Powered by UBS Evidence Lab

Kering

UBS Evidence Lab: Positive on Gucci revitalisation

Equities

France
Clothing & Fabrics

12-month rating	**Buy**
	Prior: Neutral
12m price target	**€178.00**
	Prior: €173.00
Price	**€141.50**

RIC: PRTP.PA **BBG:** KER FP

Trading data and key metrics

52-wk range	€197.00-139.05
Market cap.	€17.9bn/US$19.5bn
Shares o/s	127m (ORD)
Free float	58%
Avg. daily volume ('000)	310
Avg. daily value (m)	€49.6
Common s/h equity (12/15E)	€11.2bn
P/BV (12/15E)	1.6x
Net debt / EBITDA (12/15E)	2.4x

EPS (UBS, diluted) (€)

	From	To	% ch	Cons.
12/15E	9.69	8.54	-12	8.90
12/16E	11.59	9.53	-18	10.46
12/17E	13.36	10.49	-21	11.88

Helen Brand
Analyst
helen.brand@ubs.com
+44-20-7568 4395

Fred Speirs
Analyst
fred.speirs@ubs.com
+44-20-7568 8829

Gucci recovery to drive re-rating; reported Puma sale offers upside potential

We assume coverage of Kering with a Buy rating and €178 price target, implying 26% potential upside. Our positive stance on Gucci is driven by our UBS Evidence Lab surveys of the Chinese and US consumer, combined with the output of our pricing analysis. We forecast organic growth for the brand to improve to 3.7% p.a. on average in 2016-18, which should drive a gradual re-rating of Kering towards peer levels. We publish this report alongside our detailed launch report on European Luxury (LINK).

Q1: Can Gucci accelerate to mid-single-digit growth?

We believe so. The brand has stagnated since Q3 13, showing a 0.8% organic decline over two years, but itis being revitalised by the new CEO and creative director. Our UBS Evidence Lab Survey of 2,109 Chinese and US consumers provides reassurance that Gucci does not rank materially weaker than peers on the attributes that matter to the customer. Our Evidence Lab pricing analysis shows the brand has not upscaled as much in handbags as the market appears to believe, and has a higher weighting than peers in SKUs under €1,250. This leaves us more positive on pricing power when taken together with an opportunity to rebalance the global price architecture with new collections. In addition, the brand's strength in digital is often overlooked; we see this as a key way to attract new customers. We forecast 3% organic growth in 2016 and 4% in 2017.

Q2: Is a disposal of Puma priced in?

No. Even if we were to value Puma at zero, we would still see 17% upside potential to the current share price. Although we estimate such a disposal, were it to take place, would be marginally dilutive, we think it would be well received by the market and seen as a positive for valuation – provided management was very clear about the potential use of cash. It should also improve Kering's ROCE profile.

Valuation: Trading at a 15% discount to luxury and in line with the market

Kering trades on just 14.8x 2016E PE and 13.5x 2017E PE, a 15% discount to the luxury sector, given the recent underperformance of Gucci and questions over Puma's fit in the portfolio. However, the Evidence Lab results give us confidence that Gucci is not structurally challenged and can return to sector-average growth. Our estimates are 9% below sell-side consensus for 2016, but we see the buyside as even more sceptical. Our price target of €178 is driven by a sum-of-the-parts valuation. We value Gucci, Bottega Veneta and Saint Laurent on DCFs (WACC of 7.3%, terminal growth of 2%) and Puma at a 20% discount to the current share price.

Highlights (€m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	9,736	9,656	10,038	11,441	11,894	12,513	13,168	13,835
EBIT (UBS)	1,792	1,751	1,664	1,621	1,740	1,888	2,032	2,179
Net earnings (UBS)	1,287	1,282	1,177	1,076	1,201	1,322	1,443	1,568
EPS (UBS, diluted) (€)	10.20	10.17	9.35	8.54	9.53	10.49	11.45	12.44
DPS (€)	3.75	3.75	4.00	4.20	4.41	4.63	4.86	5.11
Net (debt) / cash	(2,503)	(3,451)	(4,393)	(4,868)	(4,643)	(4,360)	(3,991)	(3,531)
Profitability/valuation	**12/12**	**12/13**	**12/14**	**12/15E**	**12/16E**	**12/17E**	**12/18E**	**12/19E**
EBIT margin %	18.4	18.1	16.6	14.2	14.6	15.1	15.4	15.8
ROIC (EBIT) %	12.8	12.3	11.4	10.4	10.7	11.3	11.8	12.3
EV/EBITDA (core) x	-	-	12.3	11.5	10.5	9.6	8.8	8.0
P/E (UBS, diluted) x	12.2	16.4	16.6	16.6	14.8	13.5	12.4	11.4
Equity FCF (UBS) yield %	6.5	2.3	2.9	1.4	4.3	4.8	5.5	6.1
Net dividend yield %	3.0	2.3	2.6	3.0	3.1	3.3	3.4	3.6

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of €141.50 on 14 Jan 2016 21:38 GMT

www.ubs.com/investmentresearch

Kering

Buy (€178 price target)

UBS Research THESIS MAP a guide to our thinking and what's where in this report

OUR THESIS IN PICTURES →

PIVOTAL QUESTIONS

Q: Can Gucci accelerate to mid-single-digit growth?

We believe it can; we forecast 3.7% organic growth p.a. on average in 2016-18. We see the key drivers being market share improvements at the bottom end of the handbag pricing structure, together with less risk than at peers from having to rebalance global price differentials.

more →

Q: Is a disposal of Puma priced in?

No. Even if we valued Puma at zero, we would still see 17% upside to the current share price. We estimate such a disposal, were it to take place, would be marginally earnings-dilutive, but we think it would be well received by the market and seen as a positive for valuation – provided management was clear about the potential use of cash. It should also improve Kering's ROCE profile.

more →

UBS VIEW

Shares mispriced as the market is too sceptical of Gucci's revitalisation, which presents an attractive entry point. Puma is too much of an investor focus given the size of the business, but a disposal would be a source of upside potential, in our view, and could improve ROCE. We assume coverage with a Buy rating and €178 price target, implying 26% potential upside.

EVIDENCE

UBS Evidence Lab has collected prices of more than 46,000 SKUs online and surveyed 2,109 US and Chinese consumers. The evidence suggests Gucci's handbag price positioning is better than the market perceives, with the relaunch from the new creative director providing an opportunity to close the stretched global price differentials while managing profitability. Importantly, our surveys also suggest the brand does not rank materially weaker than peers on the attributes that matter most to customers.

WHAT'S PRICED IN?

The stock seems to be discounting one of the lowest long-term growth opportunities in the sector: we find just 2% of the current share price is attributable to long-term growth versus 16% for the sector. We see this as unwarranted, given the Gucci regeneration offers potential to rebalance the global price architecture, combined with a volume recovery.

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UPSIDE / DOWNSIDE SPECTRUM

Value drivers	Gucci LT EBIT growth	Bottega LT EBIT growth	Puma disc/ prem to SP
€203 upside	7%	10%	+20%
€178 target	4%	8%	-20%
€127 downside	0%	4%	-20%

more →

COMPANY DESCRIPTION

Kering is a luxury and sports lifestyle business. Gucci and Bottega Veneta represent more than 80% of luxury EBIT, while Puma makes up the bulk of lifestyle. The main regions by sales are Western Europe (31% of sales), Asia ex-Japan (26%), North America (21%), Japan (10%) and rest of world (12%).

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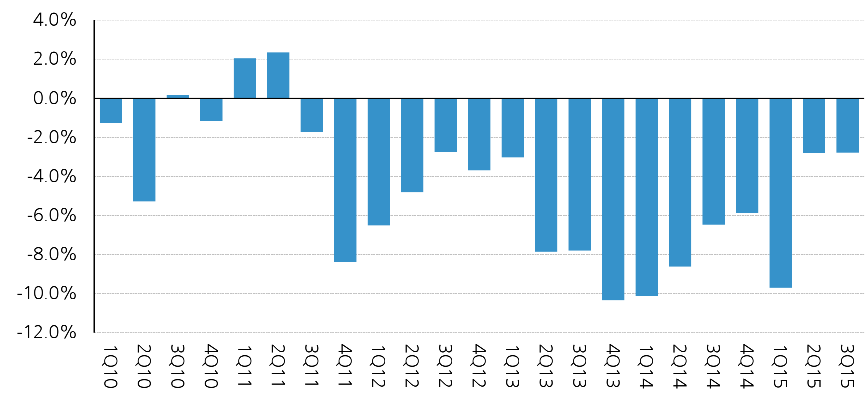
Helen Brand, Analyst, helen.brand@ubs.com, +44-207-568 3495

OUR THESIS IN PICTURES

return ↑

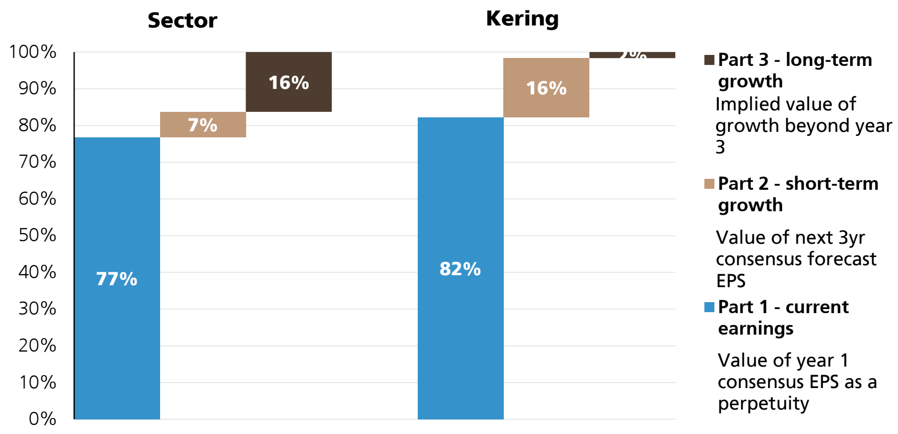
Figure 1: Gucci organic growth relative to soft luxury peers



Source: UBS, Company data

Gucci organic growth has notably underperformed soft luxury peers since 2013, and the market seems sceptical on Puma; the market thus values the stock at a discount to peers

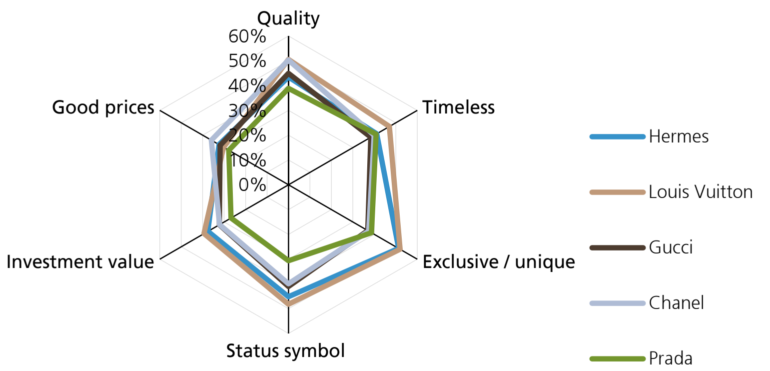
Figure 2: What's priced in?



Source: UBS

We are c9% below 2016 consensus, but the limited long-term growth priced in suggests the market is even more sceptical

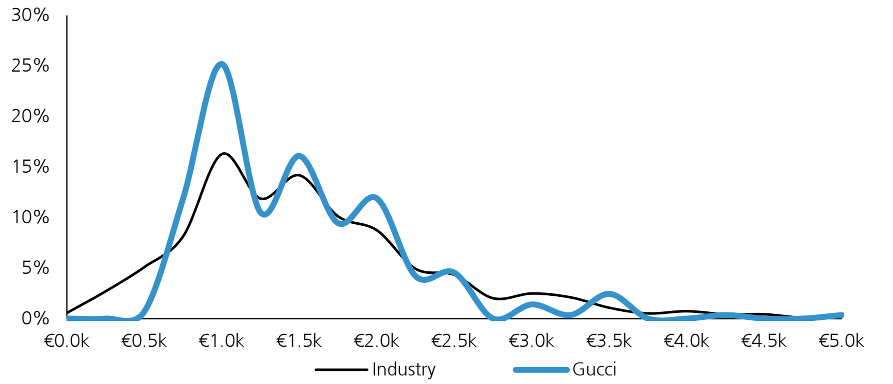
Figure 3: Gucci ranking on the core attributes that matter to the Chinese



Source: UBS Evidence Lab

Gucci ranks well on the attributes most important to Chinese consumers versus peers…

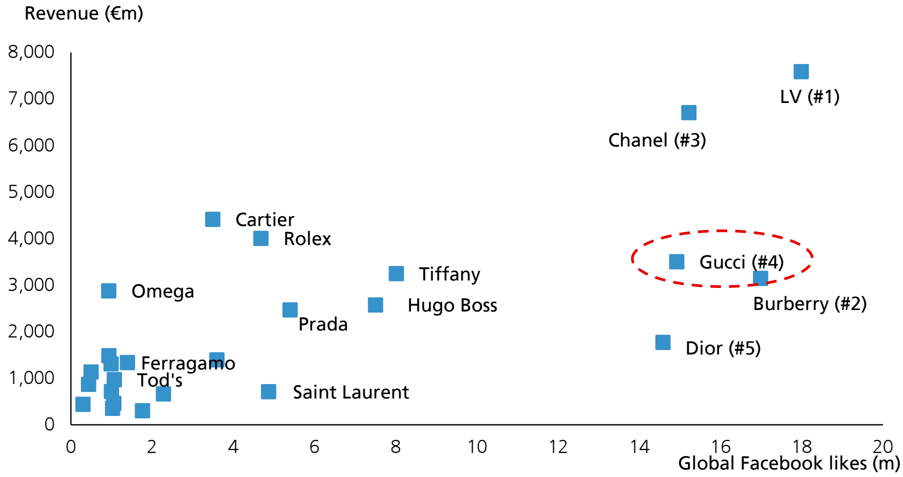
Figure 4: France handbag distribution by price point % SKUs



Source: UBS Evidence Lab

....and we see better pricing in handbags than is perceived, given lower price positioning and an opportunity to rebalance global differentials with the new collections

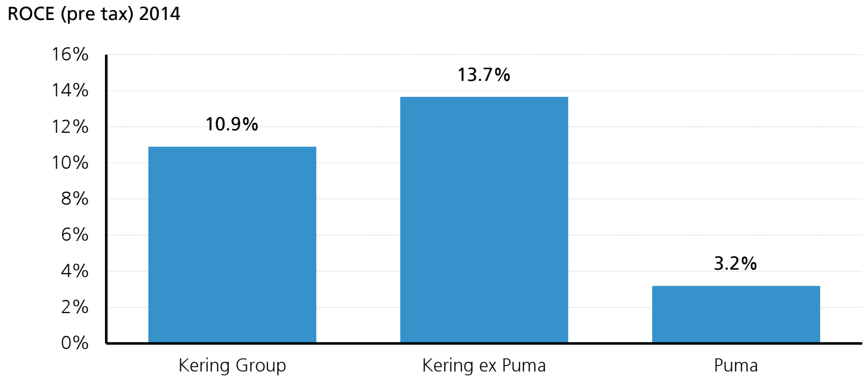
Figure 5: Global Facebook 'likes' vs. revenue



Source: UBS Evidence Lab

Gucci's strength in digital is overlooked, in our view

Figure 6: ROCE per tax 2014



Source: UBS estimates based on company data

A disposal of Puma is not priced in, in our view. Were it to occur, we estimate it would be marginally EPS dilutive, although it would improve Kering's ROCE profile

PIVOTAL QUESTIONS

return ↑

Q: Can Gucci accelerate to mid-single-digit growth?

UBS VIEW

We believe so. The brand has stagnated, showing a 0.8% organic decline over two years. Within retail, we see the revitalisation under the new creative director and CEO, combined with a strong digital presence, as driving incremental volumes. In addition, we see a better price opportunity in handbags than the market perceives, given Gucci's lower price positioning than the competition and ability to rebalance the global price architecture with new collections. All this, together with a slowing drag from wholesale, leads us to forecast an acceleration to 3.7% organic growth p.a. in 2016-18.

EVIDENCE

UBS Evidence Lab surveyed 2,109 US and Chinese consumers. Overall, we see it as a positive that the brand does not rank materially weaker than peers on the attributes that matter most to customers. In addition, Evidence Lab collected 46,000 SKUs across luxury globally. This shows that Gucci has a higher SKU exposure than the industry to the sub-€1,250 price point in handbags.

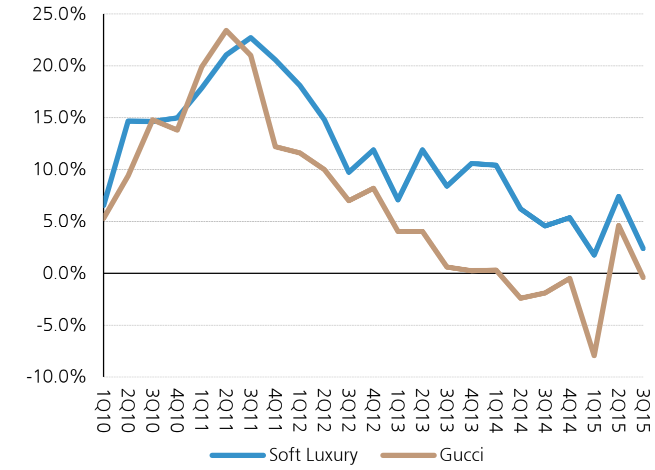
WHAT'S PRICED IN?

No growth long term. We value Gucci within our Kering SOTP under a DCF valuation. Our base case reflects a 4% EBIT CAGR to 2025E. If we assume that our valuations of the remaining businesses in the group are correct, including a conservative valuation of Puma at a 20% discount to the current share price, that implies Gucci is valued at just 7.1x EV/EBITDA (sector on 8.9x). This would reflect an EBIT decline of -1% on average p.a. to 2025E in our DCF valuation.

Using Evidence Lab to assess consumer perception of Gucci

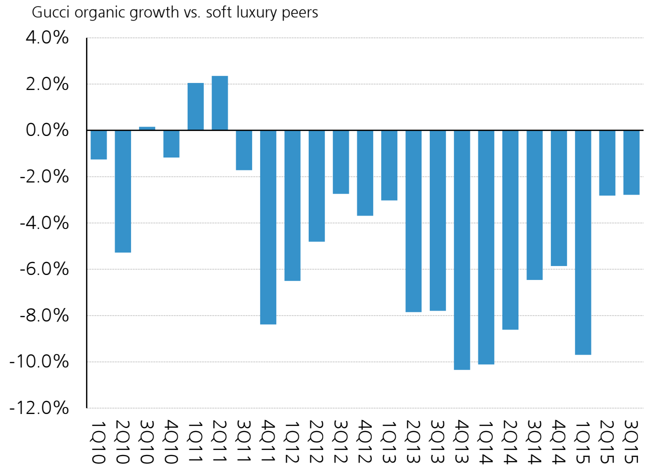
Following more than a year of brand underperformance, Kering announced at the start of 2015 that it was replacing the Gucci CEO and creative director.

Figure 7: Gucci organic growth vs. UBS soft luxury index



Source: UBS, Company data

Figure 8: Gucci sales underperformance versus peers accelerated in Q2 13



Source: UBS, Company data

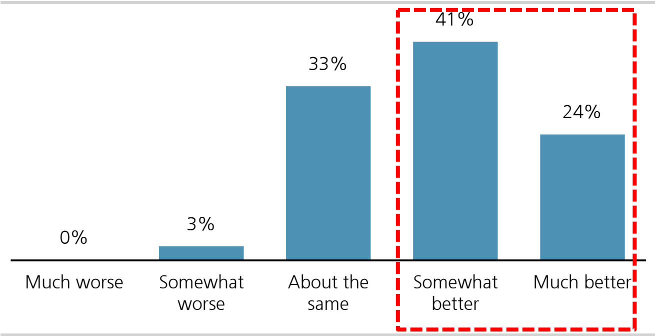
The new team is now in place, with creative director Alessandro Michele presenting the first women's collection he could fully influence last September. Initial reviews have been positive. CEO Marco Bizzarri (formerly Bottega Veneta) has also put in place a new chief merchandising officer, with the team working to mix the commercial and design elements of the brand.

UBS Evidence Lab has surveyed 2,109 US and Chinese consumers. On page 8 we show the reasons cited for not purchasing Gucci, along with brand attributes versus peers. It is reassuring that the brand rates well versus peers on attributes that matter most to the consumer. In addition "Too common" is ranked low on reasons not to purchase. In China "Poor store experience" stands out versus peers as a reason not to purchase, and in the US "I start to like other brands more". Both these elements seem reparable, in our view.

For the full results of our surveys, please see our report, also published today: ***Down but not out of fashion*** **(LINK)**

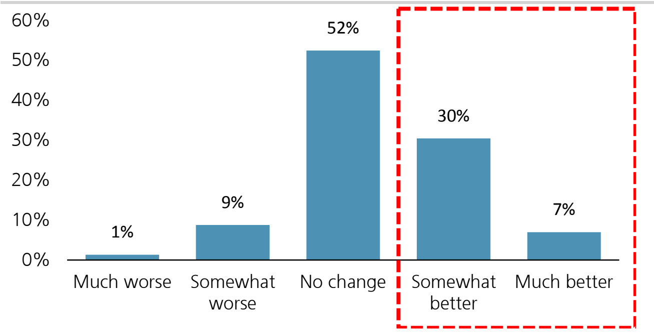
Interestingly, despite the sector slowdown that we have seen recently, both Chinese and US consumers feel positive about their financial outlook in the next 12 months – the Chinese consumer is more strongly positive than the US consumer even after the major stock market collapse last summer which reassures us that recent stock market volatility should not be a major headwind to spending.

Figure 9: Chinese luxury consumers are strongly positive on their personal financial outlook in the next 12 months



Source: UBS Evidence Lab

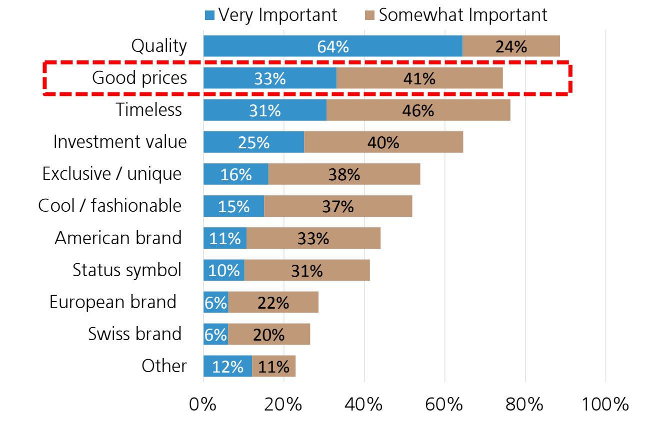
Figure 10: US luxury consumers expect their personal financial situation will stabilise/ improve in the next year



Source: UBS Evidence Lab

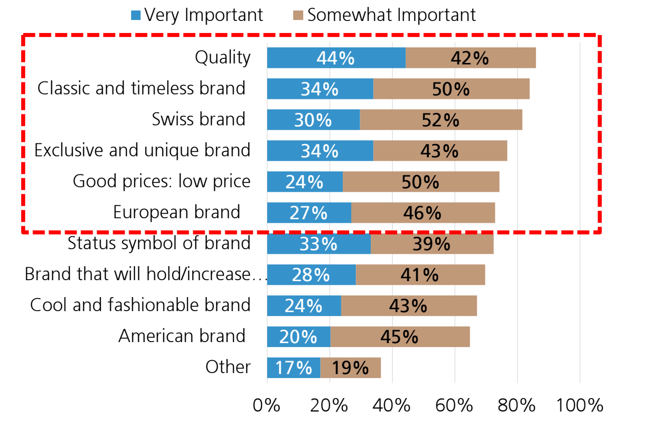
The Chinese consumer also appears more positive about luxury, with factors such as quality, timelessness and exclusivity more important purchasing drivers than price. The US consumer is more focused on price.

Figure 11: Concerns over US seem justified, as our survey finds consumers are price-conscious and luxury sceptics



Source: UBS Evidence Lab

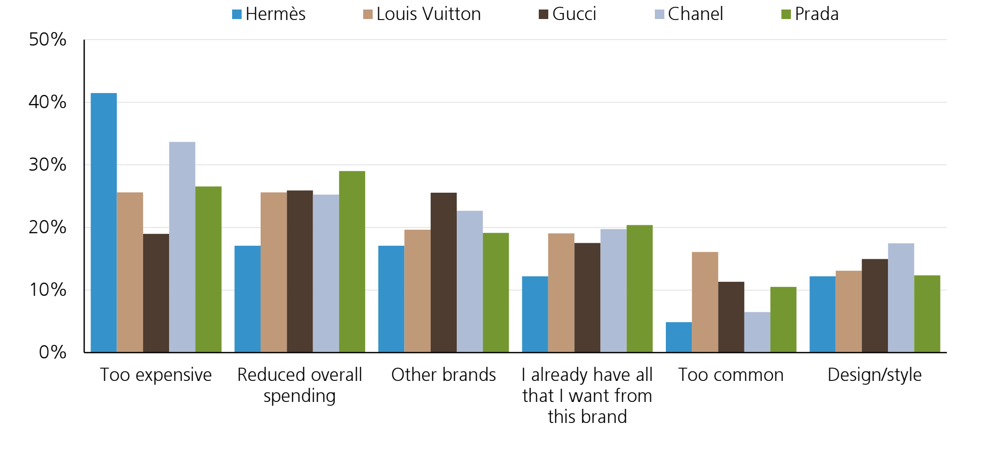
Figure 12: The Great Mall of China remains open for business, with price not the key purchasing driver



Source: UBS Evidence Lab

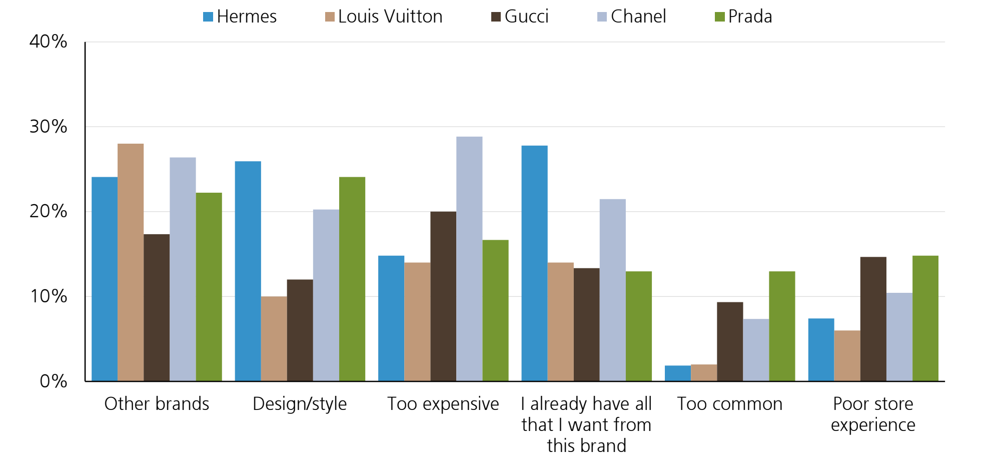
Gucci US and China brand drivers versus peers – no obvious material issues with the brand stand out. We are reassured that "Quality" ranks highly to both the Chinese and US consumer as an attribute. In addition "Brand is too common" is not an important reason not to purchase in either region. Overall, the brand does rank below Louis Vuitton on key attributes for the consumer, but it is not a material difference, in our opinion, and is broadly in line with Chanel.

Figure 13: US consumers – Gucci: Reasons not to purchase versus peers



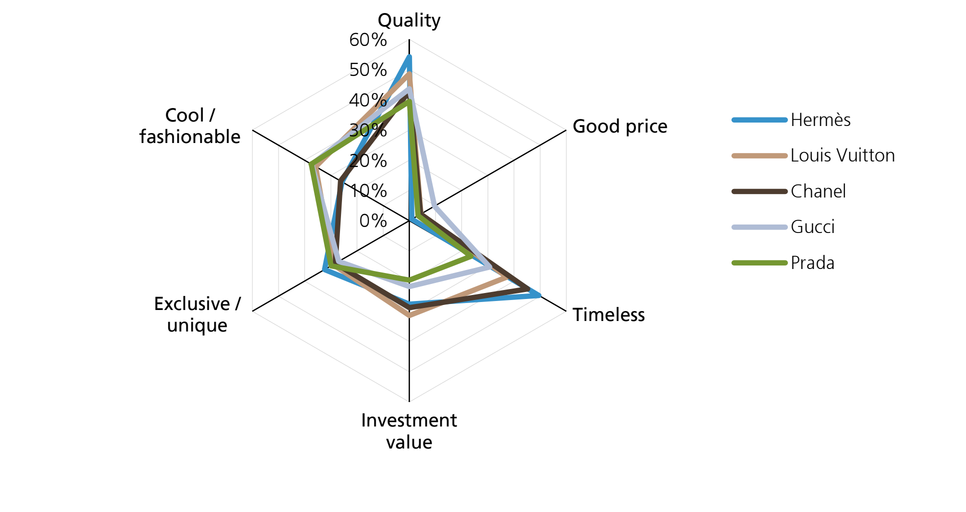
Source: UBS Evidence Lab

Figure 14: Chinese consumers – Gucci: Reasons not to purchase versus peers



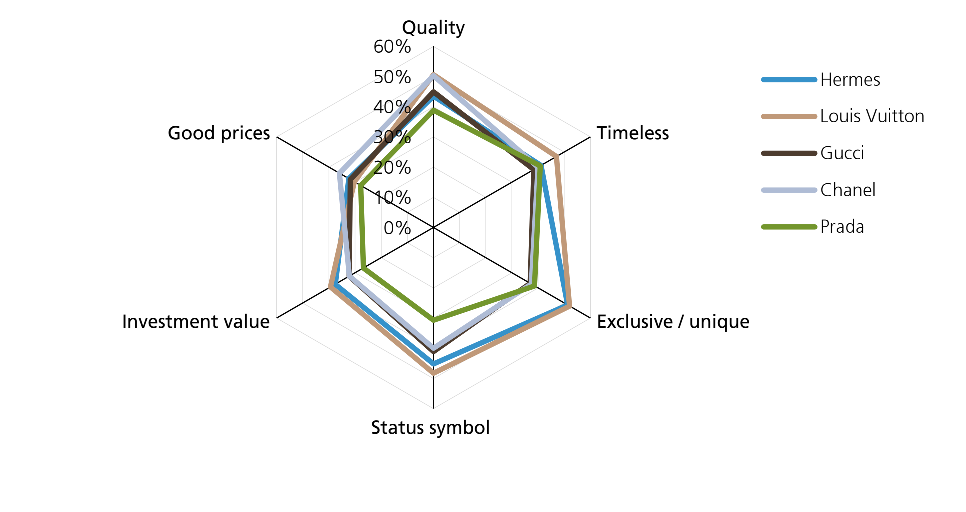
Source: UBS Evidence Lab

Figure 15: US consumers - Gucci brand attributes versus peers



Source: UBS Evidence Lab

Figure 16: Chinese consumers – Gucci brand attributes versus peers



Source: UBS Evidence Lab

Handbag price positioning is better than the market appears to believe

We believe that Gucci has a better price opportunity in handbags than the market perceives

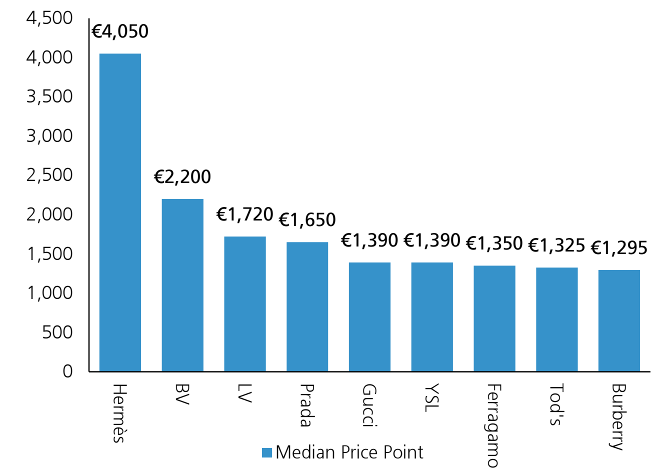
The former CEO of Gucci, Patrizio di Marco, said the brand saw its average handbag average selling price ("ASP") rise c9% p.a. 2010-14. This has led to market concerns that the brand upscaled too far, with a wholesale rebalancing of the product required under the new CEO and creative director.

UBS Evidence Lab collected prices listed on the brand's websites for more than 46,000 SKUs across the industry per country with over 50% of SKUs like-for-like across the regions. Data is converted to Euros using the FX rates on the price collection day. The soft luxury brands included are Louis Vuitton, Burberry, Gucci, Prada, Tod's, Hermès, Saint Laurent and Bottega Veneta.

We believe that the findings contradict investor perception that Gucci has upscaled too far and gives comfort that the reworking of the handbag price architecture in 2014 has been somewhat successful. Figure 17 and Figure 18 below show that the brand's median price positioning is at the low end of peers. The brand also has a higher exposure than the industry to the under the €1,250 price point. This leaves some room for pricing power going forward in our view.

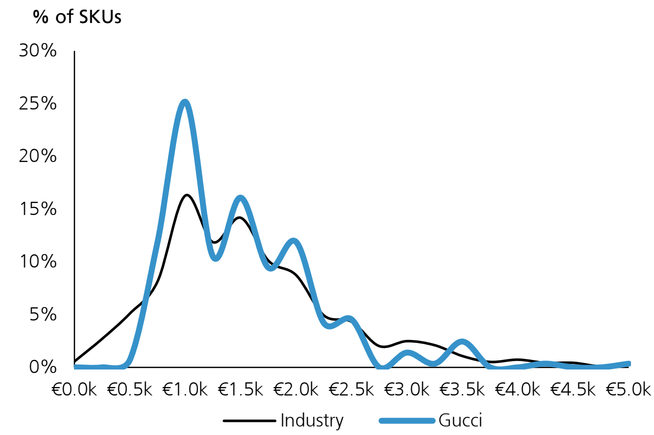
We note that, in terms of relative geographic price positioning, Gucci currently has similar stretched differentials to the remainder of the soft luxury category. However, the new CEO (Marco Bizzarri) has stated that only 25% of the leather goods on the shop floor are from the new Creative Director's collections, and that by February 2016, this will rise to 50%-60%. We believe that the introduction of new product gives the brand a unique opportunity to rework the global pricing architecture in a margin-efficient fashion.

Figure 17: Gucci's median handbag price point is well positioned amongst peers



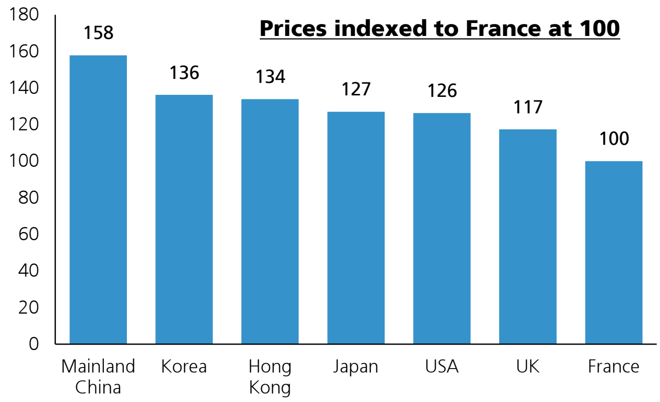
Source: UBS Evidence Lab

Figure 18: Gucci handbags have a higher exposure than the industry below the €1,250 price point



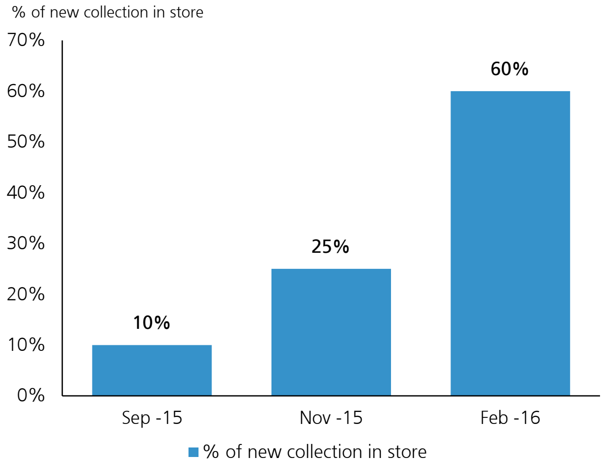
Source: UBS Evidence Lab

Figure 19: Gucci's relative geographic price positioning is similar to the soft luxury peer group shown below



Source: UBS Evidence Lab, Brands include LV, Burberry, Gucci, Prada, Tod's, Hermès, Saint Laurent, Bottega Veneta. EUR: USD rate: 1.09, Yuan: EUR: 6.97

Figure 20: But only 25% of the new creative director's collection is in store; this is set to increase to 60% by February, leaving room to work on differentials



Source: Business of Fashion, UBS

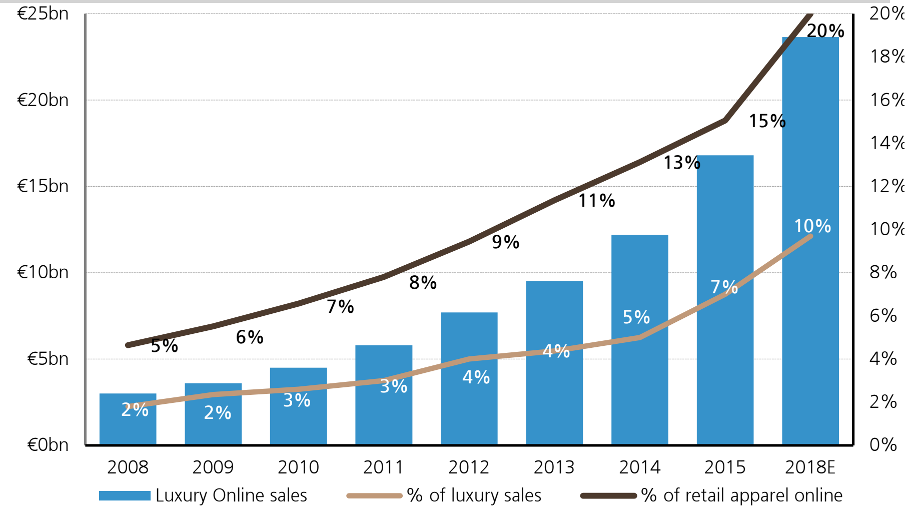
Strong digital presence is often overlooked

With 75% of luxury products now researched online before purchase, a digital marketing presence is becoming more important in terms of reaching the consumer. In addition, the luxury e-commerce market makes up just c.7% of sales, which compares to the whole apparel market at c.13%. We see online and omni-channel as a key opportunity to increase conversion for a sector where footfall is declining and competition increasing. We note that Gucci is in the process of launching a redesigned website globally, which – along with improving brand content and user experience – will ultimately allow omni-channel as well.

Evidence Lab analysis of Facebook 'likes' shows Gucci among the most advanced brands globally (top 5 in 34 out of 50 markets)

Digital consultancy L2 rated Gucci as "Gifted" in 2015's Digital IQ Index®. This compares to Prada rated as "Average", Louis Vuitton rated as "Gifted" and Burberry rated as "Genius". This is a measure of the website and e-commerce, digital marketing, mobile and social media.

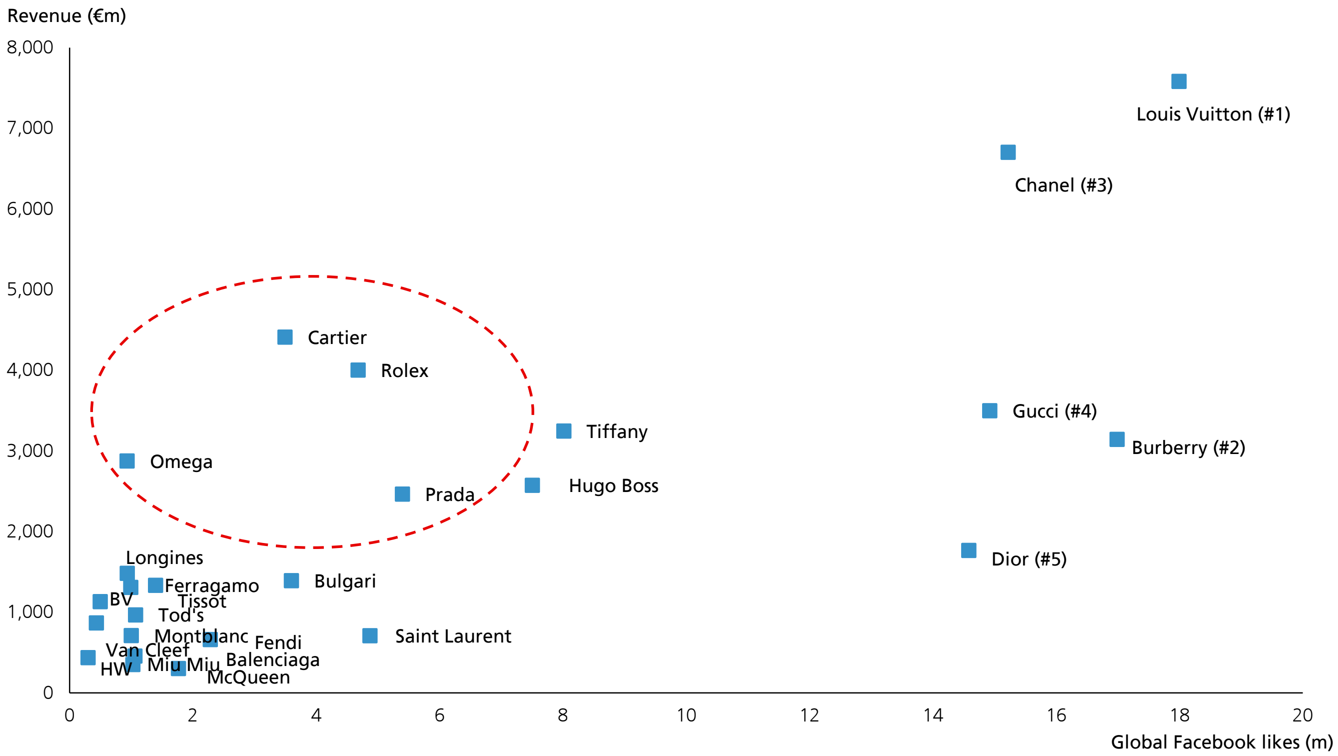
Figure 21: Online to grow at an 18% CAGR to 2018E reaching 10% of sales



Source: UBS, Altagamma Bain, McKinsey

UBS Evidence Lab has analysed over 170 million Facebook brand 'likes' and over 35 luxury brands. The caveats here are that this analysis does not include China. Nevertheless it is interesting to see that Louis Vuitton, Burberry, Chanel, Gucci and Dior are much further advanced than any other brand.

Figure 22: Gucci is one of the most developed soft luxury mega brands on social media



Source: UBS Evidence Lab, UBS estimates

We forecast 3.7% organic growth p.a. over the next 3 years and limited margin expansion despite FX hedging positives

Within retail this reflects c.3% LFL and c.1% space. Our LFL is made up of low-single-digit price/ mix with risks from a global price architecture rebalancing offset by new collection launches which should also drive a pick-up in volumes. We expect limited space growth. Within wholesale we expect a stabilisation to c.1% organic growth from the material drags we have seen due to the clean-up of the channel and weakness of historic product.

Despite significant hedging positives in 2016, we forecast just 70bp of EBIT margin expansion for Gucci, given that we expect reinvestment behind marketing and some store refurbishments (notably given the comment about store experience in China from our survey). We also expect reinvestment at Bottega Veneta behind the product and geographic diversification strategy, but expect to see Saint Laurent deliver c.150bp of margin expansion.

PIVOTAL QUESTIONS

return ↑

Q: Is a disposal of Puma priced in?

UBS VIEW

No. The current share price attributes limited value to Puma, in our view. We see any disposal of Puma as being taken well by the market – provided that Kering is very clear about the potential use of cash.

EVIDENCE

Whilst we calculate a marginal dilution to year 1 EPS from a Puma disposal, we would see it as being a positive for Kering. Given that we conservatively value Puma at a 20% discount to the current share price in our SOTP, a disposal at the current Puma share price would add €4 to our price target, all else remaining equal. This would imply a valuation of 19.0x PE. Admittedly, there may then be an overhang risk from M&A. Here we would be more positive on smaller deals in luxury, where there is an opportunity to add more value than large-scale acquisitions, particularly outside the group's core competencies.

WHAT'S PRICED IN?

The current share price attributes limited value to Puma, in our view. We note that if we were to put a zero valuation in our SOTP it would still imply a valuation 17% above the current share price. We therefore see any realisation of the value of the 86% stake as a positive for Kering.

Disposal of Puma at the current share price worth €4 to our Kering PT

A disposal of Puma would be marginally EPS dilutive on our estimates, but should improve ROCE; potential catalyst for closing the valuation gap

Bloomberg reported on 5 November 2015 that Kering is open to a sale of its 86% stake in Puma. Given the lack of synergies between the brand and the rest of the Kering luxury portfolio, and generally poor market sentiment towards Kering's ownership of the business, a Puma disposal has been an issue frequently discussed by investors. Bloomberg also reported in December 2014 that Kering had explored a sale. We note that V.F. Corp has been cited as a potential buyer (CNBC, 13 May; Biz Journals, 23 Apr / 15 July 2015). Kering has not commented on the reports.

We show below a scenario analysis of the financial implications of a disposal of Puma at the current share price. Once we factor in the lower interest charge, tax rate and removal of the Puma minority interest charge, such a deal, were it to take place, would be only marginally dilutive to EPS under our calculations. We estimate Kering net debt/ EBITDA would fall to between 1.0x and 1.5x at a price range of -20% to +20% of the Puma share price.

Figure 23: Scenario analysis of potential Puma disposal

€m, y/e December 2016	Zero	-20%	0%	20%
Puma Price	€0	€150	€188	€226
Puma Market Cap	0	2,247	2,809	3,370
Kering cash inflow*	(356)	1,567	2,048	2,529
Kering Net debt/ EBITDA	2.5x	1.5x	1.3x	1.0x
EPS dilution	-6%	-1%	0%	2%
New Kering EPS	€9.00	€9.45	€9.56	€9.68
UBS Kering Valuation	€166	€178	€182	€186
P/E @ UBS Kering Valuation	18.4x	18.8x	19.0x	19.2x

Source: UBS estimates, * Net of Puma cash position that is currently consolidated into Kering group

Share price implications are important. It is worth noting:

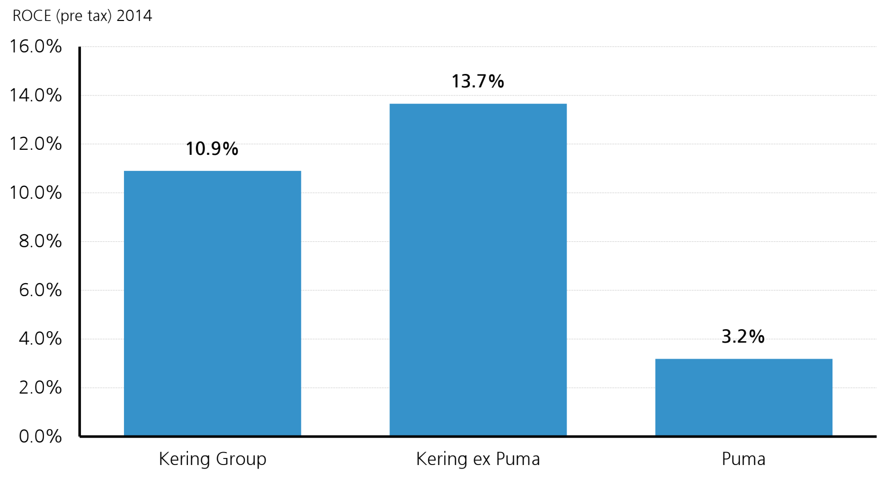
(1) Our valuation of Puma within our Kering sum-of-the-parts (SOTP) is at a 20% discount to the current share price, as it excludes any bid premium. This leaves it at 10x next 12 months EV/EBITDA – a discount to adidas, which (given the relative brand strengths and momentum) we see as fair.

(2) Even if we were to assume the current value of Puma is zero in our SOTP, we would still have a valuation of Kering of €166 per share (upside to the current share price).

(3) As we show above, a valuation of Puma at the current share price or a 20% premium to the current price would add €4 per share and €8 per share to our price target, respectively.

A disposal should also improve the ROCE of Kering group by 2.8ppt

Figure 24: Kering ROCE (pre-tax) 2014 including and excluding Puma



Source: Company data, UBS estimates

What might Kering do with the cash?

We estimate Kering would have €1.3-2.0bn for acquisitions excluding the benefit of acquisition EBITDA

Kering has always stated that a comfortable gearing level for the business is up to 2.0x net debt/ EBITDA. The history of the business has been one of acquisition and disposal: it started life as a building materials business in 1963, moved into retail in the 1990s, then luxury in the 2000s. The company has always stated that M&A is a priority for the group, and we see this as a more likely use of cash than shareholder returns.

We see this as being a cause for concern for the market, given the last acquisition of size was Puma itself, which has been value-erosive for the group.

Our view is that Kering can add significant value via smaller acquisitions in luxury as the smaller brands benefit from the Kering back-end infrastructure, but also the improved negotiating power with suppliers and landlords that comes with being part of a big group. However, we would be more cautious of a larger acquisition, which would be more difficult to integrate and add value to.

We see the most likely focus of acquisitions as:

(1) Smaller luxury brands that are ripe for global development – we see the product focus remaining outside of leather goods, where Kering already has a strong exposure.

(2) Larger luxury brands – we would hope where there is scope to add value in the Kering group structure (e.g. via a shift to retail, margin improvement).

(3) Affordable luxury – whilst this would diversify the group away from the high-net-worth individual and towards the emerging middle-class consumer, we see it as risky given historically lower brand loyalty in this category.

Our price target is based on a sum-of-the-parts

We value:

- Gucci, Bottega Veneta and Saint Laurent using a DCF valuation with a 7.3% WACC and 2% terminal growth rate
- For other luxury, we value the brands using a sector-average 2.0x EV/sales
- Puma we value at a 20% discount to the current share price, given we believe it is inflated by bid speculation.

Figure 25: Kering SOTP

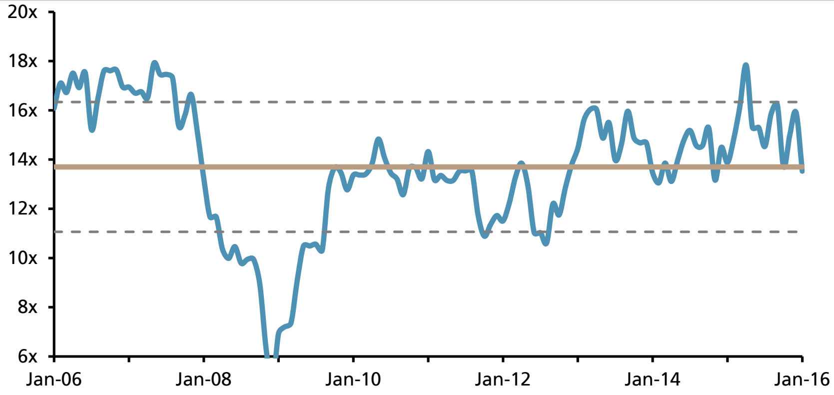
€m	Sales FY16	EBITDA FY16	EBIT FY16	EV/Sales 2016	EV/EBITDA 2016	EV/ EBIT 2016	Valuation
Luxury Goods							
Gucci	3,961	1,267	1,087	3.4x	10.8x	12.5x	13,638
Bottega Veneta	1,364	443	398	4.3x	13.2x	14.7x	5,839
Saint Laurent	1,048	226	183	3.8x	17.8x	22.0x	4,023
Other Luxury	1,685	198	128	2.0x	17.1x	26.5x	3,399
Total Luxury	**8,058**	**2,134**	**1,796**	**3.3x**	**12.6x**	**15.0x**	**26,899**
Puma	3,497	169	94	0.5x	11.2x	20.1x	1,885
Volcom/Electric	304	16	11	0.6x	11.2x	16.2x	184
Elim/Corporate Costs	35.2	(138)	(161)	na	11.7x	10.0x	(1,611)
EV	**11,894**	**2,182**	**1,740**	**2.3x**	**12.5x**	**15.7x**	**27,357**
Less Net Debt							(4,641)
Puma Equity MI							(323)
Total Equity							**22,394**
Shares o/s							126.0
Price Target							**178**

Source: UBS estimates

Valuation versus history

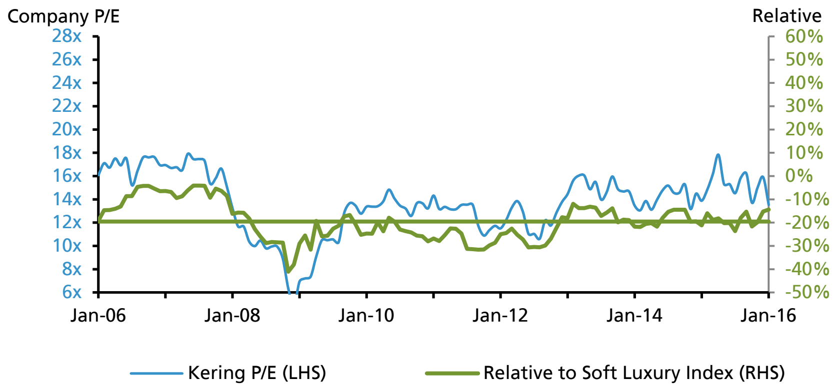
Comparison to history is difficult, given the business has only been truly luxury focused since 2012. Nevertheless, the stock trades broadly in line with its long-term average PE, at a par with the market and at a discount vs. soft luxury peers – all seem unjustified in our opinion.

Figure 26: Kering 1 year forward P/E relative to history



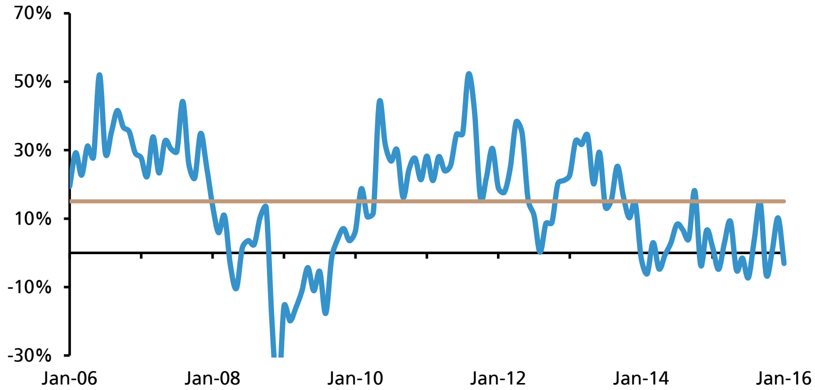
Source: UBS, DataStream

Figure 27: Kering 1 year forward P/E relative to soft luxury



Source: UBS, DataStream

Figure 28: Kering 1 year forward P/E relative to MSCI Europe



Source: UBS, DataStream

WHAT'S PRICED IN?

return ↑

Below we analyse what level of value-accretive growth we believe Kering has priced in at the current share price versus the sector.

Methodology – measuring value-accretive growth

We approach the question by splitting today's share price into three components:

Part 1: Valuation of the stock assuming no further earnings growth takes place;

Part 2: The increase in value over a three-year consensus forecast horizon;

Part 3: The remainder driven by market expectations of growth beyond three years

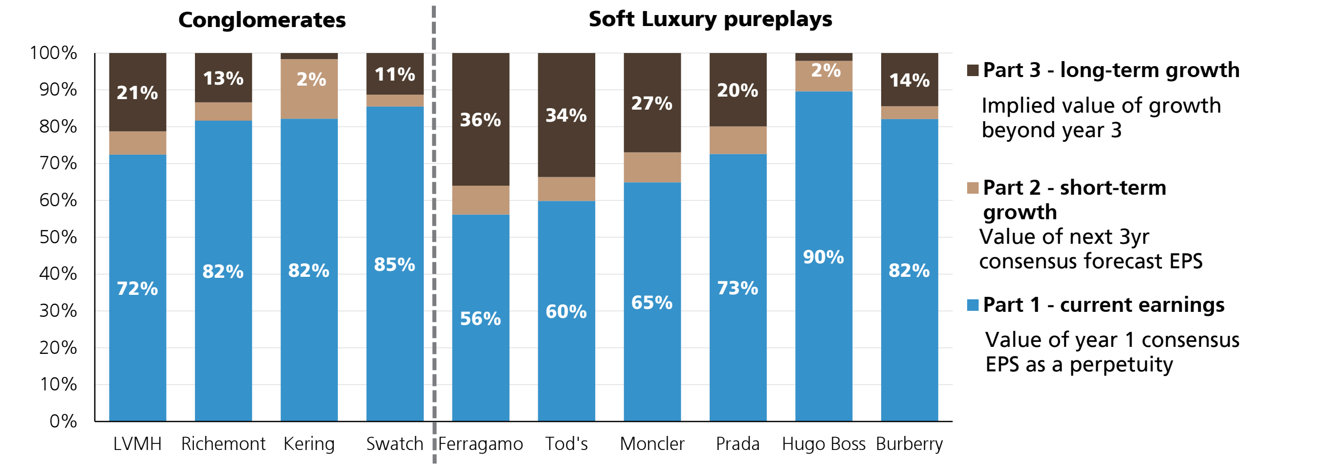
This analysis differs from the traditional PE/PEG-based analysis by incorporating each stock's cost of equity. This allows us to discriminate between EPS growth that creates and reduces value. In essence this is a re-working of the basic dividend discount or residual income model.

We have more confidence in the long-term outlook for Kering

Kering appears to be discounting one of the lowest long-term growth opportunities in the sector. We do not believe this is warranted, given the Gucci revitalisation gives potential to rebalance the global price architecture combined with volume recovery.

We note that the value attributed to the next 3 years' earnings is a bigger component of the current share price based on consensus estimates than for the sector. This component is lower on our estimates given that we sit c9% below consensus in 2016.

Figure 29: Our 'What's Priced In?' analysis suggests that the market is pricing in below-sector-average value-enhancing long-term growth for Kering



Source: Datastream consensus estimates (based on cost of equity assumptions between 7.3% and 8.9%)

UPSIDE / DOWNSIDE SPECTRUM

return ↑

Kering is trading at €141.5 (as of 14th January)

Value drivers	Gucci LT EBIT growth	Bottega LT EBIT growth	Puma disc/ prem to SP
€203 upside	7%	10%	+20%
€178 target	4%	8%	-20%
€127 downside	0%	4%	-20%

Risk to the current share price is heavily skewed (4:1) to the upside

Kering is trading at **€141.5** (as of 14th January).

Upside (€203): Gucci's recovery is faster than we expect, with 7% EBIT growth p.a. over the next five years dropping to 4% p.a. for the following five years. Bottega Veneta also accelerates to 10% EBIT growth for five years. Puma is disposed of at a 20% premium to the current share price.

Base (€178): We expect c.4% organic growth p.a. for Gucci medium term and 6% for Bottega Veneta, resulting in 4% and 8% EBIT growth, respectively. Our price target is based on a sum-of-the parts valuation, within which we value Gucci, Bottega Veneta and Saint Laurent on DCFs (WACC 7.3%, terminal growth of 2%). We value Puma at a 20% discount to the current share price.

Downside (€127): Gucci is now fully mature and sees no growth in EBIT from here, with 2016 at -1%. Bottega Veneta also slows to c.4% EBIT growth medium term. Puma is valued at a 20% discount to the current share price.

COMPANY DESCRIPTION

return ↑

Market Cap	€18.0bn
Shares Outstanding	126m
Industry	Luxury Goods
Region	Europe
Website	www.kering.com

Kering derives its earnings from two divisions: Luxury (68% of sales, 95% of EBIT) and Sport & Lifestyle (32% of sales, 5% of EBIT), following its divestment of the various retail divisions. Gucci and Bottega Veneta represent over 80% of Luxury EBIT, while Puma makes up the bulk of lifestyle. The main regions by sales are Western Europe (31% of sales), Asia ex-Japan (26%), North America (21%), Japan (10%) and rest of world (12%).

Industry outlook

Over the medium term, we anticipate the luxury goods sector will grow at >1.5x global GDP, driven by a combination of emerging middle classes in developing markets and growing numbers of UHNWIs (ultra-high-net-worth individuals). At present, the industry faces a number of complex challenges, including capturing the consumer against a backdrop of stretched regional price gaps. However, we remain constructive on the long-term pricing power as consumers continue to be enamoured of luxury goods and barriers to entry remain high, with brands able to leverage their heritage, and exercise significant control over supply chains and distribution.

Revenues by division (%)

	%
Gucci	34.0
Puma/ Lifestyle	32.0
Other Luxury	14.0
Bottega	12.0
Saint Laurent	8.0

EBIT by division (%)

	%
Gucci	57.0
Bottega	21.0
Saint Laurent	8.0
Other Luxury	8.0
Puma/ Lifestyle	6.0

Source for both exhibits: UBS estimates

We show our organic sales growth and EBIT forecasts by brand below:

Figure 30: Sales and organic growth by division

€m Dec y/e	2014A	2015E	2016E	2017E	2018E
Sales					
Gucci	3,497	3,854	3,961	4,119	4,284
Bottega Veneta	1,131	1,299	1,364	1,446	1,532
Saint Laurent	707	954	1,048	1,153	1,268
Other Luxury	1,424	1,661	1,685	1,770	1,858
Total Luxury	6,759	7,768	8,058	8,487	8,942
Puma	2,990	3,350	3,497	3,671	3,855
Sports/Lifestyle	3,245	3,638	3,801	3,991	4,190
Total Group	**10,037**	**11,441**	**11,894**	**12,513**	**13,168**
Organic growth %					
Gucci	-1.1%	-0.6%	3.0%	4.0%	4.0%
Bottega Veneta	12.6%	4.3%	5.0%	6.0%	6.0%
Saint Laurent	27.2%	23.6%	10.0%	10.0%	10.0%
Other Luxury	6.0%	0.2%	2.0%	5.0%	5.0%
Total Luxury	4.9%	2.9%	4.0%	5.3%	5.4%
Puma	3.4%	5.1%	5.0%	5.0%	5.0%
Sports/Lifestyle	3.5%	4.7%	4.9%	5.0%	5.0%
Total Group	**4.4%**	**3.4%**	**4.2%**	**5.1%**	**5.1%**

Source: UBS estimates

Figure 31: EBIT and EBIT margin % by division

€m Dec y/e	2014A	2015E	2016E	2017E	2018E
EBIT					
Gucci	1,056	1,029	1,087	1,147	1,202
Bottega Veneta	357	375	398	429	463
Saint Laurent	105	152	183	213	240
Other Luxury	147	122	128	136	145
Total Luxury	1,666	1,679	1,796	1,925	2,049
Puma	128	90	94	117	142
Sports/Lifestyle	138	98	105	130	157
Total Group	**1,664**	**1,621**	**1,740**	**1,888**	**2,032**
EBIT margin %					
Gucci	30.2%	26.7%	27.4%	27.8%	28.0%
Bottega Veneta	31.6%	28.9%	29.2%	29.7%	30.2%
Saint Laurent	14.9%	16.0%	17.5%	18.5%	19.0%
Other Luxury	10.3%	7.3%	7.6%	7.7%	7.8%
Total Luxury	24.6%	21.6%	22.3%	22.7%	22.9%
Puma	4.3%	2.7%	2.7%	3.2%	3.7%
Sports/Lifestyle	4.2%	2.7%	2.8%	3.3%	3.7%
Total Group	**16.6%**	**14.2%**	**14.6%**	**15.1%**	**15.4%**

Source: UBS estimates

Appendix: UBS Evidence Lab methodology

UBS Evidence Lab global pricing analysis

UBS Evidence Lab collected luxury brand assortment and price information to create a database totalling 229,000 records on 46,000 unique products sold by 12 brands (Bottega Veneta, Burberry, Cartier, Ferragamo, Gucci, Hermes, Hugo Boss, Luis Vuitton, Moncler, Prada, Saint Laurent and Tods) in 10 countries (France, Germany, Hong Kong, Italy, Japan, South Korea, China, Switzerland, UK and US). Soft and hard luxury categories are included in the database.

Prices are converted to Euros using the FX rate on the day of collection. To analyse price differences across countries, we only consider identical items found in each of the countries. For comparison across brands, we use prices in France for specific categories to make the analysis most comparable. We also have analysed evergreen products by vintage year. When analysing prices, we consider the full distribution of prices in addition to the median and average because of the multiple levels of luxury pricing, which can significantly affect the average calculation.

Caveats: The collection of assortment and prices reflects the offering from each company, not the demand for the products. Tracking price and assortment trends will be important to infer demand trends (as price and assortment decisions are reflective of consumer demand). We intend to collect prices on a weekly basis to analyse changes in price and assortment across these key markets and brands. We also intend to add more brands and countries to the database.

UBS Evidence Lab surveys

We conducted two online surveys between November and December, 2015 with consumers aged 18-54 in the US and Mainland China. The survey was sent out to consumers in US and in Mainland China (Tiers 1, 2 and 3) who are representative of population distribution in age, income and geography. In total 1,004 consumers in the US and 1,105 consumers in Mainland China qualified for the survey. Qualification was based on household income (minimum income of USD$70,000 or RMB180,000), purchase of at least one high-end retail item in the past 12 months, and minimum spend on individual items in the following product categories over the past 12 months:

- Handbags/leather goods: spend equivalent of $1,000 for an individual item
- Watches/ jewellery: spend equivalent of $1,500 for an individual item
- Apparel: spend equivalent of $500 for an individual item

The margin of error for the whole sample of responses in each country is between approximately +/-2.95 and +/-3.09.

Caveats: We emphasise that the survey data is not representative of the majority of US or Chinese consumers, and reflects the view of high earning consumers who purchase high-end retail goods.

UBS Evidence Lab social media tracking

UBS Evidence Lab tracks more than 100,000 of the largest Facebook pages every week to monitor changes and trends in the number of Facebook likes. UBS Evidence Lab created a hierarchy that allows for the mapping of Facebook pages to brands and to companies. The likes for each page are then aggregated by brand through a proprietary process that takes into account the type and evolution of the pages being aggregated.

Caveats: (1) Brands can be more or less active on Facebook (in terms of number of posts and advertising dollars spent). All else equal, we expect more active brands to have more Facebook likes; (2) Facebook likes are not necessarily reflective of deeper brand engagement levels (we use them as an index for total social media engagement in this study); (3) The demographics of Facebook users – particularly those who "like" brands on Facebook - may not be reflective of the overall population or of the market for a given brand; (4) Other social media platforms – such as Instagram or Twitter – were not included in the Evidence Lab analysis; (5) Facebook usage differs across countries (eg Facebook not available in China); (6) Facebook likes tend to increase over time as few users "dislike" a previously "liked" page (making time-series and relative performance key); (7) Facebook users can like a brand multiple times if there are multiple (unlinked) Facebook pages associated with a brand.

Despite these caveats, we believe that comparing the trends in the number of Facebook likes across brands can provide insights into the competitive dynamics between those brands at both a global and a country level.

**UBS Evidence Lab provides our research analysts with rigorous primary research. The team conducts representative surveys of key sector decision-makers, mines the Internet, systematically collects observable data, and pulls information from other innovative sources. They apply a variety of advanced analytic techniques to derive insights from the data collected. This valuable resource supplies UBS analysts with differentiated information to support their forecasts and recommendations—in turn enhancing our ability to serve the needs of our clients.*

Kering (PRTP.PA)

Income statement (€m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Revenues	**9,736**	**9,656**	**10,038**	**11,441**	*14.0*	**11,894**	*4.0*	**12,513**	**13,168**	**13,835**
Gross profit	5,960	6,041	6,296	7,176	*14.0*	7,460	*4.0*	7,849	8,259	8,678
EBITDA (UBS)	**2,067**	**2,043**	**1,991**	**2,019**	*1.4*	**2,182**	*8.1*	**2,361**	**2,538**	**2,717**
Depreciation & amortisation	(275)	(292)	(327)	(397)	*21.6*	(441)	*11.1*	(474)	(506)	(538)
EBIT (UBS)	**1,792**	**1,751**	**1,664**	**1,621**	*-2.6*	**1,740**	*7.3*	**1,888**	**2,032**	**2,179**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(148)	(210)	(197)	(211)	*-6.8*	(175)	*16.9*	(167)	(157)	(144)
Exceptionals (incl goodwill)	(25)	(441)	(112)	(42)	*62.7*	0	-	0	0	0
Profit before tax	**1,619**	**1,100**	**1,355**	**1,369**	*1.1*	**1,565**	*14.3*	**1,721**	**1,875**	**2,036**
Tax	(298)	(237)	(326)	(328)	*-0.9*	(344)	*-4.8*	(379)	(413)	(448)
Profit after tax	**1,321**	**863**	**1,029**	**1,040**	*1.1*	**1,221**	*17.4*	**1,342**	**1,463**	**1,588**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	3	9	(21)	(20)	*5.4*	(20)	*0.0*	(20)	(20)	(20)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**1,324**	**873**	**1,008**	**1,020**	*1.2*	**1,201**	*17.7*	**1,322**	**1,443**	**1,568**
Net earnings (UBS)	**1,287**	**1,282**	**1,177**	**1,076**	*-8.6*	**1,201**	*11.6*	**1,322**	**1,443**	**1,568**
Tax rate (%)	18.4	21.5	24.0	24.0	*-0.2*	22.0	*-8.3*	22.0	22.0	22.0

Per share (€)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS, diluted)	10.20	10.17	9.35	8.54	*-8.7*	9.53	*11.6*	10.49	11.45	12.44
EPS (local GAAP, diluted)	10.50	6.92	8.00	8.10	*1.2*	9.53	*17.7*	10.49	11.45	12.44
EPS (UBS, basic)	10.21	10.18	9.35	8.54	*-8.7*	9.53	*11.6*	10.49	11.45	12.44
Net DPS (€)	3.75	3.75	4.00	4.20	*5.0*	4.41	*5.0*	4.63	4.86	5.11
Cash EPS (UBS, diluted)[1]	12.39	12.49	11.94	11.69	*-2.1*	13.03	*11.5*	14.25	15.46	16.71
Book value per share	90.20	83.66	84.04	88.66	*5.5*	94.14	*6.2*	100.37	107.33	115.06
Average shares (diluted)	126.08	126.03	125.94	125.98	*0.0*	125.98	*0.0*	125.98	125.98	125.98

Balance sheet (€m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Tangible fixed assets	1,376	1,677	1,887	2,096	*11.1*	2,250	*7.3*	2,402	2,555	2,708
Intangible fixed assets	14,361	14,473	14,788	14,788	*0.0*	14,788	*0.0*	14,788	14,788	14,788
Investments	462	561	668	668	*0.0*	668	*0.0*	668	668	668
Other assets	3,760	1,402	883	883	*0.0*	883	*0.0*	883	883	883
Total fixed assets	**19,959**	**18,113**	**18,226**	**18,435**	*1.1*	**18,588**	*0.8*	**18,740**	**18,893**	**19,047**
Net working capital	**2,324**	**2,300**	**2,609**	**3,014**	*15.6*	**3,131**	*3.9*	**3,285**	**3,446**	**3,610**
Cash	2,081	1,419	1,090	615	*-43.6*	840	*36.6*	1,124	1,492	1,953
Short term debt	(1,595)	(1,737)	(2,288)	(2,288)	*0.0*	(2,288)	*0.0*	(2,288)	(2,288)	(2,288)
Long term debt	(2,989)	(3,133)	(3,195)	(3,195)	*0.0*	(3,195)	*0.0*	(3,195)	(3,195)	(3,195)
Preferred shares	0	0	0	0	-	0	-	0	0	0
Net (debt) / cash	**(2,503)**	**(3,451)**	**(4,393)**	**(4,868)**	*-10.8*	**(4,643)**	*4.6*	**(4,360)**	**(3,991)**	**(3,531)**
Other debt-deemed liabilities	(105)	(100)	(119)	(119)	*0.0*	(119)	*0.0*	(119)	(119)	(119)
Provisions & non-debt deemed liabs	(7,557)	(5,665)	(5,059)	(4,689)	*7.3*	(4,518)	*3.6*	(4,348)	(4,177)	(4,006)
Total equity	**12,119**	**11,196**	**11,262**	**11,773**	*4.5*	**12,438**	*5.7*	**13,199**	**14,052**	**15,001**
Minority interests	(705)	(609)	(628)	(604)	*3.9*	(579)	*4.0*	(555)	(531)	(506)
Common s/h equity	**11,414**	**10,587**	**10,634**	**11,169**	*5.0*	**11,859**	*6.2*	**12,644**	**13,521**	**14,495**
Operating invested capital	**14,264**	**14,186**	**15,107**	**16,092**	*6.5*	**16,533**	*2.7*	**17,010**	**17,494**	**17,983**
Total capital employed	**14,727**	**14,747**	**15,775**	**16,760**	*6.2*	**17,201**	*2.6*	**17,678**	**18,162**	**18,651**

Cash flow (€m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EBIT (UBS)	1,792	1,751	1,664	1,621	*-2.6*	1,740	*7.3*	1,888	2,032	2,179
Depreciation & amortisation	275	292	327	397	*21.6*	441	*11.1*	474	506	538
Net change in working capital	(272)	(74)	(160)	(406)	*-153.1*	(116)	*71.3*	(154)	(161)	(164)
Net interest	(148)	(210)	(197)	(211)	*-6.8*	(175)	*16.9*	(167)	(157)	(144)
Tax paid	(362)	(384)	(423)	0	-	0	-	0	0	0
Other operating	182	(222)	(465)	(543)	*-16.7*	(517)	*4.8*	(551)	(585)	(620)
Operating cash flow	**1,466**	**1,153**	**745**	**860**	*4.2*	**1,373**	*31.0*	**1,489**	**1,635**	**1,789**
Tangible capital expenditure	(436)	(667)	(183)	(606)	*-230.5*	(595)	*1.9*	(626)	(658)	(692)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Equity free cash flow	**1,030**	**485**	**562**	**253**	*-54.9*	**779**	*207.5*	**864**	**976**	**1,097**
Net (acquisitions) & disposals	697	(320)	(590)	0	-	0	-	0	0	0
Equity dividends paid	(473)	(497)	(498)	(528)	*-6.1*	(553)	*-4.8*	(580)	(608)	(637)
Share issues / (buybacks)	(220)	(124)	(5)	0	-	0	-	0	0	0
Net other cash flows	(233)	(170)	(362)	(200)	*44.8*	0	-	0	0	0
Cash flow (inc)/dec in net debt	**801**	**(627)**	**(893)**	**(475)**	*46.8*	**225**	-	**284**	**369**	**460**
FX / non cash items	103	(321)	(49)	0	-	0	-	0	0	0
Balance sheet (inc)/dec in net debt	**904**	**(948)**	**(942)**	**(475)**	*49.6*	**225**	-	**284**	**369**	**460**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Kering (PRTP.PA)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	11.9	24.0	19.4	17.5	14.8	13.5	12.4	11.4
P/E (UBS, diluted)	12.2	16.4	16.6	16.6	14.8	13.5	12.4	11.4
P/CEPS	10.1	13.3	13.0	12.1	10.9	9.9	9.1	8.5
Equity FCF (UBS) yield %	6.5	2.3	2.9	1.4	4.3	4.8	5.5	6.1
Net dividend yield (%)	3.0	2.3	2.6	3.0	3.1	3.3	3.4	3.6
P/BV x	1.4	2.0	1.8	1.6	1.5	1.4	1.3	1.2
EV/revenues (core)	-	-	2.4	2.0	1.9	1.8	1.7	1.6
EV/EBITDA (core)	-	-	12.3	11.5	10.5	9.6	8.8	8.0
EV/EBIT (core)	-	-	14.7	14.3	13.2	12.0	11.0	10.0
EV/OpFCF (core)	-	-	19.1	19.9	15.4	13.9	12.5	11.3
EV/op. invested capital	-	-	1.7	1.5	1.4	1.4	1.3	1.2

Enterprise value (€m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	15,817	21,048	19,632	17,905	17,905	17,905	17,905	17,905
Net debt (cash)	2,492	3,443	4,391	4,866	4,641	4,357	3,988	3,528
Buy out of minorities	-	-	276	276	276	276	276	276
Pension provisions/other	-	-	121	121	121	121	121	121
Total enterprise value	**-**	**-**	**24,420**	**23,168**	**22,943**	**22,659**	**22,290**	**21,830**
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	**-**	**-**	**24,420**	**23,168**	**22,943**	**22,659**	**22,290**	**21,830**

Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	20.8	-0.8	3.9	14.0	4.0	5.2	5.2	5.1
EBITDA (UBS)	15.7	-1.1	-2.6	1.4	8.1	8.2	7.5	7.1
EBIT (UBS)	21.2	-2.2	-5.0	-2.6	7.3	8.5	7.6	7.2
EPS (UBS, diluted)	33.1	-0.3	-8.1	-8.7	11.6	10.1	9.1	8.7
Net DPS	7.1	0.0	6.7	5.0	5.0	5.0	5.0	5.0

Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	61.2	62.6	62.7	62.7	62.7	62.7	62.7	62.7
EBITDA margin	21.2	21.2	19.8	17.6	18.3	18.9	19.3	19.6
EBIT margin	18.4	18.1	16.6	14.2	14.6	15.1	15.4	15.8
Net earnings (UBS) margin	13.2	13.3	11.7	9.4	10.1	10.6	11.0	11.3
ROIC (EBIT)	12.8	12.3	11.4	10.4	10.7	11.3	11.8	12.3
ROIC post tax	10.0	10.2	9.3	8.1	8.3	8.8	9.2	9.6
ROE (UBS)	11.8	11.7	11.1	9.9	10.4	10.8	11.0	11.2

Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	1.2	1.7	2.2	2.4	2.1	1.8	1.6	1.3
Net debt / total equity %	20.7	30.8	39.0	41.4	37.3	33.0	28.4	23.5
Net debt / (net debt + total equity) %	17.1	23.6	28.1	29.3	27.2	24.8	22.1	19.1
Net debt/EV %	-	-	18.0	21.0	20.2	19.2	17.9	16.2
Capex / depreciation %	158.4	NM	56.2	152.6	134.8	132.1	130.2	128.6
Capex / revenue %	4.5	6.9	1.8	5.3	5.0	5.0	5.0	5.0
EBIT / net interest	12.1	8.3	8.4	7.7	9.9	11.3	13.0	15.2
Dividend cover (UBS)	2.7	2.7	2.3	2.0	2.2	2.3	2.4	2.4
Div. payout ratio (UBS) %	36.7	36.8	42.8	49.2	46.3	44.1	42.5	41.0

Revenues by division (€m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	9,736	9,656	10,038	11,441	11,894	12,513	13,168	13,835
Total	**9,736**	**9,656**	**10,038**	**11,441**	**11,894**	**12,513**	**13,168**	**13,835**

EBIT (UBS) by division (€m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	1,792	1,751	1,664	1,621	1,740	1,888	2,032	2,179
Total	**1,792**	**1,751**	**1,664**	**1,621**	**1,740**	**1,888**	**2,032**	**2,179**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+25.8%
Forecast dividend yield	3.1%
Forecast stock return	+28.9%
Market return assumption	4.6%
Forecast excess return	+24.3%

Valuation Method and Risk Statement

Luxury assets are sensitive to economic cycles and fashion trends. The investment in Puma adds exposure to the athletic footwear market, where fashion content and unseasonable weather can make consumer behaviour quite cyclical.

We value Gucci, Bottega Veneta and Saint Laurent using a DCF valuation with a 7.3% WACC and 2% terminal growth rate. For other luxury, we value the brands using a sector-average 2.0x EV/sales. Puma we value at a 20% discount to the current share price, given we believe it is inflated by bid speculation.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	48%	36%
Neutral	FSR is between -6% and 6% of the MRA.	39%	28%
Sell	FSR is > 6% below the MRA.	12%	22%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 December 2015.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
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Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Kering[7]	PRTP.PA	Buy	N/A	€141.15	15 Jan 2016
Puma SE	PUMG.DE	Not Rated	N/A	€183.50	15 Jan 2016

Source: UBS. All prices as of local market close.
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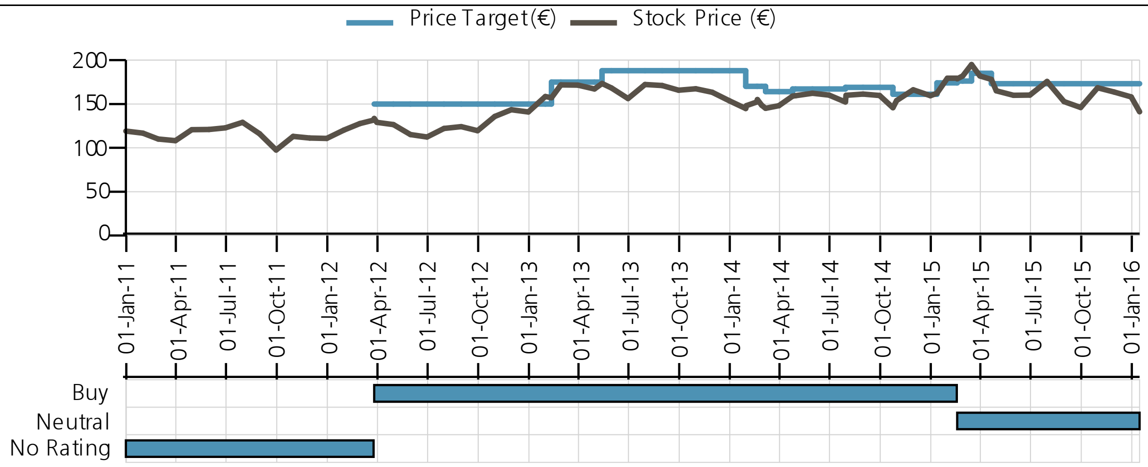
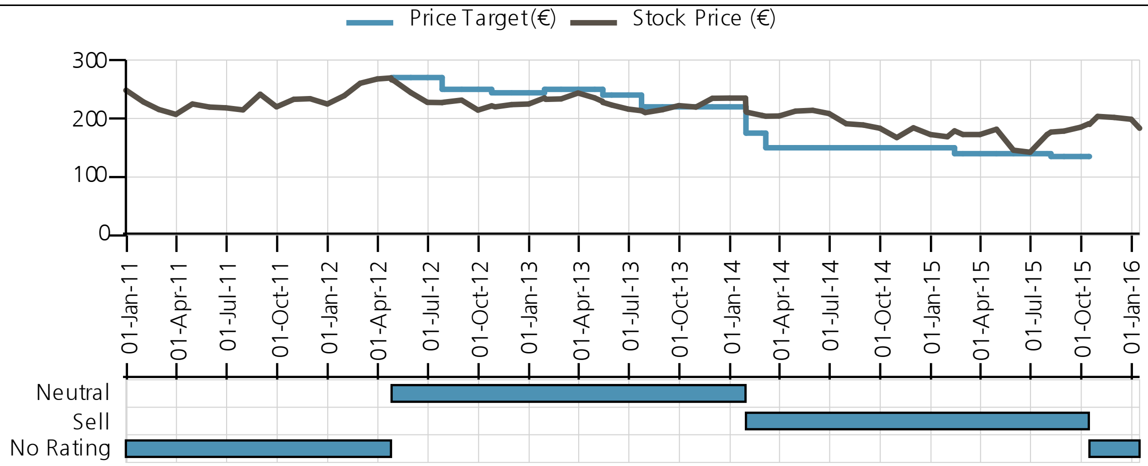
Kering (€)



Source: UBS; as of 15 Jan 2016

Puma SE (€)



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