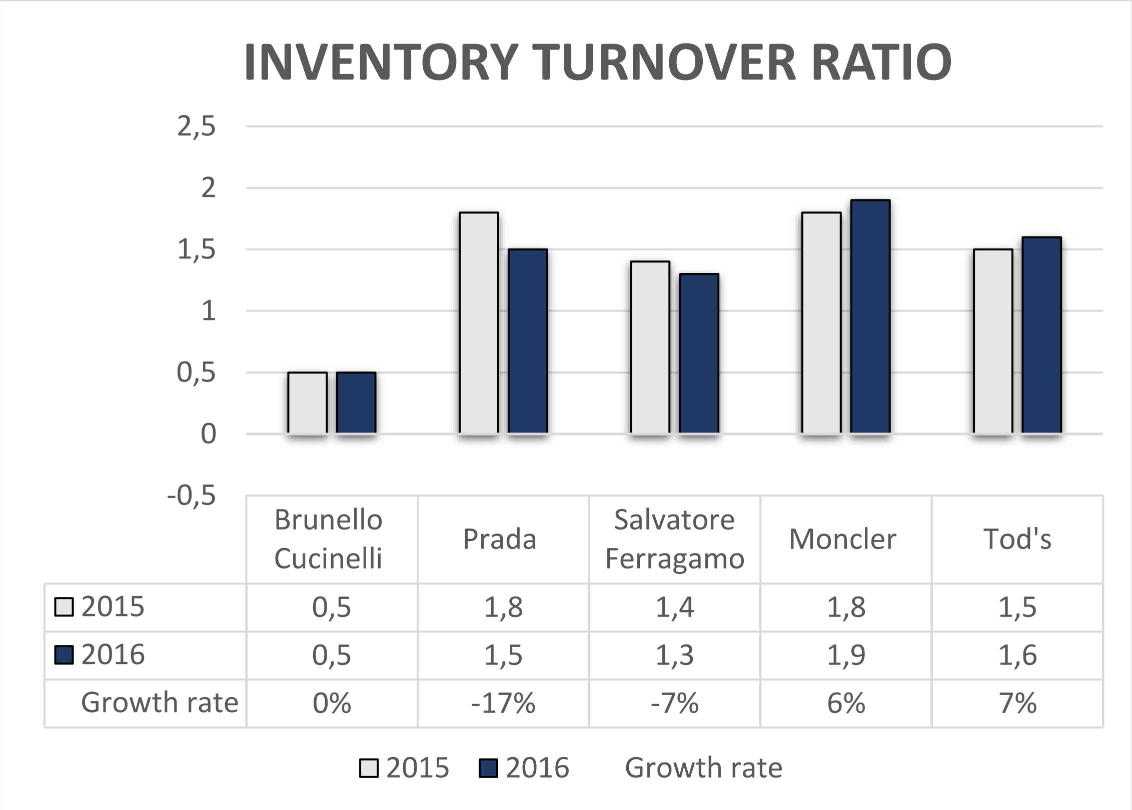


	Brunello Cucinelli	Prada	Salvatore Ferragamo	Moncler	Tod's
2015	1,01	0,75	1,26	0,87	0,86
2016	1,06	0,74	1,2	0,9	0,63
Growth rate	5%	-1%	-5%	3%	-27%

The second Turnover Ratio that we will analyze is the **Inventory Turnover Ratio**. There are two different approaches to calculate this ratio, one is given by dividing the Net Sales of the company by its Average Inventory, (let's remember that Inventory consists mainly in raw materials and finished goods) and the other one, which is more accurate, is given by dividing the Cost of Goods Sold of the company by the Average Inventory. In this case, we will rely on the ratios provided directly by our five companies since we don't know what approach they have used, if the first or the second one to calculate the Inventory Turnover. Before providing the ratios that we have for our companies we have to state that a low Inventory Turnover means that the company is facing weak sales and excess Inventory, vice-versa a high ratio means that the company is facing high sales and is making profits. The values that we have are the following:

INVENTORY TURNOVER	2016	2015
Brunello Cucinelli S.p.A	0,5	0,5
Prada S.p.A	1,5	1,8
Salvatore Ferragamo S.p.A	1,3	1,4
Moncler S.p.A	1,9	1,8
Tod's S.p.A	1,6	1,5

Let's start by saying that these Turnover Ratios are very low and we can even say weird. If we take for example the inventory turnover of Cucinelli, which is equal to **0,5**, and we divide **365** (a year) by this number, in order to understand how many days inventory stays in the hand of the company, we obtain the value of **730**. Is it possible that Cucinelli turns inventory only **0,5** times in a year and that it retains inventory for **730** days? As I was saying before, these values provided by the companies are very strange, but if they are real, this means that all the companies are facing very weak sales and that they retain inventory for too long. The higher turnover belongs to Moncler, **1,9** in 2016, which means that the company turns inventory **1,9** times in a year and that it retains inventory for **192** days (365 / 1,9). Apart for Tod's and Prada, we saw, when we analyzed the Income Statements of the five companies, that Sales were increasing during these years, but looking at this Ratio, if the values are this, we should suggest to the companies to retain less Inventory in order to increase much more their Sales.



The last Efficiency Ratio that we will analyze is the **Equity Turnover Ratio**. It is another very important ratio since it measures the efficiency in which a company's management uses equity to generate revenues. The higher the ratio, the better is the company. The formula is given by:

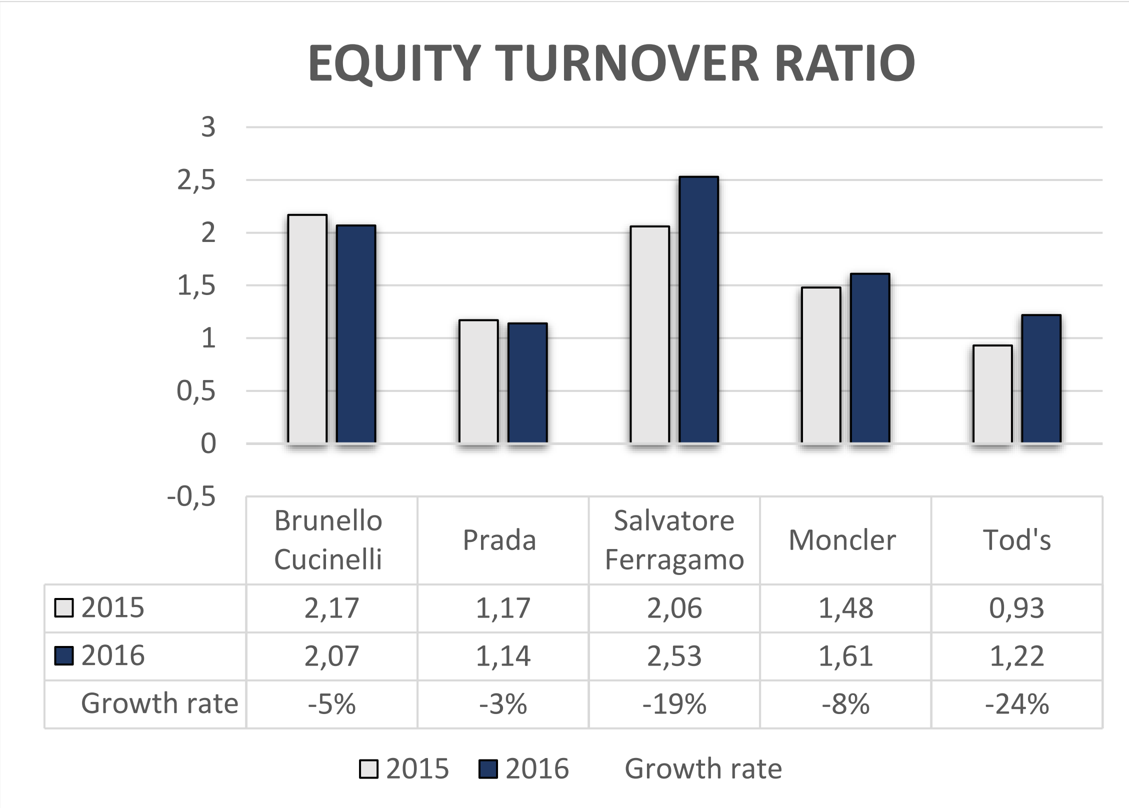
$$\frac{\textbf{Net Sales}}{\textbf{Total Equity}}$$

.

The values that we found are the following:

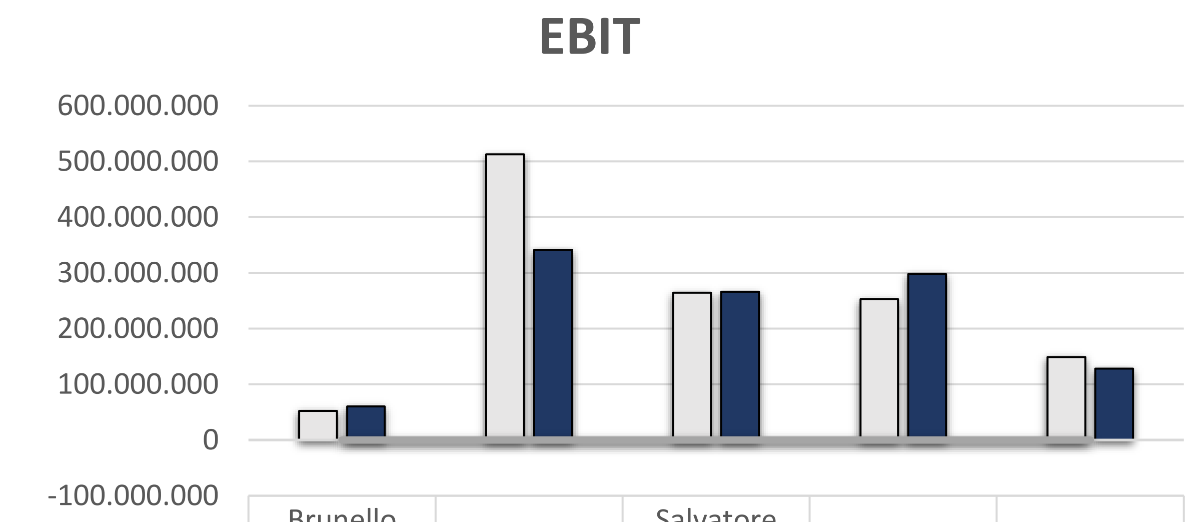
EQUITY TURNOVER	2016	2015
Brunello Cucinelli S.p.A	455.971 / 218.943 = **2,07**	414.151 / 190.233 = **2,17**
Percentage growth rate	-5%	
Prada S.p.A	3.547.771 / 3.080.340 = **1,14**	3.551.696 / 3.000.737 = **1,17**
Percentage growth rate	-3%	
Salvatore Ferragamo S.p.A	1.437.923 / 693.138 = **2,06**	1.430.039 / 563.926 = **2,53**
Percentage growth rate	-19%	
Moncler S.p.A	1.040.311 / 703.452 = **1,48**	880.393 / 546.158 = **1,61**
Percentage growth rate	-8%	
Tod's S.p.A	1.015.047 / 1.087.212 = **0,93**	1.048.396 / 862.033 = **1,22**
Percentage growth rate	-24%	

Let's take for example the Equity Turnover Ratio for Cucinelli in 2016, which is equal to **2,07**. This number means that for every dollar invested in Total Equity, the company will generate **2,07** dollars in terms of Revenues, in fact we can see that the value of Net Sales is more than two times the value of Total Equity. We can see that from 2015 to 2016 in all the companies we have a decrease in Equity Turnover, and since this ratio is related to the proportion of capital investments, we can notice from our cash flow statements that all the companies, apart Prada, have decreased their Capital Expenditures from 2015 to 2016. The worst company, in this case, is Tod's, with a ratio equal to **0,93** in 2016 (**-24%** from 2015). We already discussed the problems that Tod's is facing during this years, and even form this ratio, (in which we can see that the company management should use equity in a better way to generate Revenues) we only confirm what we saw before when we calculated the Profitability Ratios. However, in all the companies as we said, there is a decrease, so all the five should improve the efficiency of their management part.



2.3 <u>EBIT, EBITDA, P/E Ratio</u>

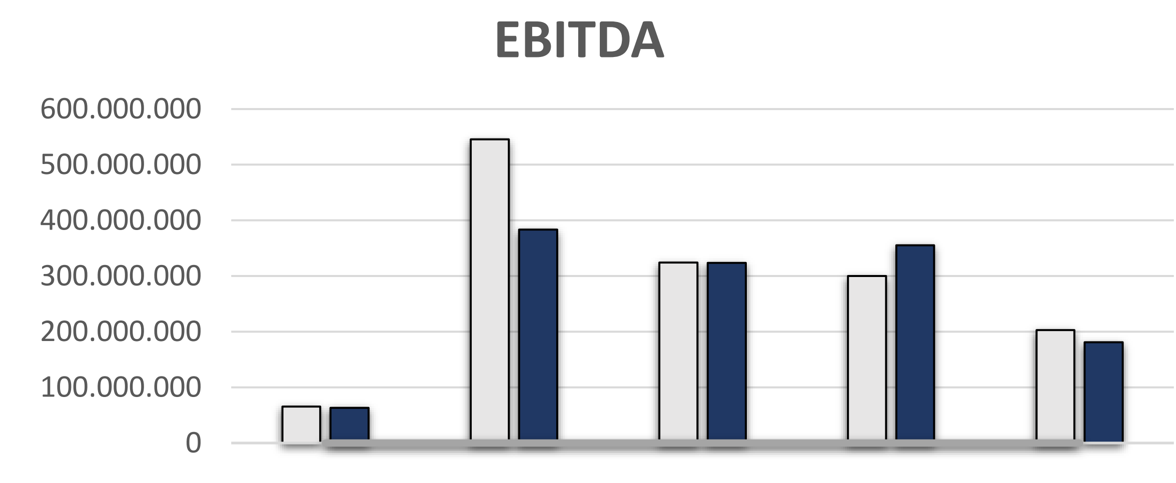
In this last part of our second chapter, we will briefly talk about another two very important indicators that are not classified as ratios but are very useful to assess the profitability and the financial health of a company. They are respectively: EBIT (Earnings before Interest and Taxes) and EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization). EBIT is used as an indicator of a company's profitability and is calculated as Revenues minus Operating Expenses and Cost of Goods Sold or as Net Income + Interest + Tax. This indicator focuses only on measuring a company's ability to generate earnings from operations, it ignores interest and tax expense and also variables as the Capital Structure. It is a very useful indicator to compare companies which pertain to the same industry to decide which company will be a better investment. We will now provide a graph in order to analyze the values for the Earnings before Interest and Taxes of our five companies. From the graph below we can see that we an increase in the value of EBIT for all the companies between 2015 and 2016 except for Prada and Tod’s. For Cucinelli, we have an increase of **16%** from 2015 to 2016, this is mainly due to an increase in Revenues which much higher than the increase in Operating Expenses, an increase of **1%** is registered for Ferragamo, not so significative we can say, instead we have an increase of **18%** for Moncler which is mainly driven by a very strong increase in Revenues by **18.2%** respect to the small increase in CGS. Let’s turn now to Prada and Tod’s, where we have a decrease in EBIT respectively by **33%** for Prada and **14%** for Tod’s. Also in the Profitability Ratios Analysis, we discuss the bad situation in which Prada and Tod’s are right now, and this results that we obtained for the EBIT tend to confirm again what we have stated before. They are the only two companies in which we have a decrease in Revenues from 2015 to 2016, also Prada analysts stated that the big decrease in EBIT and EBITDA (we will see this later) is mainly driven by a high increase in Operating Expenses. It is important to state that, not all the companies that we are analyzing, provide the values of EBIT, for example, Cucinelli and Ferragamo don’t.



	Brunello Cucinelli	Prada	Salvatore Ferragamo	Moncler	Tod's
EBIT 2015	52.278.000	512.980.000	264.538.000	252.679.000	148.567.000
EBIT 2016	60.398.000	341.284.000	266.235.000	297.681.000	128.361.000
Growth rate	16%	-33%	1%	18%	-14%

We will turn now to the analysis of another very important indicator which is EBITDA. EBITDA, as we said before, stands for Earnings Before Interest, Taxes, Depreciation, and

Amortization. The main difference between EBIT and EBITDA is that the former, shows Earnings before Interest and Taxes but after Depreciation, EBITDA instead calculates Earnings before any Depreciation or Amortization. Both these two indicators, are not outlined in the General Accepted Accounting Principles (GAAP), but they are used anyway since they are very useful in assessing a company profitability, especially EBITDA, since it is used to measure a company's operational profitability considering only expenses that are necessary to run the business. We will now provide a graph with the values of EBITDA for our five companies that are provided directly by them inside their annual Financial report. In this case, we can see that we have a decrease in the value of EBITDA not only for Prada and Tod's but even for Cucinelli, decrease that is equal to **3%** from 2015 to 2016. The decrease in the case of Cucinelli is mainly due to an increase in production costs for raw materials and for external processing due to the growth of the distribution channels, as well as for an increase in the operating expenses from 2015. Talking about Prada and Tod's now, even in this case we have a decrease in their values, which merely confirms that the two companies must make changes from a variety of points of view since in terms of profitability they are going very badly. Analysts of Prada say that this decrease is mainly due to a big increase in Operating Expenses and to a reduction in Gross Margin, but considering even all the other Ratios that we calculated before, it can't be only a problem of increasing Operating Expenses, since if Profits goes down, the first responsible is the Management side, then you will look at data and find what is going wrong.



	Brunello Cucinelli	Prada	Salvatore Ferragamo	Moncler	Tod's
2015	65.303.000	545.424.000	324.340.000	300.027.000	202.618.000
2016	63.157.000	383.677.000	323.829.000	355.054.000	180.908.000
Growth rate	-3%	-40%	0,00%	18%	-11%

The last indicator that we will analyze before the conclusion of this paper, is the Price over Earnings Ratio (P/E Ratio), which is a very important value to be known by investors before they will eventually decide to invest money into a company. The P/E Ratio is given by dividing the current Market Value per Share of a company relative to its Earnings Per Share (EPS):

$$\frac{\textbf{Market Value Per Share}}{\textbf{EPS}}$$

We will provide now in a table the current Market Value per Share of our five companies.

P/E RATIO	CURRENT
Brunello Cucinelli (BCU.MI)	49,35
Prada (1913.HK)	30,05
Salvatore Ferragamo (SFER.MI)	21,48
Moncler (MONC.MI)	29,85
Tod's (TOD.MI)	23,61

Taking for example the P/E Ratio of Cucinelli, we should explain that this means that investors are willing to pay a price equal to **49,35€** for every euro of company earnings. Before going on with our discussion, it is important to say that most analysts think that: the lower the P/E ratio, the better the company is. A lower P/E Ratio simply means that investors are paying less per dollar of the company earnings, and that it will take less time for the company to buy back its shares. From the table we can see that the higher P/E ratio is exactly the one of Cucinelli, while the lower is the one of Salvatore Ferragamo. Analysts think that in general, if a well-known company has a relatively small P/E ratio means that the stock is trading at a fair price, so if we rely on this consideration, it seems that the stock of Cucinelli is overpriced. Obviously there are a lot of other factors what we have to take into consideration (we will explain them in our conclusion) in order to define if a stock is overpriced or not, for example, sometimes investors might be willing to pay more for a particular stock since they belong to the bullish side of the market, and consequently they think that the price of the stock will raise in the future, or, some other times, if a company has a high growth prospects and a high P/E ratio, it can still be a good buy, and if we think of the ratios that we calculated before, it can be the case of Cucinelli. We will now turn to the last part of this thesis where we will derive our conclusions on the basis of what we have done until now, and we will make a very brief comparison with another very well-known Italian luxury brand which is GUCCI.

Conclusion and comparison with Gucci

The main objective of this thesis was to carry out a Financial Analysis of five of the most well-known Italian Fashion companies, to understand how they distinguish one from the other in terms of Profitability, Efficiency and Financial Health helping ourselves through the utilization of some of the most important Key Performance Indicators that are used to evaluate a firm. In the conclusion of this paper, we will try to make a record of the work done so far imagining to be a potential investor, and based on the analysis that we have done before, we will decide if it is worth to invest our money in one or more of these five companies. Of course, there are a lot of other things that a potential investor must take into consideration before investing money in a company, the opinions that we will give in this conclusion are based only on some of the indicators and data that exists behind the world of Finance. Having said this, we will start to take into consideration the Profitability indicators of our five companies, in order to identify their ability to generate earnings whit respect to expenses and costs incurred during a specific period and to understand if they know how to effectively sell their products and control their operating costs. Among all the indicators that we have analyzed maybe one of the most important is the Net Income which represents the total Earnings of a company, and since one of the main concern of a potential investor is to invest in a company with a Net Income that grows year by year, looking at the Net Income of our five companies we can see that the only two companies in which we have a decreasing Net Income since 2014 are Prada and Tod's. It seems in fact that these two companies are having troubles in selling their products since even Net Sales have dropped in these years (we have instead an increase in Net Sales and in Net Income for all the other companies). If we look even at the other Profitability indicators, we will see that we always have a decrease in values for Prada and Tod's, for example in the Return on Assets (ROA), which measures how effectively a company is generating earnings, or in the Return on Equity (ROE), which measures how efficiently the company is managing its investors capital and its debts (the situation is the same if we refer to the Net Profit Margin, to the Operating Profit Margin, and the Gross Operating Margin). So, at least in terms of Profitability, we can say that among our five companies, Prada and Tod's are having troubles in controlling their operating costs, in keeping their companies efficient, while the other three firms are making a good job under this point of view, and considering the difficult and volatile economic environment in which they are operating, is normal if we don't see very big increases in their margins. Other very important indicators that a potential investor must be taken into account are for example the ones which indicate a company liquidity and efficiency levels. In this paper we have calculated many of them, for example talking about Liquidity levels, we analyzed two very important

Ratios which are respectively the Current and the Quick Ratio. Both are used to assess the ability of a company to pay back its Liabilities with the Assets that it owns, the only difference is that the Quick Ratio is more realistic since it doesn't take in consideration inventory levels. Looking at the Current Ratio we can see that every company seems to be able to repay its liabilities (since problems occurs if the ratio is lower than 1), and all the companies as a proportion of Current Assets to Current Liabilities which is at least **2:1** and that is what we are looking for. If instead, we look at the Quick Ratio we can see that the only one that has a ratio which is lower than 1 is Cucinelli, and this for a potential investor may be a red flag, but since the Current Ratio says the opposite thing, the investor should execute a deeper analysis in order to find which ratio he must rely on. Another important aspect for an investor is that the level of Debt of a company must not be higher than the company's total equity levels, and for this aspect, we have calculated the Total Debt to Assets ratio and the Debt to Equity ratio. Looking at those two ratios we can see that the D/A ratio is pretty much close to zero for all the companies, the only one that seems to have used more debt to pay for its Assets is Cucinelli, since it has a ratio equal to **0,49**. Talking about the D/E ratio, the lower it is, the less risky is for a potential investor, and if we look at the ratios of our company, we can see that the more aggressive in financing growth with Debt is Cucinelli since it has a Ratio equal to **0,96** in 2016, good values instead for the other four companies, especially Ferragamo which has reduced a lot the utilization of Debt from 2015. Regarding the Efficiency Level of our companies, we have calculated three very important ratios which are the Asset Turnover Ratio, the Inventory Turnover Ratio and the Equity Turnover Ratio. Even in this case, apart for the Inventory Ratio where we have that Cucinelli seems to be the worst performer since we got a value (**0,5**) that suggests that the company retains too much Inventory, we have that worst performer are Prada and Tod's. All this to say, that a potential investor, seeing these results, may be reluctant to go and invest his/her money into companies like Tod's and Prada. Even if we consider that a maturing company might not be able to register exponential increases in its growth as a younger and brand new firm may do, considering even the struggling economy in which these firms are operating right now, we have a bad trend for Tod's and Prada that has been going on for years now, so, as an investor, I will probably go and invest my money in a company like Moncler, that is facing exponential growth year by year, that is continuing to renew itself introducing new technologies and products and that is expanding itself all over the world, or in a company like Cucinelli, that even if we recorded a bit of negative data that obviously has to be improved, it is a company with a solid foundation, which puts the customer and its workers always in the first spot and that is registering year by year improvements and very good results in terms of Revenues and expansion, that we think will continue to improve in the coming years given the analysis that we made. We will conclude this thesis giving some advices above all to Tod’s and Prada, and we will take another very well recognized Italian Luxury brand, which is Gucci. We have decided to choose Gucci as a model to follow, not only because it is an Italian brand like all the companies that we have analyzed, but because we want to show how a revolutionary and creative Management team can bring crazy results. When we talk about Gucci, we talk about a brand which is known all-around the world for its products and their quality, and now in 2017 all the newspapers are talking about the so-called "Alessandro Michele Revolution" who is the Creative Director of the brand and which has been ranked among the 100 most influential people in the world in 2017. Thanks to its revolutionary ideas both in terms of creativity and product design, the brand registered only in the first quarter of 2017 an increase in Revenues of **49.3%**, becoming the undisputed leader of the Kering group. This is to say, especially referring to Prada and Tod's, that it is useless to put excuses like the decline in tourism, bad exchange rates, a poor economic environment to explain and justify their declining trends in recent years, because we have to say that the luxury market does not compete in terms of the quality of the products, since this is taken for granted given that it is guaranteed by the Made in Italy, but rather competes on creativity, taste and product design. Alessandro Michele has reset the look of the brand, the products, collections, and the image, and has also decided to make a decisive decision on e-commerce that in the first quarter of 2017 marked an increase of **86%**, in short, he brought changes, a new air that attracts the customer. Maybe, especially Prada and Tod’s, should try to do the same thing, they should bring some changes to compete in a market that every day becomes more competitive and difficult, and to meet increasingly demanding customers that are looking for something beautiful but different from the ordinary, since:

“***Fashion evolves under the impulse of a desire and changes as a result of a revulsion. Saturation brings the fashion to throwing into the nettles what it once loved before. Because his deep reason is the desire to enjoy and attract, his attractiveness cannot come from uniformity, which is the mother of boredom***”. (Christian Dior)

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