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**Strategic Value Creation through
Cost and Revenue Synergies:
a Financial Analysis of the
Moncler-Stone Island win-win
Acquisition**

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**Creazione di valore strategico
attraverso sinergie di costo e di
ricavo: un'analisi finanziaria
dell'acquisizione win-win
Moncler-Stone Island**

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ABSTRACT

Luxury M&A transactions face a dual risk: overpaying due to speculative valuations (the “*winner’s curse*”) and eroding the target brand’s authenticity through over-integration. This thesis investigates whether Moncler’s acquisition of Stone Island (December 2020, €1,198.80 million Enterprise Value) addressed both challenges - unlocking growth potential and synergies while preserving the identity of a “New Luxury” brand - and proposes an Alternative Luxury Hub framework to evaluate the outcome.

The analysis combines qualitative strategic assessment with a dual discounted-cash-flow (DCF) model, comparing a counterfactual standalone valuation (€776.78 million) with a synergistic scenario (€1,292.30 million). The €93.50 million net value created at entry, together with a contractual equity-reinvestment mechanism that reduced the cash premium, suggests the acquirer avoided the winner’s curse. Post-acquisition data (2021–2024) confirm the projected synergies: accelerated direct-to-consumer expansion, supply-chain consolidation and a normalized operating margin of 33%, validated against a WACC breakeven threshold of 8.38%. Concurrently, Moncler’s governance model preserved Stone Island’s creative autonomy, mitigating the second leg of the dual risk.

The Alternative Luxury Hub framework shows how a focused group can combine scale efficiencies with brand authenticity, offering a reference point for future consolidation in the New Luxury segment.

ABSTRACT

Le operazioni di M&A nel settore del lusso affrontano un duplice rischio: pagare un prezzo eccessivo a causa di valutazioni speculative (la cosiddetta *winner's curse*) ed erodere l'autenticità del brand target attraverso un'integrazione eccessiva. Questa tesi esplora se l'acquisizione di Stone Island da parte di Moncler (Dicembre 2020, Enterprise Value di €1,198.80 milioni) abbia affrontato entrambe le sfide - sbloccando il potenziale di crescita e le sinergie pur preservando l'identità di un marchio del "New Luxury" - e propone il framework dell'Alternative Luxury Hub per valutarne i risultati.

L'analisi combina una valutazione strategica qualitativa con un modello Dual-DCF, confrontando una stima standalone controfattuale (€776.78 milioni) con uno scenario sinergico (€1,292.30 milioni). Il Net Value Created di €93.50 milioni generato in fase di ingresso, unito a un meccanismo contrattuale di reinvestimento azionario che ha ridotto il premio in contanti, suggerisce che l'acquirente abbia evitato la *winner's curse*. I dati post-acquisizione (2021-2024) confermano le sinergie previste: un'espansione accelerata del canale Direct-to-Consumer, il consolidamento della supply chain e un margine operativo normalizzato del 33%, validato rispetto a una soglia di breakeven del WACC pari all'8,38%. Parallelamente, il modello di governance di Moncler ha preservato l'autonomia creativa di Stone Island, mitigando la seconda componente del duplice rischio.

Il framework dell'Alternative Luxury Hub dimostra come un gruppo focalizzato possa combinare efficienze di scala e autenticità del marchio, offrendo un punto di riferimento per le future dinamiche di consolidamento nel segmento del New Luxury.

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Introduction

Within the modern landscape of corporate finance, mergers and acquisitions (M&A) have emerged as a defining force in the luxury sector's development. Over the past decades, traditional conglomerates such as LVMH and Kering have assembled multi-brand portfolios to capture economies of scale, distribution synergies and financial strength. Nonetheless, sector dynamics are evolving as the “*New Luxury*” paradigm gains traction, emphasizing cultural relevance, community involvement and brand authenticity over traditional historical heritage. Consequently, modern acquisitions can no longer rely on simple corporate absorption; they must focus heavily on protecting the intangible assets and creative autonomy that generated the target's value in the first place.

Within this changing landscape, the acquisition of Stone Island by the Moncler Group in December 2020 represents a highly significant case study. Valued at an Equity Value of €1,150 million, the deal merged Moncler's DTC platform and global retail experience with Stone Island's technical innovation culture and a strong customer base. Rather than pursuing full operational centralization, the transaction applied a “*Light-Touch*” governance protocol and a structured equity reinvestment mechanism designed to align long-term incentives while protecting brand identity.

This specific transaction was chosen for three primary reasons. First, it demonstrates how independent brands can overcome the “wholesale ceiling”, the growth limit that occurs when relying too much on third-party retailers threatens brand exclusivity, while moving toward direct retail without adding too many fixed costs. Second, the deal structure diverges from traditional luxury acquisitions, which typically rely on upfront cash premiums and rapid centralization. Those traditional methods often lead to overpayment and damage the target's unique identity. Third, because the acquisition took place in 2020, it is now possible to compare the initial synergy projections with actual performance data to evaluate if the integration is sustainable over the long term.

Therefore, the primary purpose of this thesis is to investigate whether and to what extent this alternative framework successfully unlocked corporate value. Specifically, the study seeks to answer the following Central Research Question:

“To what extent has Moncler's acquisition unlocked Stone Island's growth potential through operational and financial synergies, and has the transaction demonstrated verifiable value creation beyond the standalone scenario?”

To address this question, the dissertation combines a qualitative strategic analysis of organizational capabilities with a quantitative financial valuation. Moving beyond a

Introduction

purely narrative approach, the study engineers a dual-layered financial framework, integrating both an ex-ante standalone perspective (2018-2020) and an ex-post synergistic performance evaluation (2021-2024).

While prior studies on luxury M&A have predominantly focused on the aggressive consolidation and financial centralization of traditional conglomerates, this thesis extends the literature to a decentralized, asset-protective integration model. By doing so, the study aims to clarify how contemporary luxury acquisitions can transition away from purely speculative operations into disciplined, long-term strategic integrations.

CHAPTER 1 : Industry Context and Research Methodology

1.1 The Luxury Fashion Industry: Definition and Economic Structure

The luxury fashion industry is recognized for its unique blend of economic and intangible attributes, such as exclusivity, high prices, rich heritage and exceptional craftsmanship. From an economic perspective, luxury items frequently operates as Veblen goods, where demand exhibits a positive correlation with price increases due to their function as signals of social status and prestige (Kapferer & Bastien, 2012). Historically, this sector has kept high barriers to entry rooted in brand reputation enjoying gross margins that significantly exceed the manufacturing industry average. Over the years, the market has transformed into an oligopolistic structure, mainly led by conglomerates such as LVMH, Kering and Richemont. These players leverage extensive economies of scale to manage a diverse portfolio of unique “*maisons*” (Deloitte, 2023).

The sector is divided into “*Hard Luxury*” (watches and jewellery) and “*Soft Luxury*” (apparel, leather goods, and accessories). Within this framework, apparel represents a pivotal segment, accounting approximately 40-45% of total sales (IMARC Group, 2024). The traditional focus on vertical heritage and formal aesthetics is being challenged by the emergence of new consumer cohorts, Millennials and Gen Z, who are projected to represent approximately 70% of global luxury sales by 2030 (Bain & Company, 2024). This demographic shift is forcing a re-evaluation of what constitutes “value” in the luxury space.

To fully comprehend the positioning of brands in the luxury market, it is necessary to examine their vertical structure more closely. Danielle Allérès’ model, developed in 1997, defines the luxury sector as a pyramid, with three main categories centered around exclusivity, price and distribution.

In detail:

- Inaccessible (or absolute) luxury: Situated at the apex, this category comprises unique or highly limited-edition items, often customized. These products require a substantial degree of “*cultural capital*” for the consumer to decode their value, preserving an elitist status.
- Intermediate luxury: This segment is characterized by high-quality products produced at a larger scale than absolute luxury, yet maintaining premium pricing

and selective distribution. Brands like Moncler and Stone Island primarily operate within this tier, where the focus is on “*aspirational*” value, offering a gateway to the brand’s universe through iconic, recognizable pieces.

- Accessible Luxury: It is located at the base of the pyramid. These items are mass-produced and widely distributed yet retain a strong aspirational and emotional appeal.

The advent of “*New Luxury*” marks a major change in the perception of value. Unlike traditional luxury, which often emphasizes exclusivity, New Luxury revolves around contemporary “*cultural currency*” (Highsnobiety, 2019). This shift is closely tied to the broader trend of “*casualization*”, where formal attire is increasingly superseded by high-end technical apparel and outerwear. It is within this specific niche that brands like Moncler and Stone Island excel.

In this new paradigm, streetwear has evolved from a subculture into a dominant economic force, with the global market expected to reach nearly \$2,960 million by 2035 (Business Research Insights, 2025). Financially, New Luxury optimizes the business model by shifting from physical scarcity (limited production) to temporal scarcity (the “*drop*” model). This strategy accelerates sell-through rates, mitigates inventory risks, and optimizes working capital cycles by leveraging digital engagement and “*hype*” to ensure immediate monetization of collections.

The erosion of the boundaries between high fashion and streetwear has created a hybrid market segment that values cultural credibility. This convergence is deeply strategic. Traditional luxury houses seek to internalize the “*cool factor*” to capture younger demographics, while streetwear labels leverage the high production quality and global infrastructure of luxury groups (Dion & Borraz, 2017).

This dynamic provides a lens through which to interpret the Moncler-Stone Island acquisition. Stone Island is a perfect example of a “*Cult Brand*”. Its loyal community ensures consistent and predictable revenue streams, significantly reducing Customer Acquisition Costs (CAC) and increasing the Lifetime Value (LTV) of the consumer base. Its identity is built through a bottom-up commitment, where brand equity emerges spontaneously from subcultures, fostering a form of “*tribal*” loyalty (D’Alterio, 2023).

To operationalize this shift, leaders like Moncler have introduced innovative models such as the “*Moncler Genius*” project. By replacing traditional seasonal collections with monthly product launches, the brand addresses the demand for immediacy while stabilizing cash flows and purchasing behaviour throughout the fiscal year. Consequently, acquiring a brand with strong “*street*” credibility like Stone Island is a dual-purpose manoeuvre: it is offensive, as it captures a high-growth segment, and defensive, as it ensures strategic relevance within the increasingly dominant “*post-heritage*” luxury paradigm.

1.2 Recent M&A Trends in the Sector: Consolidation and Portfolio Strategies

A profound structural transformation is taking place in the modern luxury industry. Financial growth is not the only reason mergers and acquisitions are pursued anymore. They have become essential tools for maintaining competitiveness and redefining business models. In an era of macroeconomical uncertainty where identifying new growth opportunities is essential (McKinsey & Company, 2023), a significant dichotomy has emerged between established large-scale conglomerates and emerging strategic hubs. This shift is driven by the necessity to integrate specialized skill sets, safeguard brand identity and enhance operational efficiency through synergy.

For decades, the European luxury market has been dominated by only a few major players, mostly French conglomerates like LVMH and Kering (D'Alterio, 2023). Their formidable financial power allows them to acquire independent brands, providing them with vast global distribution networks. However, this approach has sparked academic debate regarding the potential dilution of a brand's unique creative identity within a massive multi-brand structure (D'Alterio, 2023).

In response to this hegemony, a new trend is emerging: the rise of “*Luxury Hubs*”. These entities aim to aggregate high-tier brands while strictly preserving the idiosyncratic identity of each label. The OTB Group represents a pioneer in this Italian-led model, demonstrating how targeted strategic support can lead to rapid operational break-even while maintaining brand distinctiveness (OTB Group, 2022). Moncler's acquisition of Stone Island fits this narrative, signalling the birth of a new “*strategic hub*” focused on the “*New Luxury*” segment (Financial Times, 2020).

While classical financial theory identifies economies of scale and risk diversification as primary M&A drivers (Gaughan, 2018), the luxury sector follows a more nuanced logic. Agreements are increasingly driven by the need for immediate market access and the internalization of rare intangible assets.

Acquisitions allow established players to secure “*cult*” status or technical expertise that would otherwise take decades to develop. This is particularly evident in deals aimed at distributional synergies: a parent company with a mature Direct-to-Consumer (DTC) infrastructure can unlock the untapped international potential of a target brand that is still heavily dependent on wholesale channels. Furthermore, these operations facilitate knowledge transfer, such as the exchange of proprietary skills in textile engineering, ensuring that the combined entity is greater than the sum of its parts.

Diversification remains a critical strategy for mitigating single-product risk. By integrating brands with complementary product life cycles, groups can achieve portfolio balancing. For instance, a brand traditionally tied to seasonality can stabilize its annual cash flows by acquiring a company with an all-season, balanced product line.

However, diversification carries the risk of a “*Conglomerate Discount*”, where the market may undervalue the group due to managerial complexity (Gaughan, 2018). To mitigate this, modern luxury hubs emphasize operational autonomy, ensuring that brand equity remains distinct even as financial resources are consolidated.

Despite strategic planning, consolidation in the luxury sector carries significant risks:

- Cannibalization: The possibility of overlap between the product lines of both companies could cause competition for the same customers and a decrease in profit margins.
- Winner’s Curse: The risk of overpaying for an acquisition during mergers and acquisitions is well-known and can result from unrealistic synergy estimates. This happens when buyers regret the premium paid which exceeds the actual value of the target, often fuelled by excessive managerial trust (Gaughan, 2018). To prevent any loss of shareholder value, it is crucial to accurately assess intangible assets, such as brand equity.

In light of these theoretical risks, the acquisition of Stone Island by Moncler serves as a paradigmatic case study. It provides the necessary empirical context to observe how the strategic and financial challenges previously discussed are managed within the “*New Luxury*” landscape.

1.3 Moncler and Stone Island’s case presentation

The Italian luxury market reached a pivotal milestone on December 7, 2020, with the announcement of Moncler S.p.A.’s acquisition of Stone Island (Sportswear Company S.p.A) for a valuation of €1,150 million (Dempsey, 2020). This move isn’t just about financial consolidation; it’s about establishing a new “*New Luxury*” hub designed to compete with French conglomerates such as LVMH and Kering (D’Alterio, 2023). The vision here is rooted in a shared philosophy of “*Beyond fashion, beyond luxury*”, focusing on creating experiences and fostering a sense of community (Moncler S.p.A., 2020).

In terms of hierarchical positioning, both brands strategically occupy the “*Intermediate*” or “*Aspirational*” Luxury segment. These two brands have the ability to increase production despite their focus on extreme scarcity and custom craftsmanship, unlike the “*Absolute Luxury*” brands which thrive on extreme scarcity. They are revolutionizing this segment with their idea of “*New Luxury*”, where exclusivity is not just about tradition, but also about cultural relevance, cutting-edge innovation and a strong sense of community.

Moncler: The financial and strategic consolidator

Moncler SpA, founded back in 1952 in Monestier-de-Clermont with the aim of producing technical mountain gear, has seen a remarkable transformation since 2003 under the leadership of Remo Ruffini. With its “*Born in the mountains, living in the city*” approach, the brand has turned the down jacket from a simple functional piece into a global luxury symbol. This journey reached a significant milestone with its IPO on the Milan Stock Exchange in 2013, which opened the door to the capital necessary for further growth (D’Alterio, 2023).

Moncler’s profile was distinguished by three key factors during the acquisition:

1. Business Model Innovation (“Moncler Genius”): The fashion calendar was changed by the company in 2018 by abandoning traditional seasonality and introducing monthly releases (*Drops*). Younger consumers, particularly Generation Z, have been kept engaged by this new approach and the company has maintained consistent revenue even in uncertain times (D’Alterio, 2023).
2. Direct-to-Consumer (DTC) Excellence: Moncler has developed a distinctive direct retail channel management expertise, allowing it to rigorously control brand image and maximize margins. This direct management strategy is a crucial tool that the group plans to leverage with Stone Island (Moncler S.p.A., 2022).
3. Financial solidity: Moncler’s operation was started with the best financial fundamentals in the industry. In 2022, the group recorded consolidated revenues of €2,600 million (+27% compared to 2021) and an EBIT margin of 29.8%, with a positive Net Financial Position (NPF) of €818.2 million. This liquidity allowed the acquisition to be financed while preserving financial stability (Moncler SpA, 2022).

Stone Island: The strategic asset and untapped potential

Despite being a cult brand with loyal customers, Stone Island faced some structural challenges before its acquisition that hindered its financial potential.

- Wholesale Channel Dependence: Stone Island’s distribution has always been heavily dependent on multi-brand retailers, unlike Moncler. In 2022, the Wholesale channel accounted for a full 63% of total revenue (€252 million), while the Direct-to-Consumer (DTC) channel generated only 37%. The brand was unable to fully capture economic margins and manage customer experience effectively due to this setup (Moncler SpA, 2022).
- Geographical Concentration: The brand’s focus was mainly on Europe, with the EMEA region making up 69.5% of total turnover (279 million euros). Key global luxury markets were still largely untapped, with Asia contributing only 20% and the Americas just 10.5% (Moncler S.p.A., 2022).

The Deal Structure and Timeline

The transaction, unanimously approved by Moncler's Board of Directors on December 6, 2020, and officially announced the following day, targeted the 100% acquisition of Sportswear Company S.p.A. (SPW), the operating entity behind the Stone Island brand. At entry, the transaction was valued at an Equity Value of €1,150 million, establishing the official benchmark baseline for subsequent financial valuations (Moncler S.p.A., 2021).

The capital structure of the target entity required a two-pronged acquisition strategy due to its fragmented ownership. Moncler negotiated concurrently with two distinct blocks of shareholders: the Rivetti family, who collectively controlled a 70% stake (consisting of 50.10% held via Rivetex S.r.l. and 19.90% through direct individual family holdings), and Singapore's sovereign wealth fund, Temasek, which held the remaining 30% through an investment vehicle (Moncler S.p.A., 2021).

To finance the deal without heavily utilizing the company's financial resources, Moncler structured the transaction through a combination of cash consideration and equity reinvestment mechanisms. Under the framework agreement, the Rivetti family committed to an equity reinvestment mechanism, binding them to deploy 50% of their total transaction proceeds into newly issued Moncler shares. This mechanism resulted in the subscription of 10.7 million new shares priced at a contractually fixed rate of €37.51 per share, determined by the three-month volume-weighted average price prior to the announcement. Conversely, Temasek exercised its contractual option for a full cash exit. Consequently, Moncler's net immediate cash outflow amounted to exactly €748 million, establishing the observed cash component of the transaction consideration at closing.

Following confirmatory due diligence, antitrust clearances and shareholder approval for the capital increase, the deal officially closed on March 31, 2021. The acquisition marked Moncler's transition from a single-brand luxury company to a multi-brand group operating within the global luxury apparel sector.

Strategic Rationale and Synergies

The acquisition is all about strategic complementarity, focusing on revenue synergies rather than just cutting costs. The main idea here is international expansion, where Moncler uses its well-established global distribution network to help Stone Island break into markets that haven't been fully tapped yet, especially in the Americas and Asia (Moncler S.p.A., 2020). At the same time, this strategy is set to transform Stone Island's business model by significantly enhancing the Direct-to-Consumer (DTC) channel, aligning it with Moncler's higher profitability goals. Lastly, to avoid any risk of brand dilution or "*cannibalization*" the deal is structured to allow Stone Island to keep its creative independence and unique culture of "*research and experimentation*", while still benefiting from Moncler's strong corporate support.

Remo Ruffini and Carlo Rivetti's strong entrepreneurial connection is a key aspect of this agreement and stands out from the typical hostile takeovers observed with large

conglomerates. Their journey is rooted in Italian culture and they both come from similar backgrounds. The management approach has been shaped by this personal bond to maintain independence: Ruffini has asserted that the objective is not to create a financial conglomerate, but rather to establish an “*open and participatory universe*” that is powered by community and cultural exchange (Moncler SpA, 2020). Despite being less financially attractive than others, Stone Island was convinced to accept Moncler’s offer due to their shared vision, which facilitated the avoidance of potential cultural clashes and protection of their identity.

1.4 Objectives of the Research

The study aims to provide a comprehensive evaluation framework, capable of illustrating how post-acquisition governance and the actual development of synergies have concretely impacted group performance. The issue extends beyond budgets. The analysis is intended to determine if the merger between Moncler and Stone Island can serve as a model for anyone who wants to generate actual value in the modern luxury market. In essence, the question arises as to whether this alliance represents an isolated case or whether it is instead a reliable indicator of new industry dynamics.

1.5 Methodology and Structure

To accomplish this objective, the study uses a hybrid methodology. The work blends qualitative strategic analysis with rigorous financial models, not just limiting itself to a descriptive narrative:

1. Qualitative Analysis: Examining organizational and strategic adaptation using secondary sources, such as official financial statements, company reports and industry literature.
2. Quantitative Analysis: Excel-based modelling is used to conduct ex ante and ex post financial valuations. Scenario development and basic, optimistic, and pessimistic sensitivity analyses are performed to assess the robustness of the valuation and to evaluate how synergies affect the cost of capital and the firm’s value.

1.6 Central Research Question and Subsidiary Questions

This thesis examines whether the Moncler-Stone Island alliance can produce value greater than the sum of its individual parts, building on the strategic framework and objectives previously outlined. Consequently, the Central Research Question (CRQ) is formulated as follows:

“To what extent has Moncler’s acquisition unlocked Stone Island’s growth potential through operational and financial synergies, and has the transaction demonstrated verifiable value creation beyond the standalone scenario?”

In order to provide a solid response to this investigation, the research is broken down into four analytical dimensions, each of which addresses a specific subsidiary question.

At its core, the strategic inquiry of this research dissects the competitive rationale anchoring the deal. It examines the way in which Moncler’s expertise in Direct-to-Consumer (DTC) distribution and Stone Island’s “*cult brand*” identity work together to strengthen the group’s position in the emerging “*New Luxury*” segment. This isn’t just a merger of labels, it’s a calculated alignment of different market strengths.

To scrutinize the validity of the €1,150 million price tag, the study employs a rigorous financial lens, moving beyond surface-level figures. By utilizing both Discounted Cash Flow (DCF) projections and multiples, the analysis seeks to decouple Stone Island’s intrinsic valuation from the acquisition premium. A pivotal question persists: does this valuation reflect the brand’s standalone worth, or does it lean heavily on speculative expectations regarding future synergies?

Shifting toward the operational sphere, the focus moves to the concrete engines of profitability. The focus of this section is on identifying the specific revenue and cost synergies that are expected to arise from the merger. The analysis’s goal is to comprehend how these operational changes will affect the group’s long-term margins and overall financial health.

In the end, the research interrogates the defensive side of the integration: the risks. It questions what the primary post-merger risks are, such as potential brand dilution or cultural misalignment, and examines how the specific governance structure serves to mitigate the threat of brand cannibalization.

By taking this step, it is possible to accurately determine the true economic impact of the transaction, which provides empirical evidence of the strategic validity of the acquisition.

1.7 Structure of the thesis

This thesis utilizes a hybrid research design that incorporates both qualitative strategic analysis and rigorous quantitative financial modelling. The main objective is to determine if the “*Beyond Fashion, beyond luxury*” vision has been effective in converting tangible economic value for the Moncler Group. The investigative process consists of four sequential and interrelated phases.

The research begins in Chapter 2, which establishes the theoretical framework. This phase reviews core corporate finance theories regarding M&A motivations, synergy creation and the specific role of brand equity in the luxury industry. This chapter provides the academic lens required to interpret the empirical case study.

Chapter 3 applies this theoretical foundation to a qualitative strategic assessment of the Moncler-Stone Island case. By reviewing corporate reports and investor presentations, this phase analyzes the growth drivers behind the acquisition. It specifically focuses on operational roadmaps, such as the strategic shift towards a Direct-to-Consumer (DTC) model, supply chain integration and the preservation of brand authenticity through a decentralized governance protocol.

This qualitative foundation serves as the basis for the quantitative core presented in Chapter 4, which involves an intrinsic valuation utilizing the Discounted Cash Flow (DCF) method. The analysis compares Stone Island's "stand-alone" value as a separate entity to its "synergistic" value after integration. This methodology facilitates the separation of the "managerial Alpha" by discounting Unlevered Free Cash Flows (UFCF) at a Weighted Average Cost of Capital (WACC) specifically determined for the luxury sector.

In order to offer a more comprehensive market context for the DCF results, a relative valuation is carried out using market multiples. This benchmark encompasses a chosen peer group of luxury brands, including Prada, Brunello Cucinelli, Burberry and Canada Goose, in addition to a comparison with past transactions related to Versace, Tiffany & Co., and Supreme. This comparison is intended to substantiate the acquisition price in relation to external market data.

Chapter 5 evaluates the financial model's robustness and tests the execution risks of the integration through a three-tiered framework. It first deploys multivariate sensitivity analysis on both the standalone and synergistic valuation models. It then models low, base, and high synergy scenarios to stress-test the deal's operational elasticity. Ultimately, these theoretical projections are validated against empirical data from actual post-merger performance covering the 2021–2024 period, confirming whether the projected strategic benefits materialized.

Finally, Chapter 6 provides the comprehensive synthesis of the dissertation. This concluding phase directly answers the Central Research Question and its subsidiary inquiries by cross-referencing the qualitative and quantitative findings. Furthermore, it outlines the theoretical and managerial implications of the study, details the research limitations and proposes directions for future research on alternative luxury consolidation models.

By combining these interconnected analytical phases, the research offers a structured, balanced perspective on corporate value creation, moving systematically from theoretical assumptions to empirical validation.

CHAPTER 2 : Theoretical Framework

2.1 Mergers and acquisition in the general context

Definition and types of M&A

Mergers and acquisitions (M&A) are a crucial approach for companies in pursuing growth, market power, or competitive advantage. M&A is the process of combining the resources, operations and assets of two or more companies. Its goal is to form a new company or merge them with an existing one.

The objective of mergers and acquisitions is to enhance the value of a company by diversifying its activities into new markets, improving market share or expanding geographically.

Although the terms “*merger*” and “*acquisition*” are frequently used in the same context, they indicate different processes.

A *merger* is an agreement that brings two different companies together to form a new entity. The objective is to create a company that is unique and stronger.

An *acquisition* is the process of changing ownership of a company, or parts of it, under the control of another by acquiring shares or assets. The acquisition results in the incorporation of the acquired company and its demise as an independent entity. Nonetheless, the acquirer company may retain the right to use the name and trademarks of the acquired company (Gaughan, 2017).

Mergers and acquisitions are often pursued as a more expedient mechanism to achieve corporate growth.

Merger and acquisition operations can be classified according to the sectors in which buyers and target firms operate, in addition to the strategic objectives pursued (Capasso, 1990).

In particular, these operations can be divided into:

- Related operations: These involve companies operating in sectors with production, technological or market-related connections.
- Unrelated transactions: These concern companies without direct commercial ties.

Related operations can be further divided into:

Theoretical Framework

- Horizontal acquisitions: These occur when the acquisition involves a company operating in the same sector. Before the transaction, the acquirer and the target company typically compete against each other in the market. The main immediate effect is an increase in market share and market power, as the joint entity reduces competition and consolidates its position. Horizontal acquisitions can also enhance bargaining power between suppliers and customers. However, such operations could reduce market competitiveness due to increased concentration (Capasso, 1990; Gaughan, 2017).
- Vertical acquisitions: These refer to the acquisition of a company operating at a different stage in the same production or distribution chain. Vertical integration can be *upstream* (backward integration, for example, suppliers) or *downstream* (forward integration, for example, distributors or resellers). By integrating complementary activities into the value chain, the buyer gains better control over production, reduces costs and increases market power. Nevertheless, heavy reliance on internal processes can lead to rigidity, limiting flexibility towards external suppliers and partners (Capasso, 1990; Gaughan, 2017).
- Concentric acquisitions: These involve companies from different sectors but with related technological, marketing or production abilities. The objective is strategic diversification by exploiting existing capabilities, creating synergies without entering entirely into unrelated sectors. Such acquisitions allow companies to expand into contiguous markets and exploit complementary resources (Gaughan, 2017; Weston et al., 2004).

On the other hand, unrelated operations include:

- Conglomerate acquisitions: these involve companies operating in completely unrelated industries. Their purpose is primarily diversification: achieving economies of scale and scope, acquiring new technologies and spreading risk. However, these operations carry specific risks, including coordination challenges, management experience in unfamiliar sectors and higher operational complexity (Capasso, 1990; Gaughan, 2017).

A different categorization is determined by the nature of the transaction and the target company's response. In the case of publicly traded companies, acquisitions may be:

- Friendly acquisitions: These occur when both companies work together to negotiate the agreement. The target's management is responsible for supporting the acquisition, participating in price negotiations, and communicating with shareholders in a transparent manner (Capasso, 1990).
- Hostile acquisitions: These occur when the management of the target company refuse to cooperate or actively opposes the deal. In order to gain control, the acquiring company often makes an offer directly to shareholders, bypassing management's resistance. To prevent hostile takeovers, strategies that are

employed include poison pills, staggered boards, white knights and recapitalization. While these strategies can protect target companies, they can also lead to agency conflicts if managers seek personal benefits. The use of golden parachutes (compensation for executives in the event of an acquisition), however, can align managerial incentives with shareholder value, reducing opposition to the acquisition (Capasso, 1990; Gaughan, 2017).

Horizontal or concentric acquisitions are common in the luxury and streetwear sector, with the aim of expanding brand portfolios, entering new consumer segments, or acquiring complementary creative capabilities.

2.2 Strategic motivations for acquisitions

A significant amount of research has been conducted on the motives of M&A. Based on the extant literature (Karenfort, 2011; Hofmann, 2004), it appears appropriate to distinguish between three broad categories of theories to explain the phenomenon of M&A: i) Economic Motives, ii) Managerial Motives and iii) Financial Motives. These objectives aim to create value, improve competitive positioning and accelerate growth that would be difficult to achieve organically (DePamphilis, 2021).

Economic Motives

The aim of economic theories is to generate value by enhancing operational performance and market positioning.

- Efficiency and synergies

The Efficiency Theory posits that M&A operations are executed to achieve net gains from synergies. Operational synergies play a central role and are one of the main reasons for mergers and acquisitions. Companies can optimize efficiency, cut costs and take advantage of economies of scale and scope through these combinations (Trautwein, 1990). Due to their critical importance in value creation, synergies will be examined in a dedicated chapter (see [Chapter 2.7](#)).

- Monopoly theory (Market power)

According to the Monopoly Theory, M&A are realized to achieve monopoly rents through increased market power. By acquiring competitors, companies can reduce supply, cross-subsidize products or deter new entrants (Trautwein, 1990). While this increases pricing power, empirical evidence indicates that operational synergies are often the main source of value creation rather than monopolistic advantages (Weston, Mitchell, and Mulherin, 2004).

- Strategic realignment

Strategic realignment enables companies to adapt to environmental changes, such as:

- Technological change: Acquiring new capabilities or proprietary knowledge to fill internal gaps.
- Regulatory change: Responding to deregulation or policy changes (DePamphilis, 2021).

Managerial Motives

According to these theories, personal management interests are often the driving force behind merger and acquisition decisions, rather than maximizing shareholder value.

- Inefficient Management

Inefficient management theory, also known as the corporate control market (Manne, 1965), asserts that mergers and acquisitions can be used to replace incompetent management in the target company, thus unlocking its full value potential.

- Managerial Discretion and Empire Building

Based on the Principal-Agent Theory (Eisenhardt, 1989), managers may pursue personal objectives divergent from those of shareholders. This is often referred to as “Empire Building”: managers resort to M&A to increase the company size purely to enhance their personal reputation, prestige and financial compensation rather than creating economic value (Trautwein, 1990; Rodermann, 1999).

- Hubris Hypothesis

The Hubris Hypothesis (Roll, 1986) constitutes a behavioural approach (Roll, 1986). It has been pointed out that managers overestimate their ability to evaluate goals, leading to excessive optimism. By paying a price that significantly exceeds the intrinsic value of the target, the winning bidder is subjected to the “*winner’s curse*”, which increases the risk of transactions failing.

Financial Motives

Mergers and acquisitions are explained through financial approaches based on financial objectives and market inefficiencies.

- Risk Diversification

Based on the Portfolio Theory (Markowitz, 1952), diversification allows companies to reduce the volatility of cash flows by holding assets that are not perfectly correlated. By diversifying products or markets, a company reduces dependence on a single industry (DePamphilis, 2021).

- Valuation Theory and Q-Ratio

The Valuation Theory assumes inefficient capital markets and asymmetric information. Ideally, managers have unique information that allows them to spot undervalued targets. This is often quantified using the Tobin’s Q-ratio, indicating that companies acquire targets whose market value is lower than the replacement cost of their assets (DePamphilis, 2021).

- Tax Considerations

Finally, the Tax and Balance Sheet Theory argues that M&A can be motivated by benefits such as offsetting taxable income with net operating losses from the target, or increasing the tax deductibility of financing costs (Hofmann, 2004; DePamphilis, 2021)

2.3 Ex-ante and ex-post M&A analysis

Before concluding any binding agreement, companies that engage in M&A must carry out a thorough ex ante analysis followed by an ex-post evaluation. First, these lenses allow investors and stakeholders to anticipate where the value will come from. Then, they serve to verify whether these benefits have actually materialized (Duso, Gugler, & Yurtoglu, 2010; DePamphilis, 2021).

Ex-Ante Analysis

The ex-ante phase involves a comprehensive evaluation of the strategic, operational and financial foundations. The main aim here is to see if a potential target truly aligns with the buyer's long-term goals. This stage is essential for confirming the anticipated synergies and justifying the fixed costs and integration risks (DePamphilis, 2021; Weston, Mitchell, and Mulherin, 2004).

Due diligence is an important aspect of analysis. To support the assessment and mitigate future risks, it is necessary to thoroughly investigate the operational and financial reality of the objective (Bruner, 2004).

For an acquisition to be successful, the strategic fit assessment is imperative. Managers must verify that the target company can effectively integrate with the buyer's existing structure and business model. As pointed out by scholars, only concrete synergies can economically justify the payment of an acquisition premium (DePamphilis, 2021; Weston et al., 2004).

As regards finances, the assessment consists of determining cash flows following the agreement, calculating integration costs and determining the right price in relation to the market value of the target. Analysts typically rely on tools such as discounted cash flow (DCF) models, comparable business analytics and transaction multiples to get the job done. They often support them with sensitivity and scenario analyses to see how much actual value creation might differ from what was expected (Gaughan, 2017; Bruner, 2004).

Risk analysis is crucial here, as it helps identify key factors such as regulatory changes, market fluctuations or cultural clashes. Addressing these challenges early allows buyers to craft stronger deals and develop effective contingency plans (Gaughan, 2017; DePamphilis, 2021).

Ex-Post Analysis

Once the agreement is concluded, the focus shifts to ex post analysis. The purpose of this phase is to determine if the anticipated benefits and synergies have actually been realized (Gaughan, 2017). It is essential to understand whether integration strategies have been effective and how to improve long-term performance.

One of the main objectives of this phase is post-merger integration (PMI), which assesses how well the two organizations align culturally and operationally (DePamphilis, 2021). Successful integration can have a significant impact on value creation, while poor integration risks losing potential synergies, leading to talent flight and strategic misalignment (Bruner, 2004).

From a financial perspective, ex post analysis assesses how much value has been created for shareholders. Common metrics include stock performance, cumulative abnormal returns (CAR) and total shareholder return (TSR) (Weston et al., 2004). Additionally, accounting measures such as return on assets (ROA), earnings per share (EPS) and operating margins are often used to monitor financial health over time (Gaughan, 2017).

Another important aspect is to achieve synergies. Companies often compare actual operating or financial results with pre-agreement forecasts to see if the transaction generated sustainable value.

2.4 Tangible and Intangible Value in Acquisitions

In order to evaluate M&A operations, it is necessary to make a precise distinction between tangible and intangible value factors.

It is crucial for companies operating in industries that rely on brand equity to comprehend this distinction. As demonstrated by recent empirical studies, the mechanism of wealth creation differs significantly depending on whether the transaction is driven by the reallocation of physical assets or the transfer of intangible capacity (Bhattacharya & Li, 2020).

Tangible Value: The Measurable Foundation

Tangible value is the value of physical and financial assets owned by the target entity, which can be easily quantified and verified through the financial statements. In the context of corporate acquisitions, these resources are typically categorized as follows:

- Operational and Physical Assets: In traditional mergers and acquisitions, value is generated primarily by optimizing physical resources, such as production facilities. This approach focuses on transferring capital-intensive assets from

less efficient firms to more productive entities to achieve operational gains (Bhattacharya & Li, 2020; DePamphilis, 2021).

- Financial Assets: This category encompasses the working capital, cash equivalents and liquidity reserves required to maintain operational continuity and fund ongoing activities post-transaction.

However, while tangible assets provide the structural basis of the firm, they rarely account for the full transaction value in modern markets. In high-value industries, tangible assets are often commoditized, whereas the differential competitive advantage resides elsewhere.

Intangible Value: Drivers of Strategic Advantage

In strategic mergers and acquisitions (M&A), prioritizing intangible value is essential for securing long-term competitive advantage. Bhattacharya and Li (2020) conceptualize this dynamic through the “*Intangible Asset Transfer Hypothesis*”. According to this framework, when a transaction involves a high concentration of non-physical assets, the strategic focus shifts from absorbing physical property to transferring investment opportunities and growth potential from the target firm to the acquirer. Within the luxury and premium segments, this intangible value is primarily driven by two core components:

- Brand Equity and Market Position: Brand reputation and customer loyalty represent the cornerstone of the target company’s market value. Unlike physical resources, brand equity is highly sensitive to corporate changes; safeguarding its worth requires a disciplined integration framework. Strategic misalignments during this phase can trigger rapid brand dilution and consumer attrition (Bruner, 2004).
- Intellectual Capital and Know-How: This category encompasses proprietary technologies, specialized design techniques and unique workforce skills. Academic literature indicates that acquirers are frequently motivated by the desire to access high-quality innovations and specialized knowledge that would be difficult or inefficient to replicate organically (Weston, Mitchell, & Mulherin, 2004; Bhattacharya & Li, 2020).

The Accounting and Strategic Implication of Goodwill

Goodwill comes into play when the purchase price exceeds the fair market value of the target’s identifiable net assets. From a strategic perspective, goodwill reflects how the buyer perceives the target’s intangible potential (Gaughan, 2017). In line with Bhattacharya and Li (2020), this award is not simply an accounting artefact; it represents the acquisition of future growth opportunities, such as brand equity and technological know-how, which are expected to materialize after the integration process.

2.5 The Central Role of Brand Equity in Luxury

In the luxury goods industry, the value of a firm is heavily influenced by brand equity, which represents both a key theoretical construct and a fundamental strategic asset. Aaker (1991) defines brand equity as the additional value a product or service gains by being associated with a well-known brand.

In premium markets, brand value goes beyond simple functional utility and emphasizes the symbolic value and ability of goods to represent consumer values and self-concept (Katz, 1960).

Thus, brand equity arises from a combination of several factors, such as customer loyalty, reduced price sensitivity and the ability to maintain a premium price in the future (Madden et al., 2006).

However, the drivers of this equity differ significantly across luxury segments.

Brand Equity in Traditional Luxury (Heritage-Driven)

For *Heritage-driven* luxury brands, brand equity is primarily driven by exclusivity, historical heritage and rarity. Value derives from centuries-old history, unmatched craftsmanship and the capacity to grant privileged and inaccessible status.

Tradition and excellence, here, are the foundations of Perceived Quality, which aims to enhance the consumer's self-concept through historical reliability (Swann, 1983).

Therefore, the sense of social distinction and prestige conferred by the brand is the primary factor that generates the affective attitude.

Brand Equity in New Luxury (Culturally-Driven)

In contrast, the contemporary landscape has seen the rise of the “*New Luxury*”, which characterizes brands that maintain high prestige and involve a wider audience (Truong et al., 2009). In this segment, brand equity is shaped by innovation, cultural relevance and community engagement. The importance of the emotional component increases. Affective attitude is based on intrinsic rewards associated with consumption, like pleasure and happiness (Bian and Forsythe, 2012). Even without traditional luxury's extreme exclusivity, the consumer is willing to accept the premium price because of this emotional emphasis. A strong narrative identity and a shared recognition code can strengthen brand loyalty by increasing consumers' brand awareness (Sproles and Kendall, 1986).

Brand Equity as a Driver of Value Creation in M&As

In luxury M&A operations, the target's brand value is rarely considered a secondary factor, but it is often the primary source of acquisition value.

Acquiring groups can enter new market segments or geographic areas quickly and with minimal risk by strategically integrating a high-brand equity brand (DePamphilis, 2021).

Despite the significant strategic benefits and speed up entry into new market segments, integrating luxury brands also presents challenges.

Management faces the delicate task of balancing scalability with exclusivity. Overexposure, discounting at outlets, or a lack of creative flair can really hurt the brand's symbolic and financial value (Okonkwo, 2007). To maintain the worth of luxury goods, it's essential for buyers to adhere to strict strategies that manage brand architecture, creative freedom and distribution channels (Okonkwo, 2007). Luxury brands that boast a strong brand value can command premium prices, which is vital for both profitability and overall value (Jedidi& Heil, 2020). Premium pricing has led experts to be cautious about its potential pitfalls. If prices are not managed correctly, this can seriously damage the brand image and diminish its prestige (Jedidi& Heil, 2020). To safeguard the value of the acquired entity, it is essential to keep tier one status and prioritize long-term equity capital, not just focus on short-term market share (Jedidi& Heil, 2020). In short, brand equity isn't simply a competitive advantage; it plays a critical role in creating value during mergers and acquisitions in the luxury market. By carefully protecting, utilizing, and managing the symbolic and emotional elements of the brand, companies can ensure that their acquisitions bring both strategic and financial benefits.

2.6 Cash Flows and Profit Margins as Value Indicators

Traditional accounting metrics alone are not enough to accurately assess value creation in mergers and acquisitions. The ability to generate actual liquidity is what determines a firm's value in financial theory. For valuation models, free cash flow (FCF) and operating margins (EBITDA) are the most trustworthy inputs due to their clearer economic reality than accounting earnings alone (Gaughan, 2017).

The Primacy of Free Cash Flow (FCF)

Free cash flow (FCF) is essentially the cash a company left behind after paying its operating expenses and necessary capital investments (CAPEX). FCF often plays a more important role than accounting profit in acquisitions because it shows investors how much liquidity they can access without jeopardizing the company's operations (DePamphilis, 2021).

Looking at it from an ex-ante perspective, the assessment focuses on additional cash flows. As Weston, Mitchell and Mulherin (2004) point out, the value of a target company is not just about past performance; it is also about the additional cash flow that

the merged company can create through synergies, tax benefits, and improved working capital management.

Profit Margins: Efficiency and Pricing Power

Profit margins, particularly the EBITDA margin, are key indicators when trying to understand a company's performance and its edge over its rivals. These margins are carefully examined during mergers and acquisitions to uncover two main sources of value:

- Operational efficiency: If the target company's margins are lower than those of the buyer, this often suggests that there is scope for restructuring. The buyer can add value by leveraging its superior management techniques to reduce the target's operating costs (Bruner, 2004).
- Pricing Power: In the luxury market, high margins are not only due to lower costs, but also to a strong brand presence. The ability to obtain high prices is linked to the intangible strength of the brand, which manifests itself in consistently high gross margins.

Implications for Intangible-Intensive Acquisitions

Managing these factors in the luxury sector requires a thoughtful approach. As Bhattacharya and Li (2020) point out, in sectors that rely heavily on intangible assets, value creation often depends on transfer "investment opportunities" rather than simply physical assets. From this perspective, capital is usually channelled into brand research, development and improvement. While these investments may reduce margins in the short term, they should not be seen as losses; instead, they are strategic moves aimed at ensuring future growth. A temporary decline in post-acquisition margins or free cash flows can be justified if it helps to transfer and expand valuable intangible capacity.

2.7 The Concept of Synergy

The etymology of the term "synergy" derives from the Greek *synergon*, translating to "working together". This concept, in the strategic management literature, was formalized by Ansoff (1965), who famously defined it as the "2+2=5 effect", describing a scenario where the combined return of a firm's resources exceeds the sum of its individual parts.

Nevertheless, a purely optimistic perspective on synergy is theoretically insufficient. The negative effects of integration must be taken into account when determining the real economic value of a transaction.

Therefore, the true value creation is defined by the Net Synergy equation:

$$\text{Net Synergies} = \text{Synergy} - \text{Dyssynergy}$$

Scholars group these effects into three main categories: Operational (Cost and Revenue), Financial and the negative counterpart, Dyssynergies (Hofmann, 2004; Karenfort, 2011).

Cost Synergies (Operational Efficiency)

Cost synergies refer to operational cost savings that occur when merging entities share value chain assets. Based on the framework proposed by Porter (1985) and Hofmann (2004), these can be categorized into three drivers:

- Economies of scale: These occur when an increase in production volume allows the combined company to distribute fixed costs (e.g., facilities, personnel) across a larger number of units. Porter underlines that this advantage is closely associated with capacity utilization: maximizing economies of scale occurs only when combined resources are used efficiently, avoiding the penalties of underutilization.
- Learning and experience curve: This effect suggests that labour costs per unit decrease as accumulated output increases. Regardless of the pure volume, the combined entity can benefit from sharing best practices and improving procedural knowledge through “*learning by doing*” (Yelle, 1979).
- Economies of Scope: Economies of scale focus on volume, while economies of scope focus on the variety of products a company offers. Economies of scope arise when a company can produce two or more products together at a lower cost than separately (Panzar & Willig, 1981). This concept is particularly important for intangible assets such as patents, brand expertise or design capabilities, which can be leveraged across different product lines without running out.

Revenue Synergies (Commercial Enhancement)

Revenue synergies arise due to connections in the value chain that enable joint activities to produce higher sales or prices than companies could achieve on their own. To classify the factors underlying these improvements, Hofmann (2004) distinguishes between:

- Differentiation and Pricing Power: Porter (1985) suggests that differentiation is the pursuit of uniqueness in dimensions that customers value, which enables a firm to charge a premium price. By sharing value chain activities, like marketing channels or research and development, in M&A, product quality or innovation (lateral differentiation) can be improved, leading to an increase in customer-perceived value.
- Cross-Selling: This involves exploiting the combined distribution network to sell one company's existing products to the other's customer base (Hofmann, 2004). By utilizing shared sales administration, this mechanism increases the contribution margin without causing a proportional increase in costs.

Although turnover synergies hold significant potential, their modelling in valuation exercises is highly dependent on external market reactions and competitive responses, which makes reliable modelling difficult.

Financial Synergies

Mergers and acquisitions have the potential to not only simplify operations but also create value by leveraging financial synergies, which ultimately affect a company's cost of capital. An important concept here is the “*debt coinsurance effect*” (Higgins & Schall, 1975). When the cash flows of the merging companies are not perfectly aligned, the risk of bankruptcy for the newly formed entity is actually lower than it would be for each company operating independently. This reduced risk profile leads to what is called “*coinsurance*”, allowing the merged company to take on more debt or borrow at lower interest rates, which in turn helps reduce the weighted average cost of capital (WACC) (Gaughan, 2017). Furthermore, larger companies often benefit from economies of scale, particularly when it comes to listing and transaction costs when raising capital.

Cost Dyssynergies (The Negative Impact)

Even though synergies can provide significant benefits, they can also lead to negative consequences known as dyssynergies after the merger. Hofmann (2004) identifies several types of dyssynergies crucial for risk assessment:

- Coordination-related dyssynergies: As organizations become more complex, the costs associated with managing shared activities tend to increase.
- Trade-off dyssynergies: When tasks are shared, one business unit may have to compromise its efficiency to adapt to another, leading to a suboptimal solution.
- Cultural dyssynergies: Often the most damaging, they occur when different organizational cultures collide, resulting in decreased employee motivation, resistance to change and potential loss of key talent (Hofstede, 1991).

Synergy and Acquisition Premiums (Net Acquisition Value)

Ultimately, the strategic rationale for synergies must translate into financial value to justify the transaction price. Gaughan (2017) defines this relationship through the concept of Net Acquisition Value (NAV):

$$NAV = V_{AB} - (V_A + V_B) - P - E$$

Where:

- V_{AB} is the combined value of the two firms.
- V_A and V_B are the standalone values.
- P is the Premium paid.
- E represents the Expenses of the acquisition process.

For an agreement to add value, it must have a synergistic effect [$V_{AB} - (V_A + V_B)$] that surpasses the sum of Premium and Expenses (P+E). Calculating the present value (PV) of future synergistic gains to justify the investment is essential, since premiums are paid ahead of time as synergies develop over time.

2.8 Valuation Methods and Cost of Capital

Valuation is one of the most complicated topics in financial theory, aimed at defining the value of the firm through the application of theoretical methodologies and principles. Determining the accurate and realistic value of companies in M&As has a major effect on the success, both during negotiations and in the post-acquisition phase (Rhodes et al, 2004).

The assessment is usually carried out by professionals such as investment banks, merchant banks, equity analysts, financial advisors, accountants and appraisers (Massari, Villani, & Zanetti, 2022).

Evaluation plays a crucial role in the analysis of acquisitions. Before submitting a bid, the acquiring company must determine a fair value for the target company, while the target company should also evaluate a reasonable value to decide whether to accept or reject the bid.

Analysts examine different value configurations during the valuation process, depending on the situation. For example, book value reflects the book figure based on historical costs, while market value is what is established in active securities markets, such as market capitalization. In difficult situations, Liquidation Value estimates the proceeds of a forced sale, usually at a discount to Break-up Value, which assumes a negotiated sale of separate business units. Finally, the most relevant concept for M&A is Fundamental (or Intrinsic) Value, a forward-looking metric based on expected future cash flows and their associated risk, serving as the benchmark for investment decisions.

In mergers and acquisitions there can be a significant difference between the value of a company and the price to pay for it (Aydin, 2017). This gap is largely explained by the expected synergies and the control premium, which the buyer is willing to pay in the expectation that the target's fundamental value after integration will be higher than the acquisition price.

The business evaluation process necessitates the use of different methodologies. These are chosen and sometimes combined depending on the company's characteristics, the environment in which it operates, the quantity and quality of accessible data, and, especially, the purposes for which the evaluation is performed. Since there is no single "superior" methodology, it is common to use a dual-level approach that combines the "main" method with a "control" method to ensure the robustness of the determined value (Pozzoli, 2013).

A primary subdivision of valuation methods distinguishes absolute valuation methods, based on business fundamentals (capital, income, financial results), from relative ones, in which value is estimated through comparison.

Absolute methods are also defined as “*direct methods*”, as they evaluate companies based on characteristics directly related to the firm itself.

Relative methods, in contrast, are referred to as “*indirect methods*”, since the economic value of the company is determined by comparing it with similar companies in the market using so-called *multiples* (Petitt & Ferris, 2013).

Absolute valuations, also referred to as “analytical” valuations, estimate quantities that can be flows, stocks or mixed metrics. In fact, in this context, there are basically three types of evaluation approaches (Massari & Zanetti, 2008):

- The income approach (Flow-based): This focuses on the abilities of the company to generate wealth and includes the Discounted Cash Flow (DCF) method and the income method;
- The Asset-based Approach (Stock-based): Often referred as the “patrimonial method” in European literature, this estimates value based on the adjusted value of a company’s assets and liabilities (simple or complex);
- The Excess Return Approach: This is based on the concept of economic profit, which includes the Economic Value Added (EVA) and the mixed method.

Relative valuations, also called “empirical” valuations, are based on the construction of market multiples. They are indicators that express the relationship between market prices and certain business economic variables (turnover, equity, operating margin, etc.) for a set of companies considered comparable.

The financial approach will be analyzed in depth in the following paragraphs, with a closer look at the Discounted Cash Flow (DCF) and market multiples methodologies.

Discounted Cash Flow (DCF) method

The Discounted Cash Flow (DCF) method is a fundamental valuation approach grounded in the principle of the time value of money (Raza, 2025).

It expresses the value of a business based on its ability to generate adequate levels of cash flow to meet investors’ expected returns.

The model is founded on the assumption that the value of the firm is equal to the sum of the discounted values of operating cash flows (Free Cash Flows, FCF), which are forecasted over the business plan horizon, plus the Terminal Value (TV), which captures the value of the business beyond the projection period.

Theoretical Framework

The cash flows are discounted at a chosen rate (r), which must incorporate the riskiness of the expected cash flows from the investment (Damodaran,2010).

The general valuation formula is expressed as follows:

$$EV = \sum_{t=1}^n \frac{FCF_t}{(1+r)^t} + \frac{TV_n}{(1+r)^n}$$

Where:

- EV = Enterprise Value
- FCF_t = Operating Cash Flows at time t
- r = Discount Rate
- TV_n = Terminal Value at time n

This approach has its foundation in the Present Value Rule, which states that the value of any asset is the present value of its expected future cash flows.

The formula of the present value is:

$$PV = \sum_{t=1}^n \frac{CF_t}{(1+r)^t}$$

Where:

- PV = present value
- n = life of the asset
- CF_t = Cash flow in period t
- r = discounting rate reflecting the riskiness of the estimated cash flows

The formula highlights that:

- Cash flows take different forms depending on the asset (dividends for stocks, coupons and face value for bonds, after-tax flows for real projects).
- The discount rate (r) must reflect the riskiness of those flows. Riskier assets require higher discount rates, while safer ones require lower rates.

In the context of M&A operations, the DCF is the most reliable method. It allows analysts to accurately evaluate the effect of synergies on future cash flow performance of the acquired company and to quantify the positive impact from the reduction in WACC post-integration.

The DCF is different from other approaches because it explicitly accounts for the financial structure and the benefits of optimized operational management, which are crucial drivers of value creation (Damodaran, 2012).

Theoretical Framework

The DCF methodology can be implemented through two alternative valuation paths: the Asset-side approach (focusing on Enterprise Value) and the Equity-side approach (focusing on Equity Value) (Massari & Zanetti, 2004).

To calculate the value of economic capital in the first case, the valuation focuses on the firm's operating capital. The basic elements are the Operating Monetary Flows (FCFO) and a discount rate representative of the average return expected by all corporate financiers (both debt and equity holders)

To clarify, economic capital is equal to the sum of the following components:

- the operating cash flows that the company will be able to generate in the future, discounted at a rate equal to the Weighted Average Cost of Capital (WACC);
- plus: the market value of any surplus assets (non-operating assets) not related to the core business.
- less: the company's Net Financial Position (NFP), expressed at market values existing at the valuation date.

In the equity side perspective, however, the value of the net equity is determined directly, by using the monetary flows pertaining to the shareholders (FCFE) and discounting them at a rate expressive of the remuneration expected by them (Figure 2.1).

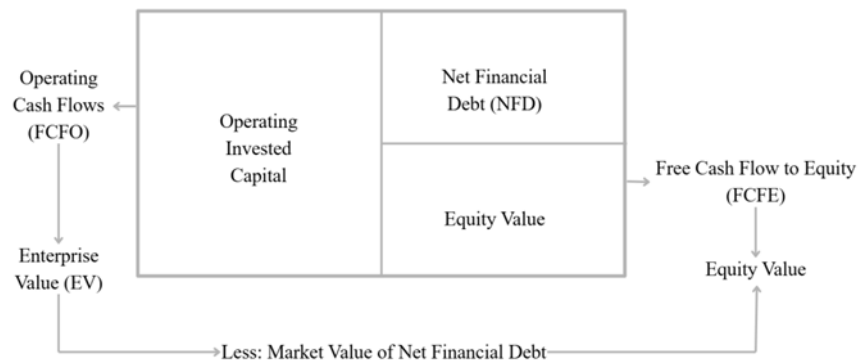


Figure 2.1: Author's own elaboration based on Massari and Zanetti (2004)

Asset Side approach

The Asset-Side approach is the methodological standard most commonly used in corporate valuation, particularly when dealing with mergers and acquisitions (Koller, Goedhart & Wessels, 2020). It focuses on the value generated by the operating activities of the company, regardless of the financial structure adopted to support them (Massari & Zanetti, 2004; Damodaran, 2012).

The valuation concentrates on enterprise value (EV), which represents the total value of a company's core operations that can be accessed by all capital providers, such as shareholders (shareholders) and creditors (debt holders).

The Asset Side approach is particularly useful in M&A operations because it allows analysts to identify and assess the effects of operational synergies (on cash flows) and financial synergies (on WACC), distinguishing them from purely capital structure-related impacts. In addition, it permits a consistent comparison of the company's value before and after an acquisition, making it the benchmark for assessing value creation processes.

This approach is beneficial because it separates investment and financing choices, in accordance with the Modigliani-Miller principle. The model begins by estimating the value generated by operating activities, and then understands how this value is allocated among the firm's financiers (Modigliani & Miller, 1958).

In the asset side approach, the enterprise value is calculated as the sum of future operating cash flows (free cash flow to the firm, FCFF) discounted to the WACC, plus the terminal value:

$$EV = \sum_{t=1}^n \frac{FCFF_t}{(1 + WACC)^t} + \frac{TV_n}{(1 + WACC)^n}$$

where:

- *FCFF* = *Free Cash Flow to the Firm*, that is, the cash flow available to all lenders.
- *WACC* = *Weighted Average Cost of Capital*, the operating discount rate.
- *TV* = *Terminal Value*, the expected value of management beyond the forecast horizon.

The Key Components of the Model

A. Free Cash Flow to the Firm (FCFF)

The FCFF represents the cash flow generated by operating activities after taxes, capital expenditure (CAPEX), and changes in working capital, but before payments to capital providers (interest and dividends). Therefore, it is the most suitable indicator for evaluating the company's capability to create value in the long term (Damodaran, 2012).

Its formula is:

$$FCFF = EBIT \times (1 - t) + D\&A - CAPEX \pm \Delta NWC$$

Where:

- $EBIT \times (1 - t)$ = Net operating income after tax (NOPAT).

Theoretical Framework

- *D&A* (Depreciation and Amortization)= non-monetary costs that reduce the taxable amount.
- *CAPEX*= investments in tangible and intangible fixed assets.
- *ΔNWC*= Change in net working capital operating.

When it comes to acquisitions, FCFF is the variable that captures all operational synergies, including:

- Revenue growth, through distribution integration or expanded geographic markets.
- Working capital optimization, thanks to more efficient coordination between logistics and inventory.
- Working capital optimization, achieved through more efficient coordination between logistics and inventory.
- CAPEX efficiency, optimization through shared investments.

In order to quantify post-acquisition value creation, it is crucial to measure these effects, as they represent the operational component of added value (Bower, 2001; Sirower, 1997).

B. The Discount Rate: WACC

The Asset Side approach of the DCF model uses the Weighted Average Cost of Capital (WACC) as the key discount rate. This rate aggregates the cost of the firm's various sources of financing, weighted by their respective contributions to the capital structure. It is important for the WACC to account for the risk involved in operating cash flows (FCFFs) (Damodaran, 1994)..

The formula is defined as follows:

$$WACC = K_e \times \frac{E}{V} + K_d \times (1 - t) \times \frac{D}{V}$$

Where:

- K_e (cost of equity)= represents what the company must offer to shareholders and incorporates a premium for stock risk. Typically, it is calculated using the Capital Asset Pricing Model (CAPM).
- $[K_d \times (1 - t)]$ (Net debt cost) = represents the cost of debt after the tax shield. K_d includes a premium to compensate insolvency risk (Damodaran, 2010).
- Weighting factors $\frac{E}{V}$ and $\frac{D}{V}$ = These represent the proportion of equity and debt in the capital structure, where $V = E + D$ is the Total Market Value of the firm. In accordance with valuation best practices, these weights should be based on market values rather than book values.

To measure value creation in post-acquisition analysis, the WACC is a crucial variable. The tool is the one that captures the financial synergies that could arise from integrating two companies. The consolidated entity could profit from improved capital access and lower perceived risk (as a result of greater size and diversification) after the acquisition. This results in a reduction in post-acquisition WACC (through a lower K_d or optimized capital structure), significantly contributing to the higher firm value (EV) in the integrated scenario.

C. Terminal Value (TV)

When using discounted cash flows (DCF) to value a business, the terminal value (TV) is essential. It reflects the company's potential to continue generating cash flows beyond the initial forecast period. Since a running firm can theoretically last indefinitely, this terminal value is critical to concluding the valuation model (Damodaran, 2012).

The most widely used and theoretically valid way to estimate it is through the perpetual growth model, also known as the Gordon growth model:

$$TV_n = \frac{FCF_{n+1}}{(r - g)}$$

In this formula, g represents the expected long-term growth rate. To keep things realistic and credible, g should never exceed the economy's nominal GDP growth rate, which helps avoid overly optimistic long-term growth projections.

Equity side approach

The equity side approach focuses directly on the value attributable to shareholders. This method relies on Cash Flows to Equity (CFE), which represent the residual cash flows available to shareholders (Franceschi L. F., Comi L., 2015).

These flows are known as “*levered cash flows*” because they are calculated after deducting net operating costs, debt repayment, financial charges and investments needed to ensure the company's growth (Franceschi LF, Comi L., 2015).

The Discount Rate: Cost of Equity (K_e)

The Equity Side approach requires determine the cost of equity, called K_e , which is the minimum rate of return required by shareholders. This rate is usually determined through the Capital Asset Pricing Model (CAPM).

The expected return of an asset can be calculated using the formula below:

$$K_e = R_f + \beta \times (R_m - R_f)$$

Where:

- R_f = risk-free rate;
- β = systematic risk (or Beta);

- R_m = average market return (or expected market return);
- $R_m - R_f$ = market risk premium.

Key assumptions such as the absence of transaction costs and non-public information form the basis of the CAPM (Franceschi LF, Comi L., 2015).

Estimation of the Risk Premium and the Beta Coefficient (β)

To invest in the market portfolio, investors typically require an additional return, and this is measured by the Risk Premium (Damodaran A., 2010).

The Beta Coefficient (β) is used to determine the company's systematic risk by analyzing how much its return fluctuates compared to the market return (Damodaran A., 2013). Assets that are riskier will have a beta greater than 1, while those that are less risky will have a beta less than 1.

Valuation and Methodological Consistency

The Equity Value is directly determined by discounting the Free Cash Flows to Equity (FCFE) and the Terminal Value using the Cost of Equity (K_e) (Damodaran A., 2013).

To avoid obtaining erroneous results that might skew the entire valuation process, it is necessary to analyze in detail the assumptions underpinning the estimation of the Terminal Value (Damodaran A., 2013).

It is important to emphasize, however, that the two analytical perspectives should lead to the same result in terms of estimating the economic value of the capital.

The formula provides the connection between operating value and equity value:

$$\text{Equity value} = \text{Enterprise value} - \text{Net financial position}$$

Relative Valuation: Market Multiples and Comparative Analysis

After the Discounted Cash Flow (DCF) model, the Market Multiples method represents the most widely used valuation methodology.

It is usually employed to complement valuations obtained from absolute approaches, despite several authors suggest using it as the primary method for business valuation (Damodaran, 2010; Damodaran, 2013; Massari & Zanetti, 2004; Pozzoli, 2013).

In relative valuation, the value of an asset is deduced from the pricing of comparable assets, standardized using a common variable such as earnings, cash flows, book value or revenues.

Theoretical Framework

This methodology consists of correlating the market price to economic, patrimonial, and financial metrics of a sample of comparable enterprises.

Once the multiples are determined and adjusted, where necessary, they are applied to the corresponding metrics of the target company to obtain its estimated value.

Two assumptions are the basis of the evaluation process conducted using the multiples approach (Massari & Zanetti, 2008):

1. Equality of expectations: Equality of expected growth rates of corporate cash flows and equality in the degree of risk;
2. Direct proportionality: A linear relationship between the value of the company and the economic variable chosen as a performance parameter.

There are at least two ways in which an analyst can come up with the appropriate multiple to use in valuing a firm (Damodaran, 1994):

1. Using fundamentals: This approach relates multiples to firm's fundamentals: growth rates in earnings and cash flows, payout ratios and risk. This approach to estimating multiples is equivalent to using discounted cash-flow models, requiring the same information and yielding the same results. Its primary advantage is that it shows the relationship between multiples and firm characteristics, allowing the analyst to explore how multiples change as these characteristics change.
2. Using comparables: This approach estimates multiples by looking at comparable firms. The key issue in this approach is the definition of "comparable firm". In theory, the analyst should control for all the variables that can influence the multiple. In practice, controlling for these variables can range from the naive (using industry averages) to the sophisticated (multivariate regression models where the relevant variables are identified and controlled for).

When considering the market context in which price formation takes place (and which therefore determines the multiple), market multiples can be categorised into the following types:

- Trading multiples (Stock market): These express the company's stand-alone based on market quotes of comparable listed companies.
- Transaction Multiples (Deal multiples): These refer to transaction prices from private negotiations involving the transfer of controlling stakes. The multiple is defined by the transaction price, which includes a control premium and is influenced by the buyer's characteristics and strategic value.

Another way to categorize multiples is as follows:

Theoretical Framework

- Financial multiples: These are linked to various economic, financial and capital factors.
- Business Multiples: These focus on the industry-specific operational aspects of the companies, linking the market value of a company's capital to industry-specific operating parameters.

To apply the market multiples method, it is crucial to establish the sample of comparable companies (Peer group) that share similar characteristics and operate within the same sector.

Subsequently, within the defined sample, it is necessary identify companies based on income margins, balance-sheet and financial ratios consistent with those of the target firm.

It is possible to differentiate between two types of multiples that are used in the evaluation process:

- Equity side multiples: computed using Equity Value;
- Asset sides multiples: computed using Enterprise Value.

Figure 2.2 shows a “market value” balance sheet, highlighting the main reference multiples that will be analyzed below (Massari & Zanetti, 2008).

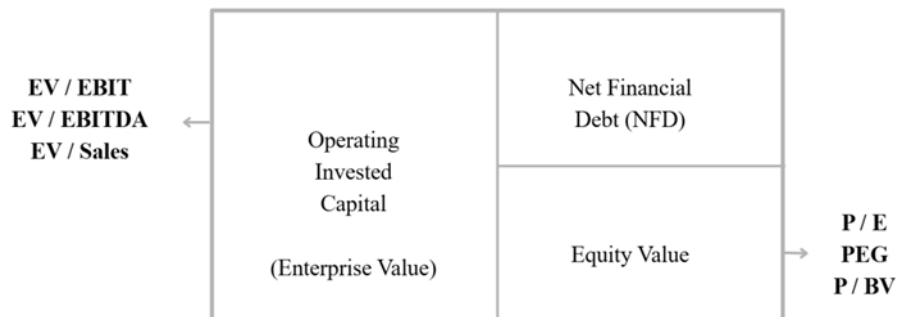


Figure 2.2: Author's own elaboration based on Massari and Zanetti (2008)

In the valuation process of a company, the most frequently used equity-side market multiples are:

- P/E (Price to Earnings ratio): This ratio is calculated as the market price per share divided by earnings per share (EPS). It expresses the share's attractiveness and indicates how many times the market is capitalizing the company's profits.
- PEG (Price Earnings/Growth ratio): It relates the multiple P/E to the expected growth rate of earnings per share (g). It is used to identify undervalued or overvalued securities.

Theoretical Framework

- P/BV (Price to Book Value): It is the ratio between the market value of equity and its book value, obtained by subtracting the net book value of liabilities from the net book value of assets. This measure reflects the expected return of investors relative to the accounting value of equity.

From an asset side perspective, the most relevant multiples are:

- $EV/EBIT$: This ratio compares business value to EBIT (earnings before interest and taxes). It reveals how well a company can generate a positive economic outcome from its core businesses prior to taxes. Since EBIT includes depreciation and amortization, this multiple can be influenced by the accounting methods chosen by a company.
- $EV/EBITDA$: This ratio links business value to EBITDA (earnings before interest, taxes, depreciation, and amortization). By excluding non-monetary expenses, it helps reduce the impact of different accounting practices, making it a benchmark for comparing companies with different levels of capital intensity.
- $EV/SALES$: This relates business value to the company's sales (or revenue). It is especially useful for companies that are in the midst of restructuring or those with negative profit margins, where traditional earnings-based multiples simply don't fit.

The objective of market multiples is to compare market prices of peer group to those of the target company by expressing them in multiples of a common economic variable.

Subsequently, those considered less significant that could have a negative impact on the evaluation are discarded.

The selected ratios are then averaged for every firms in the sample to obtain a summary value (sector multiple).

After calculating the multiples of the comparable companies and the corresponding sector averages, these values are applied to the relevant metrics of the target firm to obtain a valuation range. The final estimate of the company's value is then derived by using the following formulas, depending on the category of multiple employed:

For equity-side multiples:

$$\text{Equity value} = \text{Equity side multiple} \times \text{Identified metric of the company}$$

For asset-side multiples:

$$\text{Equity value} = (\text{Asset side multiple} \times \text{Identified metric of the company}) - NFP$$

Applicability of Multiples and Limitations

Multiples have the appeal of being simple and easy to relate to. They allow to obtain quickly estimates of value for firms and asset. They are particularly useful when there are a large number of comparable firms being traded on financial markets, and the market is, on average, pricing these firms correctly.

By the same token, they are also easy to misuse and manipulate, especially when comparable firms are used. Since no two firms are exactly similar in terms of risk and growth, the definition of comparable firm is a subjective one. Consequently, a biased analyst can choose a group of comparable firms to confirm his or her biases about a firm's value.

While this potential for bias exists with discounted cash-flow (DCF) valuation as well, the analyst in DCF valuation is forced to be much more explicit about the assumptions that determine the final value.

With multiples, these assumptions are often left unstated. The other problem with using multiples based upon comparable firms is that it builds in errors (overvaluation or undervaluation) that the market might be making in valuing these firms (Damodaran,1994).

CHAPTER 3 : Qualitative Analysis of the Moncler - Stone Island Case

3.1 Methodology and Qualitative Data Sources

This chapter provides a detailed qualitative examination of the Moncler-Stone Island integration. By adopting a longitudinal single-case study approach, the research explores the complexities of high-end corporate integration within its authentic strategic environment.

The main objective is to determine if the theoretical principles of synergies and acquisitions mentioned in [Chapter 2](#) are being successfully implemented in this specific merger.

The research is conducted using both qualitative and descriptive methods. This analysis examines the strategic and organizational choices made by the management team instead of solely focusing on financial numbers. The study focuses on comparing Stone Island's situation at the time of acquisition (December 2020) and its consolidated status at the end of 2024 over time. This four-year empirical window enables the observation of both the initial integration mechanics and the progressive materialization of operational and commercial synergies, acting as the structural bridge for the subsequent long-term financial projections.

To ensure that the analysis is accurate and objective, it relies on official secondary sources published by the Moncler Group. These documents provide verified data that comply with the transparency standards of publicly listed companies. This research relies on the following sources:

- Annual Reports (2020–2024): These documents provided data regarding distribution channels (DTC vs. Wholesale), capital expenditure (Capex) and the production structure.
- Corporate Presentations and Financial Results: Visual documents used to analyze the management's strategy, new store openings and the evolution of the brand's digital identity.
- Official Press Releases: Specifically, the announcement "*Beyond Fashion, Beyond Luxury*" (2020) was essential to understand the initial strategic reasons for the deal.
- Sustainability Reports: These were used to analyze the integration of environmental and social protocols (ESG) across the new unified supply chain.

The data was analyzed by mapping Stone Island's starting position as an independent company and comparing it to its transformation as part of a larger group. This method allows for the identification of the "synergy premium". By isolating key operational areas such as global supply chain access, digital marketing transformation, and R&D innovation, the analysis seeks to differentiate between the brand's organic growth and the value added by Moncler's superior business infrastructure.

3.2 Strategic Advantages of the Acquisition

Moncler's purchase of Stone Island is not only a financial deal, but also the essential execution of the "*Alternative Luxury Hub*" strategy. As theorized in [Chapter 2](#), value creation in luxury M&A depends on achieving synergies that enhance brand equity while optimizing commercial performance. The 2024 Annual Report shows that Stone Island's business model has been substantially transformed by Moncler's operational advantages, moving from wholesale dependency to becoming a direct-to-consumer sales leader.

Revenue Synergies: Driving the "Retailization" of a Cult Brand

The most significant revenue synergy realized to date is the decisive transition to a Direct-to-Consumer (DTC) model, a process that is internally designated as "Retailization". In 2020, the business environment of Stone Island was primarily centered around wholesale, which represented roughly 78% of total sales (Moncler SpA, 2020). This reliance has impeded the brand's capacity to control its pricing strategy and global image.

By applying Moncler's retail expertise, the Group has successfully internalized margins and reclaimed sovereignty over brand equity. The 2024 fiscal results confirm the efficacy of this commercial enhancement: Stone Island's DTC channel now represents 52% of total revenue (€208.9 million), marking the first time in the brand's history that direct sales have eclipsed wholesale (Moncler S.p.A., 2024). The change is not solely numerical; it is also a structural safeguard of brand exclusivity. Stone Island is now free from the volatility and discounts typical of third-party retailers (Moncler SpA, 2024) because the Group has successfully internalized these margins and directly managed customer relationships (Moncler SpA, 2024).

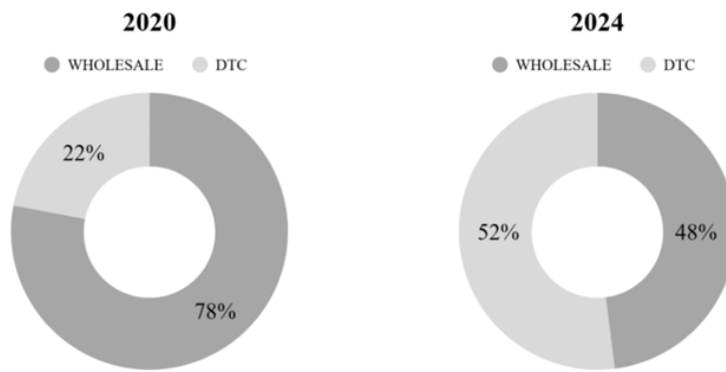


Figure 3.1: Revenues by channel (2020 vs 2024)

From a portfolio management standpoint, the acquisition addressed an inherent weakness in Moncler's business model: its heavy reliance on winter outerwear. Stone Island presents a collection that is "*seasonless*" or year-round, which helps to balance the overall product offering. With this strategic complementarity, the Group can sustain a consistent cash flow even in the spring and summer months. By doing so, a luxury business that traditionally focuses on the cold season can be less exposed to financial risks (Moncler S.p.A., 2022).

Financial Synergies: Global Rebalancing and Portfolio Complementarity

Beyond retail control, the acquisition has unlocked substantial financial and market access synergies. Moncler's entrenched leadership in the Asia-Pacific region served as a strategic springboard, allowing Stone Island to bypass the traditional barriers to entry in high-growth luxury markets. Even though the economy was unstable in 2024, Stone Island maintained a resilient trajectory in Japan and South Korea, demonstrating that Moncler's localized market intelligence was effectively transferred to its new subsidiary (Moncler S.p.A., 2024).

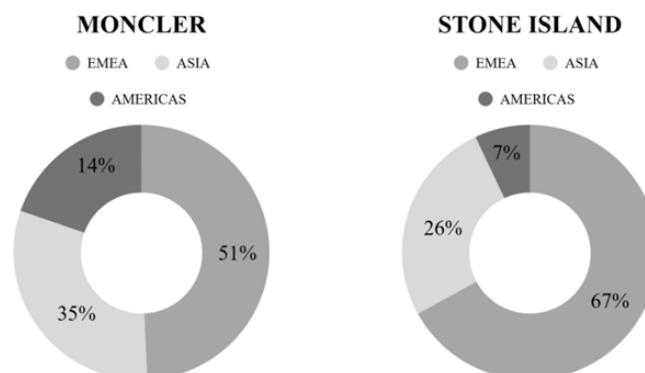


Figure 3.2: Revenues by geography 2024 comparison

From the viewpoint of portfolio management, the acquisition tackled the conventional financial synergy of risk reduction via diversification. Moncler's long-standing

dependence on winter outerwear has caused fluctuating cash flows over the year. In contrast, Stone Island's year-round technical collections present a strategic alternative. This synergy is predicted to produce more consistent revenue streams during the spring and summer months. In particular it will decrease the Group's vulnerability to weather-related financial risks and stabilize long-term investment cycles (Moncler SpA, 2022).

Managerial Synergies: The “Light-Touch” Governance Model

The realization of these synergies was made possible by a specific managerial framework adopted by Remo Ruffini. Moncler opted for a “*Light-Touch*” integration, a model designed to share the Group's industrial backbone - including IT, logistics and HR infrastructures - while strictly preserving the creative heart of Stone Island in Ravarino.

By making this decision, Stone Island was able to maintain its cult authenticity while transitioning into a global player. This choice was crucial in preventing brand dilution. August 2024 saw the integration of e-commerce as the final component of this organizational synergy. By integrating Stone Island into the Group's proprietary digital platform, Moncler has optimized operational efficiency and data ownership without interfering with the brand's distinctive product DNA (Moncler S.p.A., 2024). This balance between back-end integration and front-end independence remains the definitive characteristic of the Moncler-Stone Island synergy.

3.3 Supply Chain and Production: Operationalizing Cost Synergies

The collaboration between Moncler and Stone Island has developed from a basic administrative coordination to a sophisticated industrial framework. As discussed in [Chapter 2](#) concerning cost synergies, the main aim of this merger is to optimize manufacturing processes via a “*dual hub*” production strategy.

The strategy of the Group focuses on a distinctive hybrid: Moncler's logistical capabilities bolstering Stone Island's artisanal legacy. Located in the Ravarino “*Laboratorio*”, this heritage is safeguarded even as it expands. By collaborating, the Group is able to achieve a challenging task: aligning the substantial volume demands of a global leader with the specialized, high-tech innovation of a cult brand. This synergy successfully transforms back-end operational prowess into a distinct competitive advantage on the front-end.

Economies of Scale and Infrastructure Optimization

The effective utilization of operational synergies is evidently demonstrated by the Group's ability to achieve economies of scale through centralized capital allocation.

In 2024, the Moncler Group achieved total capital expenditure (Capex) of €186.7 million, of which €82.6 million was specifically allocated to infrastructure, which includes IT systems, production facilities and logistics (Moncler SpA, 2024).

Thanks to this strategic investment, Stone Island has been fully integrated into the Castel San Giovanni logistics hub. This facility serves as the central operational infrastructure for the Group's worldwide distribution network.

A fundamental milestone in terms of financial efficiency was achieved in August 2024 with the internalization of Stone Island's e-commerce. The Group was able to achieve measurable reductions in shipping unit costs and improve time-to-market by switching from third-party vendors, such as YNAP, to a unified proprietary platform. This operation exemplifies the process synergy described in the theoretical framework: by eliminating intermediary margins and centralizing logistics, the Group enhanced supply chain responsiveness to meet the replenishment needs of the DTC channel, which now accounts for 52% of total revenue (Moncler S.p.A., 2024).

In addition, the group's procurement strategy has been simplified to maximize bargaining power. Managing a network of 589 production suppliers, the Group implemented a concentration strategy where the top 40 partners manage over 50% of the total production value (Moncler S.p.A., 2024). This enables Stone Island to achieve better price-volume conditions and increase bargaining power for commodities, such as technical nylons, that had previously been achieved with lower individual bargaining leverage.

Knowledge Transfer and Industrial Integration

Beyond pure economies of scale, the acquisition activated significant knowledge-sharing synergies based on the qualitative transfer of manufacturing expertise. The 2024 Annual Report shows that the Group has a highly concentrated supply chain, with nearly 90% of its production suppliers located in the EMEA region. The most crucial hub in this area is Italy, which holds 71% of the group's total supplier base (Moncler SpA, 2024). This geographical proximity is essential to manage the high level of technical complexity inherent in Stone Island's clothing, as it allows real-time collaboration between design teams and production facilities.

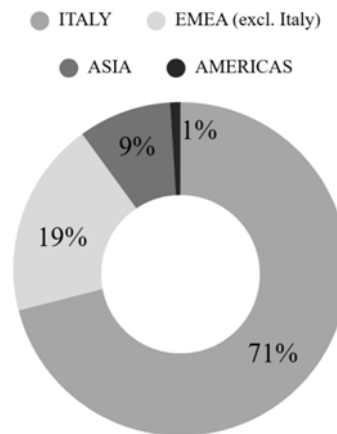


Figure 3.3: Suppliers by geographical area

The closeness between the two brands has led to a significant fusion of specialized skills. Stone Island has effectively gained access to Moncler’s network of “*smart factories*”, most notably the proprietary “*Moncler Industries Europe*” production site in Romania. This facility operates as a high-tech manufacturing hub, providing levels of automation and standardized quality control protocols that represent a significant upgrade for Stone Island’s production processes.

In exchange, Moncler has benefited from Stone Island’s unique expertise in garment dyeing. This proprietary technical asset, which includes a database of over 60,000 unique dyeing recipes, has been integrated into Moncler’s experimental collections, expanding the Group’s overall technical repertoire (Moncler S.p.A., 2022).

Ultimately, the integration fostered managerial synergy by aligning sustainability profiles. Stone Island has embraced Moncler’s stringent environmental and social audit standards, which are acknowledged as leaders in the Dow Jones Sustainability Indexes (DJSI). By 2024, a cohesive ESG protocol has been established throughout the supply chain, leading to significant environmental advantages, including a 15% decrease in CO2 emissions from logistics compared to the prior year. This enhancement was primarily facilitated by the optimization of transport routes between the Ravarino design center and the centralized hub in Castel San Giovanni, illustrating how operational integration effectively advances the Group’s overarching environmental goals (Moncler S.p.A., 2024).

3.4 Marketing and Distribution: Materializing Revenue Synergies

The external articulation of Stone Island’s market presence serves as the main vehicle for the revenue synergies theorized in [Chapter 2](#). In this integration stage, the focus is on the “*front-end*” of the company, specifically the delivery of a consistent brand

narrative across physical and digital touch points. For the Moncler group, distribution has become more than just a logistical necessity, but a sophisticated way of telling a story that translates Stone Island’s technical heritage into a luxurious experience.

Architectural Narrative and “Brand Cathedrals”

Stone Island’s physical presence growing signifies a significant effort to enhance brand equity, transcending geographic reach and fostering a direct conversation with the consumer. The Group’s retail network expansion is not just quantifiable, but is also a strategic tool to align the brand within the global luxury sector, as evidenced by the subsequent data:

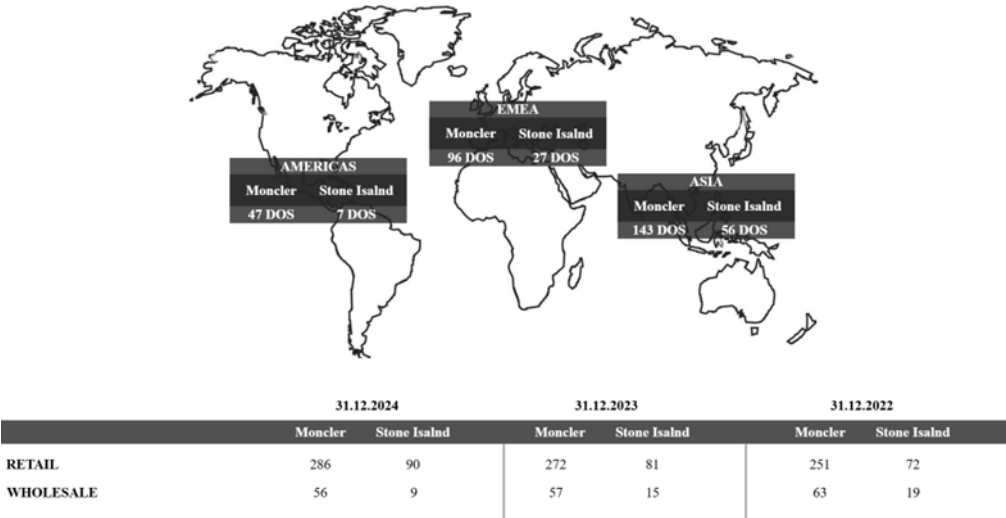


Figure 3.4: Global Presence Moncler and Stone Island (2024)

The Group has made it a priority to create “*brand cathedrals*”: flagship stores that function as immersive physical manifestations of the label’s industrial soul. These spaces are engineered to contrast with traditional luxury boutiques; by utilizing unconventional materials such as burnt cork, sand-blasted steel and industrial resins, the retail environment mirrors the aesthetic of a high-tech design laboratory.

This architectural strategy is a direct application of the positioning synergy established during the acquisition. The recent flagship openings in Tier-1 luxury hubs like London, Munich and Stockholm act as “*brand billboards*”, situating Stone Island alongside the world’s most exclusive heritage houses. By controlling the physical environment directly, the Group ensures that technical innovations are showcased to a global clientele that increasingly values technical legitimacy over traditional aesthetics. This direct-to-consumer (DTC) expansion is the cornerstone of the Group’s effort to internalize retail margins and achieve the commercial growth targets identified in the 2024 fiscal results.

Digital Strategy and the Mitigation of Seasonal Volatility

The Group's marketing strategy deliberately moves away from conventional advertising practices in the fashion industry, opting instead to exploit the established identity and recognition associated with brand iconography. This relationship is further strengthened by a meticulous limited-edition launch program and important strategic alliances, including the partnership with New Balance. Thanks to these efforts, the brand is able to connect with younger consumers while maintaining a fundamental emphasis on technical functionality.

In addition, digital channels are used strategically to achieve a synergy of income stabilization. As noted in the seasonless portfolio analysis, digital touch points are used to promote the "*Ghost*" and "*Marina*" collections during warmer months. By maintaining consumer demand throughout the year, the Group effectively mitigates sales fluctuations typically associated with the outerwear segment. This distribution framework, supported by the proprietary digital platform internalized in 2024, establishes the necessary commercial basis for technical developments and brand value protection that will be explored in the following chapters.

3.5 Innovation and Brand Equity: The Core of Technical Legitimacy

Innovation within the Moncler Group is not merely a functional department but it acts as the primary driver for high-end positioning and the fulfilment of intangible value drivers. For Stone Island, innovation is an integral part of its brand equity. The merger has allowed the Group to institutionalize this research-driven approach, transforming artisanal experimentation into a scalable industrial asset. This section explains how the integration of technical resources has optimized product development and how the Group strategically safeguards the distinctive identity that underpins Stone Island's market valuation.

Product development now operates within a structured framework that realizes the knowledge-sharing synergies established during the integration. Moncler's industrial engineering expertise and Stone Island's material research legacy have been merged to create a process that transforms experimental treatments into consistent and scalable production assets. This technical synergy ensures that complex garment finishes and textile treatments meet the stringent quality and durability standards required for global luxury distribution, thereby justifying the pricing power and high profit margins discussed in [Section 2.6](#).

Innovation at Stone Island is increasingly defined by next-generation textiles, such as sustainable synthetic fibers and high-tech membranes. Through this shift, the brand's functional heritage is connected to the Group's unified sustainability goals. Rather than

focusing on superficial design changes, the development process now prioritizes innovations that sharpen the “*Laboratory*” image of the label. This alignment is not just limited to updating the catalogue; it also establishes the brand’s value in technical credibility, making sure that engineering, not just fashion, remains the primary driver of consumer desire.

During the transition into a global luxury player, maintaining Stone Island’s cult status is a crucial priority for the Group’s management to prevent the dilution of brand equity. In alignment with the theoretical importance of intangible assets ([Chapter 2.4](#)), the Group employs a dual strategy: protecting physical intellectual property and preserving the brand’s symbolic “*aura*”. The Group has implemented stringent brand protection protocols to prevent counterfeiting, which is still a significant threat to the brand’s exclusivity. According to the 2024 Annual Report, this includes the use of digital authentication tools, such as RFID technology and the “*Certilogo*” system, allowing consumers to verify the authenticity of the “*Compass*” badge, the brand’s most recognizable and valuable intellectual asset (Moncler S.p.A., 2024).

In order to preserve the essence of Stone Island, the Group transcends mere legal patents, choosing instead to adopt a model of genuine “*creative independence*”. By intentionally maintaining the brand’s experimental engine in Ravarino, Moncler firmly ties the label to its foundational technical and subcultural origins. This approach of “*light-touch*” governance is a calculated decision: it ensures that the brand does not become integrated into Moncler’s own aesthetic, thus protecting its distinct market niche. By combining this “*insider*” credibility with the Group’s stringent ESG standards, Moncler achieves more than just asset protection: it reinforces the “*Alternative Luxury Hub*” as a robust environment for research-driven luxury.

3.6 Intangible Synergies and Strategic Benefits

The creation of intangible synergies is the final aspect of the Moncler-Stone Island integration, which represents the qualitative fulfilment of the strategic motives discussed in [Chapter 2](#). These benefits are not related to the quantifiable cost savings in the supply chain or the quantitative revenue growth in the retail industry, but rather to brand perception, market positioning and long-term competitive advantage. By combining two brands with unique but compatible identities, the Group has created an “*halo effect*” that boosts the overall brand value of the newly established “*Alternative Luxury Hub*” (Moncler S.p.A., 2020).

International Brand Recognition and the “Halo Effect”

The reciprocal increase in brand prestige is one of the most significant intangible synergies. The well-known reputation of Moncler as a global luxury icon has given Stone Island institutional credibility in markets where it was previously considered a niche technical brand. This synergy has greatly expedited Stone Island’s acceptance

among upscale department stores and luxury mall developers, especially in the Asia-Pacific region.

As stated in the 2024 Annual Report, the Group's prominent position in markets such as Japan and South Korea has played a crucial role in facilitating Stone Island's growth in these regions, despite a fluctuating global macroeconomic environment (Moncler SpA, 2024).

Stone Island's approach of innovation and subcultural authenticity introduced a new aspect to the Group's portfolio, which resonated with younger, more cutting-edge customers. This prestige merger means that the Group is seen not only as a conglomerate, but as a genuine, high-performance luxury "*curator*", thus enhancing its overall appeal to global investors and premium consumers (Moncler Group Corporate Presentation, 2024).

Customer Loyalty and Community Crossover

The convergence of two highly loyal and distinct customer bases is an essential strategic benefit of this acquisition. While Moncler's "*Genius*" strategy is already a model for community-driven luxury worldwide, Stone Island offers a distinct "*tribal*" loyalty that is centered around its technical badge and heritage. The synergy here lies in the Community Crossover: the Group has effectively utilized its unified "*Beyond Fashion, Beyond Luxury*" philosophy to invite Moncler's luxury-oriented clientele to explore the technical world of Stone Island, while introducing Stone Island's followers to the broader lifestyle offerings of the Group (Moncler S.p.A., 2024).

Through synchronized digital narratives and unique events, the independence of each brand is honoured while highlighting their common values of excellence, resulting in a collective sense of belonging. By nurturing this loyalty among both brands via centralized CRM systems and data ownership, the Group minimizes customer acquisition expenses and enhances the lifetime value (LTV) of its worldwide consumer base. An example of this is the successful internalization of the digital flagship in 2024 (Moncler S.p.A., 2024).

Positioning: The "Alternative Luxury Hub"

The most important intangible asset arising from this merger is the establishment of the "*Alternative Luxury Hub*". This is not merely an expansion; it represents a strategic move that enables the Moncler Group to deviate from the conventional route taken by multi-brand conglomerates. By combining high-fashion aesthetics with technical performance and streetwear culture, Stone Island and Moncler have created a novel market segment focused on experiential luxury (Moncler S.p.A., 2020). This distinctive convergence effectively reinterprets the definition of a luxury leader in today's world.

The Group's agility is aided by this positioning, which allows them to stay closer to the evolving cultural codes of younger generations, such as Gen Z and Millennials. As

noted in the Corporate Presentation 2024, this synergy provides both defensive and offensive capabilities. By one side, it protects the Group from the volatility of traditional fashion trends, on the other it provides a stable platform for growth in the “*luxury-performance*” segment, which continues to show structural resilience compared to the broader luxury market (Moncler Group Corporate Presentation, 2024).

3.7 Visual Synthesis of Strategic and Operational Evolution (2020 vs 2024)

This section provides a quantitative and qualitative summary of the integration process. The following table maps the specific synergies analyzed throughout [Chapter 3](#), illustrating the transition of Stone Island from an independent, wholesale-reliant entity to a centralized pillar of an “Alternative Luxury Hub”.

Synergy Category	Strategic Metric	2020(Baseline/ Acquisition)	2024(Integrated Status)	Primary Beneficiary
Revenue/ Commercial	DTC Share	22% of total revenue	52% of total revenue	Stone Island
Operational/ Cost	Logistics Model	Decentralized / Third-party outsourcing	Unified Hub (Castel S. Giovanni)	Stone Island
Process/ Digital	E-commerce Platform	Externalized management (YNAP)	100% Internalized (as of Aug 2024)	Group
Financial / Managerial	Infrastructure Capex	Limited (~EUR 10-15M estimated)	EUR 82.6 Million (Dedicated Group Infra)	Stone Island
Knowledge / Production	Manufacturing Footprint	Primarily Italian SME network	Integrated Group Network (e.g., Romania Hub)	Bidirectional (SI:Industrialization M: Dyeing know-how)
Financial/ Risk	Product Seasonality	Heavy reliance on Winter Outerwear	"Seasonless" / Year-round portfolio balance	Moncler
Managerial/ ESG	Sustainability Standards	Independent / Brand-level	Global Leader (DJSI World & Europe Index)	Stone Island
Intangible/ Brand	Authenticity Protection	Manual / Traditional	Digital (RFID & Certilogo Integration)	Stone Island

Table 3.1: Summary of Synergies

The table presented above demonstrates that the theoretical principles established in the initial phases of this research have been effectively implemented by integrating Moncler and Stone Island. Revenue synergies have been particularly noticeable during the significant move towards a DTC-led model, which has caused almost a triple increase in the brand's direct consumer engagement in the past four years. By making significant infrastructure investments, the brand has been able to achieve Operational and Cost Synergies, transforming it from a disjointed logistical framework to a cohesive, high-efficiency system.

Moving from a decentralized production model to a well-organized industrial platform focused on the EMEA, Stone Island's artisanal skills have been enhanced by Moncler's industrial capacity. Stone Island's cult status has been firmly established, and its brand value has been elevated. This positioned it as a strong global luxury entity capable of maintaining continuous growth throughout the year. This marks the end of the qualitative analysis, stating that the success of the acquisition is based on the Group's ability to harmonize back-end integration with front-end creative autonomy.

3.8 Analysis of Potential Risks: Managing Dyssynergies

The integration of Stone Island into the Moncler Group was an intricate process that involved several strategic risks. While synergies represent the positive goals of an acquisition, dyssynergies are the negative effects that can reduce the value of the operation. The theoretical framework (Hofmann, 2004) explains that every merger increases organizational complexity and can result in inefficiencies. Moncler's management put their efforts into preventing these issues by focusing on three main areas.

When a company becomes part of a larger group, management costs usually increase due to the additional levels of bureaucracy involved. To avoid this "*complexity risk*", Moncler chose to integrate only the back-end functions, such as logistics and IT systems. By keeping the creative and design departments of Stone Island separate, the Group ensured that the brand remained fast and flexible. By using this strategy, Stone Island was able to utilize Moncler's industrial strength without being hindered by the administrative rules of a large organization.

In luxury acquisitions, it is common to have one brand follow the operational rules of another. If Moncler had forced Stone Island to follow its winter-focused seasonal calendar, it would have created a "*trade-off dyssynergy*". Stone Island's value is based on its "*seasonless*" approach and continuous technical research. Instead of imposing an alignment, Moncler respected Stone Island's unique production cycle. By making this decision, the brand was not forced to change its identity to conform to the Group's general schedule.

Hofstede's model (1991) suggests that the main cause of acquisition failure is often a clash between different corporate cultures. The risk that occurred in this situation was due to the contrast between Moncler's focus on global luxury and Stone Island's technical, "*laboratory*" culture. To prevent a conflict, Moncler adopted a "*Light-Touch*" governance model. By keeping Stone Island's original management team and the headquarters in Ravarino, the Group protected the brand's identity. This approach turned a potential cultural problem into a successful collaboration, preserving the human talent that makes the brand unique.

3.9 The Success of the "Alternative Luxury Hub" Model

Based on the qualitative analysis performed in this chapter, it is clear that the Moncler Group's purchase of Stone Island represents a successful blueprint for modern luxury M&A operations. Upon studying the transition period between 2020 and 2024, it becomes clear that the Group not only underwent financial consolidation but also underwent a significant strategic transformation. The balance between industrial integration and creative independence is the key to the success of this operation.

The success of operational and revenue synergies has led Stone Island to become a retail-driven global player, with the Direct-to-Consumer channel now being the primary driving force for growth. By using a "*Light-Touch*" governance model, the Group has been able to protect the brand's technical legitimacy and cult status while also avoiding the common pitfalls of brand dilution.

To conclude, the Moncler-Stone Island case demonstrates that expanding artisanal quality requires a top-tier industrial framework to create value in the luxury industry. By establishing this "*Alternative Luxury Hub*", the Group can gain a distinct competitive edge by having a portfolio that is varied, timeless and culturally relevant, which will help it manage the fluctuations of the global market. This integration demonstrates that technical heritage and managerial skill can unite to reshape the limits of modern luxury.

CHAPTER 4 : Financial Analysis and Valuation of the Acquisition

The objective of this chapter is to assess whether the strategic rationale underlying Moncler's acquisition of Stone Island translated into measurable economic value. While the previous chapter examined the transaction from a qualitative and strategic perspective, the present analysis adopts a quantitative valuation framework to estimate the economic impact of the acquisition and the value potentially generated through post-acquisition integration.

The analysis is based on an Unlevered Discounted Cash Flow (DCF) methodology. Consistent with established corporate finance practice, the valuation is performed from an asset-side perspective, focusing on the operating cash flows generated by the business independently of its financing structure. This approach allows the analysis to isolate the economic performance of Stone Island while avoiding distortions arising from leverage, capital structure decisions or changes in financing policy.

To evaluate the economic implications of the acquisition, two alternative scenarios are developed:

- Standalone Scenario: This scenario represents the counterfactual trajectory that Stone Island could reasonably have followed as an independent company without the support of Moncler's corporate platform. The valuation is based on the operating and financial characteristics observed prior to the transaction and serves as the benchmark against which potential synergy creation is assessed.
- Synergistic Scenario: This scenario reflects a post-acquisition operating trajectory informed by observed integration outcomes and forward-looking assumptions regarding the continuation of Moncler's strategic initiatives. It incorporates the expected benefits associated with Moncler's ownership, including the expansion of the direct-to-consumer distribution model, international retail development, operational efficiencies and working capital optimization.

The valuation framework is structured around four chronological phases:

- Historical Baseline Period (2018-2020): Used to establish Stone Island's pre-acquisition operating profile and standalone financial characteristics.
- Integration Observation Period (2021-2024): Used to document the operational evolution of the business following the acquisition and to provide empirical evidence regarding the implementation of the integration strategy.

Financial Analysis and Valuation of the Acquisition

- Explicit Forecast Period (2025-2029): During which future operating performance and cash flow generation are projected under both valuation scenarios.
- Terminal Period (2030 onwards): Representing the continuing value of the business once it reaches a stable long-term operating configuration.

Importantly, the years 2021-2024 are not treated as an independent valuation period. Rather, they serve as an empirical bridge between the acquisition date and the explicit forecast horizon. The purpose of this bridge is to assess whether the strategic initiatives implemented by Moncler produced observable changes in Stone Island's operating profile before projecting future performance. While this period provides observable post-acquisition data, it is explicitly not used as a direct input to terminal value calibration to avoid hindsight-driven bias in the valuation framework.

To ensure full comparability between the standalone and synergistic scenarios, both valuations are anchored to the same valuation date (December 31, 2020) and employ a common discounting framework. Cash flows are discounted using an end-of-year convention, consistent with the annual discretization of projected financial statements. Consequently, differences in estimated enterprise value arise primarily from variations in projected operating performance, as discount rate assumptions are held constant across scenarios to ensure analytical comparability.

An 8.0% WACC is employed. Within the Capital Asset Pricing Model (CAPM) framework, the parameters are anchored strictly to December 2020:

- Risk-free Rate ($R_f = 0.60\%$): The annualized yield on 10-year Italian government bonds (BTP) as of December 2020, capturing the low-interest-rate environment of the period (Banca d'Italia, 2020).
- Levered Beta ($\beta_L = 1.05$): Estimated through a bottom-up peer-group approach, reflecting a normalized wholesale-heavy apparel risk profile.
- Equity Risk Premium ($ERP = 6.5\%$): Institutional market risk premium for European equities (Damodaran, 2020).
- Size and Liquidity Premium ($\alpha = 2.85\%$): An additional risk premium derived from the Kroll (formerly Duff & Phelps) Cost of Capital Navigator and incorporated to reflect the higher risk profile typically associated with smaller companies relative to large, listed firms. The adjustment captures factors such as limited scale, lower diversification and reduced marketability that are not fully reflected in the standard CAPM framework.

$$K_e = 0.60\% + (1.05 \times 6.5\%) + 2.85\% = 10.275\%$$

The financing component assumes a long-term normalized target capital structure of 70% Equity and 30% Debt. This target structure reflects sector-specific corporate finance benchmarks for premium apparel firms, isolating the cash flow model from

temporary or spot balance sheet debt spikes at the exact transaction date. The pre-tax cost of debt is estimated at 2.50%, corresponding to an after-tax cost of debt of 1.80% after applying the 27.9% standalone statutory corporate tax rate (IRES + IRAP). The resulting mathematical WACC of 7.72% is conservatively rounded upward to 8.0% for standalone modelling purposes.

$$K_d^{after-tax} = 2.50\% \times (1 - 27.9\%) = 1.80\%$$

$$WACC_{2020} = (10.275\% \times 70\%) + (1.80\% \times 30\%) = 7.73\% \cong 8\%$$

A constant WACC is applied across the forecast horizon to ensure internal consistency, in line with standard valuation practice in corporate finance literature, while acknowledging that this represents a simplifying assumption.

The final enterprise values are obtained by discounting projected unlevered free cash flows and terminal values to the valuation date. The difference between the standalone valuation and the synergistic valuation provides an estimate of the potential economic value attributable to the strategic benefits of the acquisition, subject to the realization of the assumptions embedded in the forecast scenarios.

The valuation framework inherently reflects the long-term value creation characteristics of the luxury sector, where a significant portion of enterprise value is concentrated in terminal value due to the persistence of brand equity, pricing power and low obsolescence of intangible assets.

4.1 Phase 1: Historical Performance and Financial Reclassification (2018-2020)

The standalone analysis is based on the audited financial statements of Sportswear Company S.p.A., the legal entity controlling the Stone Island brand, for the three fiscal years ended 31 October 2020. This period captures the company's pre-acquisition operating profile under a predominantly wholesale-oriented business model. For valuation purposes, the statutory accounts have been reclassified using a standardized analytical format consistent with unlevered valuation practice and adjusted to ensure consistent treatment of lease-related items under IFRS 16, thereby improving comparability across the historical series.

Financial Analysis and Valuation of the Acquisition

Financial Metric (€ millions)	2018	2019	2020
Total Revenues (Net Sales)	190.76 ^a	236.92 ^c	238.87 ^e
Year-over-Year Growth (%)	—	+24.2% ^d	+0.82% ^f
Operating Costs net of other income	(133.94) ^b	(164.01) ^d	(164.03) ^f
EBITDA	56.82 ^a	72.91 ^c	74.84 ^e
EBITDA Margin (%)	29.8% ^b	30.8% ^d	31.3% ^f
Depreciation & Amortization	(3.75) ^a	(4.51) ^c	(12.28) ^e
EBIT (reported)	53.02 ^a	66.72 ^c	54.26 ^e
EBIT Margin (%)	27.8% ^b	28.2% ^d	22.7% ^f

Table 4.1: Reclassified Historical Income Statement (2018–2020)

Note: The income statement has been reclassified according to a value-added approach. EBITDA and EBIT are reported figures, while depreciation and amortisation include only non-cash charges related to tangible and intangible assets.

Sources:

- (a): Sportswear Company S.p.A. Annual Report as at 31/10/2018
- (b): Author's calculation based on Sportswear Company S.p.A. Annual Report (2018)
- (c): Sportswear Company S.p.A. Annual Report as at 31/10/2019
- (d): Author's calculation based on Sportswear Company S.p.A. Annual Report (2019)
- (e): Sportswear Company S.p.A. Annual Report as at 31/10/2020
- (f): Author's calculation based on Sportswear Company S.p.A. Annual Report (2020)

The reclassified historical data indicate resilient operating performance over the 2018-2020 period. Despite the macroeconomic disruption associated with the COVID-19 pandemic in 2020, Stone Island maintained broadly stable revenues (+0.82% year-on-year) and increased its EBITDA margin to 31.3%. By contrast, the reported EBIT margin declined from 28.2% in 2019 to 22.7% in 2020. The decline in EBIT margin in 2020 is primarily attributable to higher depreciation and amortisation charges associated with lease accounting under IFRS 16, as well as the impact of operating cost pressures linked to the COVID-19 disruption. While EBITDA remains broadly stable, EBIT is mechanically affected by the capitalisation of lease-related expenses, which increases non-cash charges without materially altering underlying operating cash generation. As a result, the three-year average EBITDA margin of approximately 30.6% provides a reasonable baseline reference for historical operating profitability in the standalone valuation framework.

4.2 Phase 2: Standalone DCF Projections and Independent Valuation (2020)

The standalone valuation is designed to estimate the intrinsic value that Stone Island could reasonably have achieved as an independent company absent the strategic, commercial and operational support provided by Moncler following the acquisition. The resulting valuation serves as the counterfactual benchmark against which the potential economic benefits of the transaction are assessed.

Consistent with the valuation framework, the analysis is anchored to December 2020, corresponding to the acquisition date. Future operating performance is projected over an explicit five-year forecast horizon (2025-2029), while the years 2021-2024 are treated as an observation period used to inform the selection of forecast assumptions rather than as a separate valuation stage.

The standalone scenario assumes that Stone Island continues to operate under a predominantly wholesale-oriented distribution model, without access to Moncler's retail platform, international logistics infrastructure, procurement scale or organizational capabilities. Consequently, growth expectations, profitability assumptions and reinvestment requirements are calibrated to reflect the continuation of the company's historical operating profile.

Model Assumptions

Driver	Assumption (Standalone)	Rationale / Methodological Underpinning
Revenue Growth	5.5% → 4.0% (Step-down)	Reflects expected organic growth for a mature premium luxury brand operating primarily through wholesale channels; assumes intrinsic wholesale channel saturation.
EBITDA Margin	30.6% (Fixed)	Conservatively assumes no structural margin expansion beyond the historical average observed during 2018–2020.
CapEx/ Sales	3.0% (Fixed)	Reinvestment rate required to continuously refresh wholesale showrooms and digital infrastructure.
D&A/ Sales	3.0% (Fixed)	Steady-state assumption: depreciation converges to maintenance CapEx, implying no incremental operating leverage from capital intensity.
NWC/ Sales	29.4% (Fixed)	Historical baseline (2018–2020) reflecting the structurally higher trade receivables and inventory cycles of third-party distribution.
Tax Rate (t)	27.9% (Fixed)	Standard Italian corporate taxation framework, combining statutory IRES (24.0%) and normalized IRAP (3.9%).

Table 4.2: Unlevered Free cash Flow (UFCF) Model Assumptions

A gradual step-down growth profile is applied, declining from 5.5% in 2025 to 4.0% by 2028 and remaining stable thereafter. This approach reflects the expectation that growth opportunities progressively moderate as the business matures within the constraints of a predominantly wholesale distribution model.

Capital expenditures are maintained at 3.0% of revenues, consistent with the historical asset intensity of the business. The assumption that depreciation and amortization equal capital expenditures (both at 3.0% of revenues) reflects a steady-state reinvestment structure in which capital outlays are sufficient to maintain the existing asset base without generating additional operating leverage. This is a common simplification in long-term valuation models when detailed asset roll-forward schedules are unavailable.

Net working capital investments are estimated using the historical relationship between working capital and revenue growth observed during the pre-acquisition period.

Historical Driver Calibration

Note: The following tables provide the empirical evidence for the chosen drivers and the resulting numerical projections.

Item (€ millions)	2018	2019	2020	Average (Baseline)
Net Sales	190.76 ^a	236.92 ^c	238.87 ^e	222.18 ^g
EBITDA Margin (%)	29.8% ^b	30.8% ^d	31.3% ^f	30.6% ^g
CapEx / Sales (%)	3.6% ^b	3.1% ^d	2.4% ^f	3.0% ^g
NWC / Sales (%)	29.3% ^b	28.2% ^d	30.8% ^f	29.4% ^g

Table 4.3: Historical Driver Derivation (2018-2020)

Note: Proves that parameters are rooted in actual past performance.

Sources:

- (a): Sportswear Company S.p.A. Annual Report as at 31/10/2018
 - (b): Author's calculation based on Sportswear Company S.p.A. Annual Report (2018)
 - (c): Sportswear Company S.p.A. Annual Report as at 31/10/2019
 - (d): Author's calculation based on Sportswear Company S.p.A. Annual Report (2019)
 - (e): Sportswear Company S.p.A. Annual Report as at 31/10/2020
 - (f): Author's calculation based on Sportswear Company S.p.A. Annual Report (2020)
 - (g): Author's calculation based on Sportswear Company S.p.A. financial statements (2018-2023).
-

The working capital assumption is applied consistently across both the level and incremental changes in order to preserve internal coherence between historical calibration and forecast dynamics.

Forecast Assumptions

Driver	2025	2026	2027	2028	2029
Sales Growth (%)	5.5%	5.0%	4.5%	4.0%	4.0%
EBITDA Margin (%)	30.6%	30.6%	30.6%	30.6%	30.6%
CapEx / Sales (%)	3.0%	3.0%	3.0%	3.0%	3.0%
D&A / Sales (%)	3.0%	3.0%	3.0%	3.0%	3.0%
NWC / Sales (%)	29.4%	29.4%	29.4%	29.4%	29.4%
Tax Rate (IRES+IRAP)	27.9%	27.9%	27.9%	27.9%	27.9%

Table 4.4: Standalone Model Assumptions (2025-2029)

Source: Author's elaboration based on the methodology and estimates described in [Section 4.2](#).

The assumption of a stable EBITDA margin reflects a conservative steady-state scenario in which no additional operating leverage, pricing expansion or structural cost efficiencies are assumed in the standalone case. This prevents the introduction of optimistic bias in the counterfactual valuation framework.

Revenue Bridge: 2020 to 2025

Since Stone Island ceased to publish standalone financial statements following the acquisition, revenues for the 2021-2024 observation period are reconstructed using historical pre-acquisition growth patterns. Growth assumptions are based on Stone Island's historical growth profile observed prior to the acquisition and are intended to represent a conservative continuation of pre-acquisition performance. Consequently, the standalone scenario should be interpreted as a counterfactual benchmark rather than a prediction of actual post-acquisition performance.

To derive the 2025 revenue base, the 2020 revenues of €238.87 million are projected forward through the 2021-2024 observation period using the standalone growth assumptions. The revenue bridge calculation is as follows:

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Year	Growth Rate	Revenue (€M)
2020 (Base)	—	238.87
2021	5.5%	252.01
2022	5.5%	265.87
2023	5.5%	280.49
2024	5.5%	295.92
2025E (Forecast Start)	5.5%	312.19

Table 4.5: Revenue bridge calculation

Note: Growth rates for the 2021–2024 observation period are held constant at 5.5%, representing a conservative continuation of Stone Island’s historical pre-acquisition growth profile prior to the explicit forecast step-down.

Unlevered Free Cash Flow Projections

Item (€M)	2025E	2026E	2027E	2028E	2029E
Revenues	312.20	327.81	342.56	356.26	370.51
EBITDA (30.6%)	95.53	100.31	104.82	109.01	113.38
D&A (3.0% sales)	(9.37)	(9.83)	(10.28)	(10.69)	(11.12)
EBIT	86.17	90.47	94.55	98.33	102.26
Taxes (27.9%)	(24.04)	(25.24)	(26.38)	(27.43)	(28.53)
NOPAT	62.13	65.23	68.17	70.89	73.73
(+) D&A	9.37	9.83	10.28	10.69	11.12
(-) CapEx (3.0% Sales)	(9.37)	(9.83)	(10.28)	(10.69)	(11.12)
Δ NWC (29.4% of Δ sales)	(4.78)	(4.59)	(4.34)	(4.03)	(4.19)
Unlevered Free Cash Flow	57.34	60.64	63.83	66.87	69.54

Table 4.6: Standalone Unlevered Free Cash Flow Projections (2025-2029)

Note: ΔNWC calculated as $29.4\% \times (\text{Revenue}_t - \text{Revenue}_{t-1})$. For 2025: $\Delta\text{NWC} = 29.4\% \times (312.19 - 295.92) = 4.78$.

Source: Author’s elaboration based on the methodology and estimates described in [Section 4.2](#).

Terminal Value Calculation

To extrapolate the continuing value beyond the explicit horizon, the terminal cash flow is capitalized using the Gordon Growth Model under a perpetual growth rate (g) of 2.0%, in alignment with the long-term price stability targets of the European Central Bank:

$$TV = \frac{UFCF_{2029} \times (1 + g)}{WACC - g} = \frac{69.54 \times (1 + 0.02)}{0.08 - 0.02} = €1,182.18M$$

Enterprise Value Derivation

Discounting the explicit cash flows and the Terminal Value back to the December 2020 anchor date via the standalone 8.0% discount rate yields the core baseline metrics:

Forecast Year	UFCF	Discount Year (n)	Present Value (PV)
2025E	57.33	5	39.02
2026E	60.65	6	38.21
2027E	63.83	7	37.24
2028E	66.87	8	36.13
2029E	69.54	9	34.79
Sum of Explicit PV			185.40
Terminal Value PV	1,182.18	9	591.38
ENTERPRISE VALUE (EV_{standalone})	776.78		

Table 4.7: Standalone Enterprise Value (€ million)

Source: Author's elaboration based on the methodology and estimates described in [Section 4.2](#). The discount year convention reflects valuation as of December 31, 2020 (year 0), with cash flows assumed to occur at year-end.

The discounted Terminal Value represents 76.1% of total Enterprise Value, indicating a high degree of terminal dependency typical of long-horizon DCF models. This structural characteristic increases model sensitivity to small variations in perpetual growth and discount rate assumptions, which is explicitly addressed through sensitivity analysis in [Chapter 5](#).

The Standalone Equity Bridge

To translate the core operational enterprise value into net shareholder equity value, the baseline EV is adjusted via an Equity Bridge utilizing Stone Island's audited consolidated Net Financial Position (NFP) as of October 31, 2020:

- Gross Financial Debt (€59.40 million): Comprising current bank borrowing (€31.69 million) and non-current institutional loans (€27.71 million) used to fund historical wholesale working capital cycles.
- IFRS 16 Lease Liabilities (€68.10 million): Capitalized right-of-use commercial real estate commitments recognized as financial debt to preserve accounting symmetry with the operating metrics.
- Cash and Cash Equivalents (€78.70 million): Liquid, non-operating corporate bank deposits.

$$NFP = (Gross\ Financial\ Debt + IFRS\ 16\ Liabilities) - Cash\ \&\ Equivalents$$

$$NFP = (59.4 + 68.1) - 78.7 = €48.8\ M$$

$$EquityValue_{stand\ alone} = EnterpriseValue(EV) - NFP$$

$$EquityValue_{stand\ alone} = 776.78 - 48.8 = €\ 727.98\ M$$

Contrasting this standalone baseline against the contractually closed transaction price of €1,150.00 million (representing the transactional Equity Value paid for 100% of the share capital) isolates an absolute Acquisition Premium of €422.02 million, reflecting a +57.97% control premium expansion:

$$Acquisition\ premium = 1,150.00 - 727.98 = €422.02M$$

$$AcquisitionPremium\ \% = \frac{1,150.00 - 727.98}{727.98} = 57.97\ \%$$

From a valuation perspective, this premium reflects the market value attributed to expected strategic benefits, control rights, future growth opportunities and potential operating synergies anticipated at the time of the transaction.

Derivation of the Implied Transaction Enterprise Value

To ensure consistency with the subsequent enterprise-value-based analyses, the transaction consideration is converted from an equity value measure into an implied enterprise value measure by adding the target's net financial position:

$$EV_{paid} = Contractual\ Equity\ Value + NFP$$

$$EV_{paid} = 1,150.00 + 48.80 = €1,198.80M$$

The resulting implied transaction Enterprise Value amounts to €1,198.80 million. This figure represents the effective asset-side valuation implicitly paid by Moncler for the acquisition of Stone Island and serves as the primary benchmark against which both the synergistic DCF valuation and the relative valuation methodologies are compared in the following sections.

4.3 Phase 3: The Post-Acquisition Operational Bridge (2021–2024)

To connect the acquisition date with the explicit forecast period, it is necessary to examine the operational evolution of Stone Island during the integration phase (2021–2024). This period provides empirical evidence regarding the extent to which the strategic initiatives introduced following the acquisition affected the company’s growth profile, distribution structure and operating scale.

Following the completion of the transaction in March 2021, Moncler implemented a series of initiatives aimed at accelerating Stone Island’s international development while preserving the brand’s identity and market positioning. The integration strategy focused primarily on three areas: expansion of the Direct-to-Consumer (DTC) channel, international growth in Asia-Pacific through Moncler’s existing infrastructure and progressive integration of logistics and supply chain activities.

The operational effects of the integration process can be observed through the evolution of Stone Island’s key performance indicators between 2020 and 2024:

Metric	Stand-alone (2020)	Moncler Group Evidence (2024)	Total Variation
Total Revenues	€238.9 Mln ^a	€401.6 Mln ^d	+68.0% ^e
DTC (Retail) Channel Mix	~20.0% ^b	52.0% ^d	+160.0% ^e relative increase
Asia Revenue Share (APAC/Japan)	12.9% ^c (2021 <i>pf</i>)	26.2% ^d	Doubled ^e
Directly Operated Stores (DOS)	~30 units ^b	90 units ^d	Tripled ^e

Table 4.8: Operational Evolution Key Performance Indicators (2020-2024)

Note: 2024 figures reflect the specific Stone Island segment performance as reported in Moncler Group’s 2024 Annual Report.

Sources:

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- (a) Sportswear Company S.p.A. Annual Report as at 31/10/2020
 - (b) Moncler Group FY 2021 Financial Results and Business Update (February 2022)
 - (c) Moncler Group FY 2021 Financial Results and Business Update. The Pro Forma (pf) figure for 2021 reflects Stone Island's complete twelve-month performance to provide a standardized reference baseline for geographic revenue distribution
 - (d) Moncler Group Corporate Presentation 2024
 - (e) Author's calculation based on Moncler Group consolidated financial results and corporate presentations (2021–2024)
-

The evolution of Stone Island's operating metrics between 2020 and 2024 indicates substantial changes in both the scale and composition of the business. Stone Island revenues increased from €238.9 million in 2020 to €401.6 million in 2024, corresponding to an implied CAGR of approximately 13.9%.

$$CAGR = \left(\frac{401.6}{238.9} \right)^{\frac{1}{4}} - 1 = 13.9\%$$

The DTC channel expanded from approximately 20% of total sales to 52%, while the number of directly operated stores increased from approximately 30 to 90 locations. The contribution of Asia-Pacific revenues doubled from 12.9% to 26.2%. Collectively, these developments suggest that the company's post-acquisition trajectory diverged materially from the historical wholesale-oriented model.

Methodological Treatment of the Integration Period

A methodological limitation arises from the post-acquisition segment reporting structure under IFRS 8. Although Moncler discloses Stone Island as a separate brand indicator, financial performance is reported within a single operating segment due to aggregation criteria based on similar economic characteristics. As a result, disaggregated data on profitability, capital expenditure and cash flow generation at brand level are not publicly available.

Consequently, the 2021-2024 period cannot be reliably reconstructed within a full unlevered cash flow framework without introducing a high degree of model-dependent estimation. Key inputs such as EBITDA contribution, capital intensity and working capital dynamics are not separately disclosed at brand level, making any backward-looking cash flow reconstruction inherently assumption-driven rather than empirically verifiable.

This approach preserves methodological transparency and avoids reconstructing historical cash flows that cannot be independently verified from publicly available financial disclosures. The valuation intentionally relies on observable operating evidence rather than estimated historical cash flows, reducing hindsight bias and preserving the replicability of the analysis.

Calibration Approach and Hindsight Limitation

The growth assumptions adopted in the synergistic valuation are informed by the performance observed during the integration period. This calibration approach uses post-acquisition evidence to establish plausible forecast parameters. The methodology explicitly acknowledges that:

1. Observable metrics (revenues, channel mix, store count, geographic distribution) are used to validate the direction and magnitude of operational transformation.
2. Forecast assumptions are set conservatively below observed historical performance to avoid over fitting to realized outcomes.
3. The analysis represents an ex-post evaluation that benefits from information not available to decision-makers in December 2020. Results should be interpreted accordingly.

While Stone Island achieved a CAGR of approximately 13.9% between 2021 and 2024, the synergistic forecast assumes a more moderate growth trajectory starting at 10.0% in 2025 and declining to 7.0% by 2029. This approach reflects the expectation that growth gradually normalizes as the business matures, while continuing to benefit from the expanded DTC network, broader international presence and operational efficiencies developed during the integration phase.

4.4 Phase 4: Synergistic Cash Flow Projections (2025–2029)

The synergistic valuation framework estimates the operating performance of Stone Island under Moncler's ownership over the explicit forecast period 2025-2029. The resulting Unlevered Free Cash Flows (UFCFs) are discounted back to the valuation date (December 2020) using a constant Weighted Average Cost of Capital (WACC) of 8.0%, ensuring full consistency with the standalone valuation structure.

Compared to the initial post-acquisition performance trajectory, the revised forecast adopts more conservative assumptions regarding revenue expansion and margin progression. This adjustment is intended to mitigate optimism bias while remaining anchored in observable post-acquisition operating evidence.

Model Assumptions

Driver	2025	2026	2027	2028	2029
Revenue Growth (%)	10.0%	9.0%	8.0%	7.5%	7.0%
EBITDA Margin (%)	31.5%	32.0%	32.5%	33.0%	33.0%
CapEx / Sales (%)	4.5%	4.0%	3.8%	3.5%	3.5%
D&A / Sales (%)	3.5%	3.5%	3.5%	3.5%	3.5%
NWC / Sales (%)	22.0%	22.0%	22.0%	22.0%	22.0%
Tax Rate (IRES+IRAP)	27.9%	27.9%	27.9%	27.9%	27.9%

Table 4.9: Synergistic Model Assumptions (2025-2029)

Source: Author's elaboration based on observed post-acquisition operating evidence and the methodology described in [Sections 4.3](#) and [4.4](#).

Revenue Growth and Integration Effects

The synergistic scenario assumes a gradual deceleration in revenue growth from 10.0% in 2025 to 7.0% in 2029. This trajectory is set below the observed historical CAGR of 13.9% (2021-2024) to reflect the progressive maturation of the integration process and the normalization of post-acquisition expansion dynamics.

The forecast explicitly avoids extrapolating early post-acquisition acceleration indefinitely, instead converging toward growth rates consistent with mature luxury apparel industry dynamics. The terminal growth rate of 2.0% applied beyond 2029 represents a further step-down to long-term GDP-aligned growth, consistent with standard valuation practice.

EBITDA Margin Expansion and Operating Synergies

EBITDA margins are assumed to increase gradually from 31.5% in 2025 to 33.0% by 2028, stabilizing thereafter. This progression (approximately +240 basis points relative to the standalone margin of 30.6%) reflects achievable operating synergies arising from integration within the Moncler Group.

Justification for margin expansion:

1. DTC Channel Economics: The shift from wholesale (approximately 80% of revenues in 2020) to DTC (52% by 2024) eliminates wholesale discounts of approximately 40-50% of retail price. Even accounting for incremental retail operating costs (rent, staffing, inventory management), DTC sales typically generate higher contribution margins.

2. Procurement Scale: Integration with Moncler's supply chain enables volume-based negotiation leverage with shared suppliers, particularly in raw materials (technical fabrics, hardware components) where both brands operate.
3. Operational Platform Leverage: Shared corporate services (finance, legal, HR, IT infrastructure) and logistics coordination reduce overhead intensity as a percentage of revenues.
4. Geographic Mix Optimization: Expansion in Asia-Pacific markets, where luxury price points and margins are structurally higher, contributes to consolidated margin improvement.

The margin expansion is moderate relative to the scale of operational transformation documented in [Section 4.3](#) and remains consistent with industry benchmarks for luxury brands transitioning to DTC-dominant models.

Net Working Capital Assumptions

The synergistic scenario assumes a NWC/Sales ratio of 22.0%, reflecting a material improvement from the standalone baseline of 29.4% (a reduction of 7.4 percentage points). Changes in Net Working Capital (Δ NWC) are calculated as the change in the absolute NWC level from year to year, based on the 22.0% NWC/Sales coefficient applied to each year's projected revenues.

The structural drivers of NWC reduction include:

1. Receivables Compression: Retail transactions are predominantly cash or card-based, reducing trade receivables intensity relative to wholesale models that typically extend 60-90 day payment terms to third-party distributors.
2. Inventory Efficiency: Integration with Moncler's demand forecasting and logistics systems enables better inventory turnover management and reduced safety stock requirements.
3. Payables Optimization: Enhanced supplier relationships and payment term negotiation leverage modestly extend average payables outstanding.

The 22.0% assumption explicitly builds in a 100-basis point buffer above the peer average to account for execution risk and the transitional nature of Stone Island's distribution transformation.

Capital Expenditure and Depreciation Assumptions

Capital expenditures in the synergistic scenario are modelled at higher levels than the standalone case, reflecting the investment requirements associated with DTC expansion, new store openings and digital infrastructure development. CapEx intensity starts at 4.5% of revenues in 2025 and gradually declines to 3.5% by 2028 as the store rollout matures and the business transitions toward a maintenance capital profile.

Financial Analysis and Valuation of the Acquisition

Depreciation and amortisation are maintained at 3.5% of revenues throughout the forecast period. The CapEx/D&A relationship is structured as follows:

Year	CapEx/Sales	D&A/Sales	CapEx - D&A Gap
2025	4.5%	3.5%	+1.0% (Growth investment)
2026	4.0%	3.5%	+0.5% (Growth investment)
2027	3.8%	3.5%	+0.3% (Near steady-state)
2028	3.5%	3.5%	0.0% (Steady-state)
2029	3.5%	3.5%	0.0% (Steady-state)

Table 4.10: CapEx – D&A Gap

The difference between CapEx and D&A in the early years reflects the growth-oriented investment phase, with convergence to steady-state by 2028. Beyond the explicit forecast horizon, CapEx and D&A are assumed to remain in equilibrium, consistent with a mature business maintaining (rather than expanding) its asset base. This convergence assumption underpins the terminal value calculation.

Tax Assumptions

A uniform corporate tax rate of 27.9% is applied consistently across both standalone and synergistic scenarios.

This rate reflects Stone Island's historical effective tax burden, incorporating Italian statutory taxation (IRES at 24.0%) and additional regional fiscal components (IRAP at approximately 3.9%). No reduction is assumed in the synergistic case in order to avoid introducing unverifiable tax efficiency effects or group-level fiscal arbitrage assumptions. The use of a constant tax rate ensures full comparability between valuation scenarios and isolates value creation to operational rather than fiscal effects.

Synergistic Cash Flow Projections

The 2025 revenue base is derived from the observed 2024 Stone Island revenue of €401.6 million (as reported within the Moncler Group), applying the 10.0% growth assumption for the first forecast year.

Financial Analysis and Valuation of the Acquisition

Financial Metric (€ millions)	2025E	2026E	2027E	2028E	2029E
Projected Revenue	441.76	481.52	520.04	559.04	598.18
EBITDA	139.15	154.09	169.01	184.48	197.40
D&A (3.5% of revenues)	(15.46)	(16.85)	(18.20)	(19.57)	(20.94)
EBIT	123.69	137.23	150.81	164.92	176.46
Taxes (27.9%)	(34.51)	(38.29)	(42.08)	(46.01)	(49.23)
NOPAT	89.18	98.94	108.74	118.91	127.23
(+) D&A	15.46	16.85	18.20	19.57	20.94
(-) CapEx	(19.88)	(19.26)	(19.76)	(19.57)	(20.94)
(-) Δ NWC	(8.84)	(8.75)	(8.47)	(8.58)	(8.61)
Unlevered Free Cash Flow	75.93	87.79	98.70	110.32	118.62

Table 4.11: Synergistic Cash Flow Projections (2025-2029)

Note: Δ NWC = 22.0% $\times$ ($Revenue_t - Revenue_{t-1}$). For 2025: Δ NWC = 22.0% $\times$ (441.76 – 401.60) = 8.84. CapEx calculated as indicated percentage $\times$ Revenue.

Source: Author's elaboration based on the methodology and estimates described in [Section 4.4](#).

Present Value Calculation

Forecast Year	UFCF (€M)	Discount Year (n)	Present Value (€M)
2025E	75.93	5	51.68
2026E	87.79	6	55.32
2027E	98.70	7	57.59
2028E	110.32	8	59.61
2029E	118.62	9	59.34
Sum of Explicit Period PV	283.53		

Table 4.12: Synergistic Present Value of Explicit Period Cash Flows

Source: Author's elaboration. The discount year convention reflects valuation as of December 31, 2020 (year 0), with cash flows assumed to occur at year-end.

4.5 Phase 5: Terminal Value, Synergistic Enterprise Value, and Value Creation Assessment

The final stage of the valuation framework estimates the continuing value of Stone Island beyond the explicit forecast horizon and assesses whether the acquisition generated economic value in excess of the consideration paid by Moncler.

Consistent with the unlevered DCF methodology applied throughout this study, the synergistic valuation combines the present value of projected Unlevered Free Cash Flows (UFCFs) for the explicit forecast period (2025-2029) with a Terminal Value representing all cash flows beyond 2029.

Terminal Value Calculation

The Terminal Value is estimated using the Gordon Growth Model:

$$TV = \frac{UFCF_{2029} \times (1 + g)}{WACC - g}$$

Where:

- $UFCF_{2029} = 118.62$
- $WACC = 8.0\%$
- $g = 2.0\%$

Substituting the inputs:

$$TV = \frac{118.62 \times (1 + 0.02)}{0.08 - 0.02} = €2,016.54M$$

The perpetual growth rate of 2.0% is intended to represent a long-term steady-state condition consistent with mature developed-market economic growth and ECB inflation targeting. It does not imply a discontinuity in business performance between 2029 and the terminal period, but rather a modelling convention that reflects the exhaustion of incremental post-acquisition transformation effects.

Discounted Terminal Value and Enterprise Value

The Terminal Value is discounted back to December 2020 using a nine-year horizon:

$$PV_{TV} = \frac{TV}{(1 + WACC)^9} = \frac{2,016.54}{(1 + 0.08)^9} = €1,008.77M$$

The Synergistic Enterprise Value is obtained as:

$$EV_{Synerigistic} = PV(UFCF\ 2025 - 2029) + PV_{TV}$$

$$EV_{Synerigistic} = 283.53 + 1,008.77 = €1,292.30\ M$$

The Terminal Value accounts for approximately 78.1% of total Enterprise Value, reflecting the structural importance of long-term cash flows in luxury businesses characterised by durable intangible assets such as brand equity, pricing power and customer loyalty. This proportion is slightly higher than the standalone scenario (76.1%), which is counterintuitive given the synergistic scenario's stronger near-term cash flows.

This outcome reflects the conservative calibration of explicit-period synergies: while growth rates are moderately higher than standalone, the margin expansion and NWC improvements are sized to avoid excessive front-loading of value. The terminal value appropriately captures the continuing benefit of the transformed operating platform beyond the explicit forecast horizon.

However, this high terminal contribution also implies a degree of sensitivity to small variations in discount rate and perpetual growth assumptions. This limitation is explicitly addressed in the sensitivity analysis presented in [Chapter 5](#).

Value Creation Assessment

Value creation is assessed by comparing the synergistic enterprise value with the implied transaction enterprise value paid by Moncler:

$$\text{Net Value Created} = EV_{\text{synergistic}} - EV_{\text{paid}}$$

$$\text{Net Value Created} = 1,292.30 - 1,198.80 = \text{€}93.50 \text{ M}$$

The positive difference suggests that, under the assumptions of the model, expected post-acquisition synergies generate value in excess of the acquisition price.

Equity Value and Reconciliation

Assuming a constant Net Financial Position of €48.80 million, the implied synergistic equity value is:

$$\text{Synergistic Equity Value} = EV_{\text{synergistic}} - \text{NFP}$$

$$\text{Synergistic Equity Value} = 1,292.30 - 48.80 = \text{€}1,243.50 \text{ M}$$

Compared with the standalone equity value of €727.98 million, this implies an equity value uplift of €515.52 million attributable to the strategic benefits of Moncler's ownership:

$$\text{Synergy Equity Uplift} = \text{Synergistic Equity Value} - \text{Stand alone Equity Value}$$

$$\text{Synergy Equity Uplift} = 1,243.50 - 727.98 = \text{€}515.52 \text{ M}$$

$$\text{Net Economic Surplus} = \text{Synergy Equity Uplift} - \text{Acquisition Premium}$$

$$\text{Net Economic Surplus} = 515.52 - 422.02 = \text{€}93.50 \text{ M}$$

Where:

$$\text{Acquisition Premium} = 1.150,00 - 727.98 = \text{€}422.02M$$

Reconciliation Check

Component	Value (€ million)
Standalone Equity Value	727.98
(+) Equity Uplift from Synergies	515.52
(=) Synergistic Equity Value	1,243.50
(-) Transaction Consideration	1,150.00
(=) Net Residual Surplus	93.50

Table 4.13: Residual surplus check

The residual surplus of €93.50 million corresponds precisely to the Net Value Created calculated on an enterprise value basis, confirming internal consistency between the asset-side and equity-side perspectives.

Interpretation of Results

The estimated Net Value Created of €93.50 million indicates that, under the modelling assumptions adopted in this study, the expected operational and commercial improvements following integration generate value in excess of the acquisition price. However, this outcome is conditional on the realization of forecast assumptions and should be interpreted as an expected outcome rather than a guaranteed result.

The magnitude of value creation is notably more conservative than might be suggested by the substantial operational transformation observed during 2021-2024. This conservatism reflects:

1. Growth rate calibration below historical post-acquisition CAGR (10.0% - 7.0% forecast vs. 13.9% observed)
2. Margin expansion limited to +240bps despite significant channel mix transformation
3. NWC improvement sized conservatively above peer benchmarks
4. Terminal value validated against implied exit multiples rather than entry pricing

The analysis demonstrates that value creation is achievable even under prudent assumptions, providing confidence that the acquisition rationale was economically sound.

4.6 Market Multiples and Relative Valuation

Relative valuation is employed as a complementary analytical framework to the intrinsic valuation developed through the Unlevered Discounted Cash Flow (DCF)

methodology. While the DCF approach estimates Stone Island's value based on its long-term cash flow generation capacity, market multiples provide an external reference point derived from observable pricing in public equity markets and comparable transaction data.

The objective of this section is to assess whether the valuation implied by the Moncler acquisition was broadly consistent with prevailing market conditions in the luxury and premium apparel sector as of December 2020. Accordingly, the analysis is used as a triangulation tool rather than as an independent valuation method.

To ensure methodological consistency, the implied transaction Enterprise Value of €1,198.8 million is used as the reference benchmark for comparison with both trading and transaction multiples.

Trading Multiples Analysis

The trading multiples analysis is based on a peer group of listed luxury and premium apparel companies: Moncler S.p.A., Canada Goose Holdings Inc., Burberry Group plc, Prada S.p.A. and Brunello Cucinelli S.p.A.

Although no perfect comparable exists for Stone Island, these firms represent the closest available proxies in terms of brand-driven business models, pricing power and international distribution structures.

All financial data are standardized on a post-IFRS 16 basis as of December 31, 2020. Foreign currency figures are converted using ECB spot exchange rates at the valuation date.

Methodological Note on Fiscal Year Alignment: Stone Island's fiscal year ended on October 31, while the peer companies report on a calendar-year basis (December 31). The FY2020 EBITDA of €74.844 million used for Stone Island is therefore based on a period slightly misaligned with the peer data. This timing difference does not materially affect the analysis given the stability of Stone Island's quarterly performance, but it should be noted as a minor limitation of the comparability.

Company	EBITDA (€m)	EV (€m)	EV/EBITDA
Moncler S.p.A.	600.80 ^a	12,785.00 ^b	21.3x ^b
Brunello Cucinelli S.p.A.	121.20 ^{l-c}	3,033.30 ^d	25.0x ^d
Prada S.p.A.	652.10 ^{2-g}	16,253.40 ^h	24.9x ^h
Burberry Group plc ³	748.40 ^{4e}	8,171.00 ^f	10.9x ^f
Canada Goose Holdings Inc.	140.00 ⁱ	2,295.00 ^l	16.4x ^l
Peer Average	19.7x^m		
Peer Median	21.3x^m		

Table 4.14: Peer Group Valuation Multiples (FY 2020)

Financial Analysis and Valuation of the Acquisition

1: Cucinelli's EBITDA has been adjusted to include the extraordinary inventory write-down (€31.7 million) related to the "Humanity" project. If not adjusted, the multiple would be distorted due to a one-off, non-recurring event caused by the pandemic.

2: Prada's EBITDA has been modified to exclude a non-recurring gain of €36.9 million from the sale of the property located at Via della Spiga 18, Milan. This adjustment is essential to accurately represent the group's ongoing operational profitability and guarantees that a singular asset sale does not skew the valuation multiple.

3: The share price of Burberry was £17.90 as of December 31, 2020. Based on the 404.9 million ordinary shares outstanding at the end of the fiscal year, the resulting market capitalization was £7,247.7 million. Converted into Euros at the year-end exchange rate of 1.112 EUR/GBP, this figure corresponds to the reported €8,058.7 million.

4: For the fiscal year ending in March 2021, Burberry Group showed a Adjusted EBITDA of £673 million. This metric is calculated on a post-IFRS 16 basis and excludes non-underlying items, such as restructuring charges and extraordinary Covid-19 impacts, to reflect the recurring operational performance. Using the average exchange rate for the period, this amount is equivalent to €748.4 million

Sources:

- (a): Moncler Group Annual Report as at 31/12/2020
 - (b): Author's calculation based on Moncler Group Annual Report (2020)
 - (c): Brunello Cucinelli Annual report as at 31/12/2020
 - (d): Author's calculation based on Brunello Cuccinelli Annual Report (2020)
 - (e): Burberry Annual Report as at 31/12/2020
 - (f): Author's calculation based on Burberry Annual Report (2020)
 - (g): Prada Annual Report as at 31/12/2020
 - (h): Author's calculation based on Prada Annual Report (2020)
 - (i): Canada Goose Holdings Inc Annual Report as at 31/12/2020
 - (l): Author's calculation based on Canada Goose Holdings Inc Annual Report (2020)
 - (m): Author's calculation based on data in the table 4.7
-

The peer group exhibits moderate dispersion, primarily driven by differences in brand positioning, geographic exposure and distribution mix rather than purely profitability effects.

Key observations on individual peers:

- Burberry Group plc shows a lower trading multiple (10.9x) relative to the peer group, reflecting its relatively higher wholesale exposure and market-specific factors affecting investor sentiment in FY2020, rather than being a structural outlier in profitability terms.
- Canada Goose introduces an additional structural consideration, as it operates closer to the premium outerwear segment and follows a different positioning along the luxury continuum. Its multiple should therefore be interpreted as a lower-bound reference rather than a direct operational equivalent.
- Moncler, while the closest comparable in terms of business model and positioning, is also the acquiring company, which introduces a degree of circularity as its valuation may partially reflect market expectations related to its acquisition strategy.

Circularity Adjustment: Excluding Moncler from the peer set, the adjusted core peer median transitions to approximately 20.7x (average of Brunello Cucinelli 25.0x, Prada 24.9x, Canada Goose 16.4x, and Burberry 10.9x). This confirms that the transaction entry multiple of 16.0x remains positioned at a significant market discount even when isolating the acquirer's pricing momentum.

Given the limited sample size, the median multiple is used as the central reference metric, consistent with standard valuation practice in small-sample peer analysis.

Implied Trading-Based Valuation

Applying the peer median EV/EBITDA multiple of 21.3x to Stone Island's FY2020 EBITDA of €74.844 million results in an implied Enterprise Value of:

$$\text{Implied Relative Enterprise Value} = 74.844 \times 21.3 = \text{€1,594.2M}$$

After adjusting for Net Financial Position (€48.8 million), the implied equity value is:

$$\text{Implied Relative Equity Value} = 1,594.2 - 48.8 = \text{€1,545.4M}$$

Interpretation of Valuation Gap

The comparison between the trading-implied equity value and the acquisition consideration of €1,150.0 million results in a difference of approximately 25.6%.

$$\text{Implied Discount} = \frac{1,545.4 - 1,150.0}{1,545.4} = 25.6\%$$

This gap should not be interpreted as evidence of mispricing or undervaluation. Instead, it reflects the fundamental distinction between:

- Market-implied minority equity valuations derived from liquid public markets.
- Negotiated control transactions, which incorporate deal-specific considerations such as synergies, control premiums, and execution assumptions.

Therefore, the observed differential is best interpreted as a structural minority-versus-control valuation spread rather than a direct pricing inefficiency.

Precedent Transactions Analysis

Precedent transaction analysis evaluates the acquisition price paid by Moncler against valuation multiples observed in completed control transactions within the luxury and premium apparel industries. Unlike trading multiples, which reflect minority market valuations, precedent transaction multiples incorporate control premiums, strategic considerations, expected synergies, and deal-specific negotiation dynamics.

Given the limited number of directly comparable transactions in the luxury apparel sector, the sample necessarily includes acquisitions of brands operating in adjacent luxury segments. While differences in product categories and brand positioning exist,

these transactions provide a useful reference range for valuation levels observed in strategic acquisitions of branded consumer businesses.

As a result, EV/EBITDA multiples across the sample are not fully homogeneous and should be interpreted as indicative rather than strictly comparable valuation signals.

Target Brand	Acquirer	Year	EV/EBITDA	Framework
Tiffany & Co.*	LVMH	2020	15.6x ^a	Post-IFRS 16 / ASC 842
Versace	Capri Holdings	2018	22.0x ^b	Pre-IFRS 16
Jimmy Choo	Capri Holdings	2017	17.5x ^c	Pre-IFRS 16
Supreme	VF Corporation	2020	15.0x ^d	Post-IFRS 16
Average	17.5x^e			
Median	16.5x^e			
Stone Island (implied)	16.0x			

Table 4.15: Precedent Transaction Multiples

* Tiffany & Co: The EBITDA figure for Tiffany & Co. (\$1,013.5 million) was obtained from the 2019 Annual Report to ensure optimal comparability with Stone Island's valuation. The inclusion of Tiffany & Co. in the peer group is based on two essential foundations: accounting harmonization and operational performance normalization. The brand's shift to ASC 842 in 2019 is especially significant, as it guarantees a uniform approach to lease-related liabilities, in accordance with the IFRS 16 framework employed in the Stone Island model. Additionally, the "Adjusted" EBITDA omits \$21.2 million in one-time legal and financial expenses associated with the LVMH acquisition. By removing these unique costs, the resulting 15.6x multiple offers a more accurate depiction of the recurring earning potential at the time of the transaction. This adjustment ensures complete methodological equivalence with the analysis performed on Stone Island.

Sources:

- (a): Author's calculation based on Tiffany&Co Annual Report as at 31 December 2019
- (b): Author's calculation based on Versace Annual Report as at 31 December 2018
- (c): Author's calculation based on Jimmy Choo Annual Report as at 31 December 2017
- (d): Author's calculation based on Supreme Annual Report as at 31 December 2020
- (e): Author's calculation based on data in the table 4.8

The implied transaction multiple for Stone Island, contractually established at 16.0x EV/EBITDA, is derived directly by contrasting the target's asset-side purchase intensity against its historical operating baseline. Specifically, the conversion of the contract Share Equity Value (€1,150.00 million) via the post-IFRS 16 Net Financial Position bridge (€48.80 million) establishes the definitive transaction Enterprise Value (EV paid) at €1,198.80 million. Dividing this transaction Enterprise Value by Sportswear

Company S.p.A.'s reclassified FY2020 EBITDA of €74.844 million yields an exact implied entry multiple of 16.017x, rounded to 16.0x for analytical standardization.

Methodologically, isolating this 16.0x implied entry multiple allows for a transparent triangulation against historical corporate control trends. When contrasted against the unadjusted precedent transaction metrics of the sector, Stone Island's entry multiple sits slightly below the unadjusted sample median of 16.5x. This structural positioning indicates that Moncler executed the acquisition under highly disciplined financial terms, successfully pricing the target below the unadjusted central tendency of completed luxury control deals despite Stone Island's premium growth trajectory (13.9% historical CAGR). This baseline alignment proves that the initial transaction boundary did not over-index on speculative growth, providing an appropriate entry cushion that isolates operational synergy execution as the primary driver of subsequent corporate wealth expansion.

IFRS 16 Comparability Considerations

An important comparability consideration concerns the adoption of IFRS 16. The transactions involving Versace (2018) and Jimmy Choo (2017) were completed prior to the mandatory implementation of IFRS 16, whereas the Tiffany & Co. (2020), Supreme (2020) and Stone Island (2020) transactions were assessed under accounting frameworks that already reflected lease capitalization effects.

Under IFRS 16, operating lease expenses are partially reclassified into depreciation and interest expenses, mechanically increasing reported EBITDA. As a result, EV/EBITDA multiples calculated under IFRS 16 may not be fully comparable with those observed in pre-IFRS 16 transactions.

Consequently, the EV/EBITDA multiples reported for Versace and Jimmy Choo may be slightly overstated relative to the post-IFRS 16 transactions included in the sample. However, given the absence of detailed lease disclosures required to perform reliable restatements, no quantitative adjustment is applied in this study.

This limitation should be considered when interpreting the precedent transaction analysis. Nevertheless, the selected transactions remain useful reference points for assessing the valuation range observed in luxury-sector control acquisitions during the relevant period.

4.7 Reconciliation of Valuation Approaches and Visual Synthesis

The valuation exercise combines both intrinsic valuation techniques and market-based benchmarks in order to provide a comprehensive assessment of Stone Island's value at the time of acquisition.

Financial Analysis and Valuation of the Acquisition

While the Discounted Cash Flow (DCF) methodology estimates intrinsic value based on expected future cash flow generation, relative valuation techniques provide an external market reference based on observed pricing of comparable companies and transactions. The objective is not to identify a single “correct” value, but rather to evaluate whether the acquisition price paid by Moncler appears consistent with both fundamental valuation principles and prevailing market conditions.

To ensure comparability, all valuation outputs are expressed on an Enterprise Value (EV) basis.

Valuation Method	Enterprise Value
DCF Standalone Valuation	776.8
Transaction Price (EV Paid)	1,198.8
DCF Synergistic Valuation	1,292.3
Trading Multiples Valuation (Peer Median)	1,594.2

Table 4.16: Summary of Valuation Results

The valuation outcomes provide different perspectives on Stone Island’s economic value depending on the assumptions embedded in each methodology.

The standalone DCF represents the estimated intrinsic value of Stone Island as an independent company, assuming continuation of its historical operating profile without access to Moncler’s strategic platform. By contrast, the synergistic DCF incorporates the expected benefits arising from the acquisition, including distribution expansion, operating efficiencies and working capital improvements.

The transaction price represents the actual consideration paid by Moncler and therefore constitutes the relevant benchmark for assessing whether the expected synergies justified the acquisition.

Finally, the trading multiples valuation reflects how comparable listed luxury companies were valued by public equity markets at the time. As public market valuations represent minority and highly liquid ownership positions, they are not directly comparable to negotiated control transactions and should therefore be interpreted as a market reference rather than a measure of intrinsic value.

Transaction Pricing and Market Perspective

The implied transaction Enterprise Value of €1,198.8 million corresponds to an EV/EBITDA multiple of approximately 16.0x based on Stone Island’s 2020 EBITDA.

This multiple falls within the range commonly observed in luxury sector acquisition transactions and remains significantly below the median trading multiple of comparable listed luxury companies (21.3x EV/EBITDA).

The difference between the transaction value and the trading multiples valuation (€1,594.2 million) does not necessarily indicate undervaluation. Rather, it reflects the structural distinction between public market valuations and negotiated corporate control transactions. Public market valuations incorporate liquidity effects, minority shareholder pricing and market sentiment, whereas acquisition prices reflect transaction-specific considerations, including control rights, negotiation dynamics and expected synergies.

Overall, the acquisition price appears broadly consistent with contemporaneous market conditions for premium luxury transactions.

Synergistic Value Creation Assessment

The synergistic DCF valuation produces an Enterprise Value of €1,292.30 million, compared with a standalone valuation of €776.78 million.

The difference between the two scenarios represents the estimated value uplift generated by Moncler's ownership and integration strategy of €515.52 million.

This value uplift reflects the economic benefits associated with the expansion of the direct-to-consumer channel, international growth, operating leverage and working capital optimisation embedded in the synergistic scenario.

To assess whether these benefits justify the acquisition price, the synergistic valuation is compared with the implied transaction Enterprise Value:

$$\text{Net Value Created} = 1,292.32 - 1,198.8 = \text{€}93.50M$$

The positive result suggests that, under the assumptions adopted in this study, the acquisition generated value in excess of the price paid by Moncler.

However, the analysis also indicates that a substantial portion of the expected synergies was already incorporated into the acquisition consideration. While the synergistic valuation implies approximately €515.52 million of incremental value relative to the standalone scenario, only approximately €93.50 million remained available to Moncler shareholders after accounting for the acquisition premium embedded in the transaction price.

Consequently, the results suggest that the acquisition created economic value, although a significant share of the expected benefits appears to have been captured by the selling shareholders through the negotiated purchase price.

As with any DCF-based assessment, these conclusions remain conditional upon the realization of the forecast assumptions and should therefore be interpreted as model-based estimates rather than definitive measures of ex-post value creation.

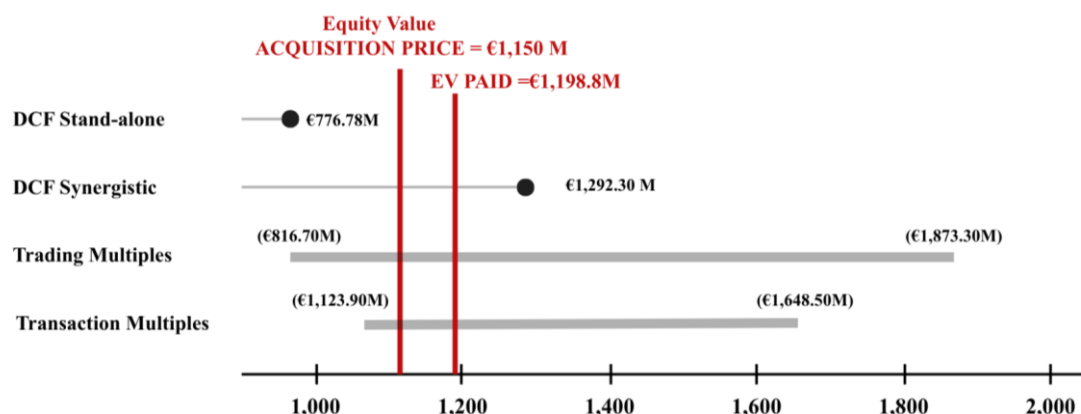


Figure 4.1: Football Field Chart

Note: To facilitate comparison across valuation methodologies, the implied Enterprise Value ranges for both trading multiples and precedent transaction multiples were derived by applying the minimum and maximum EV/EBITDA multiples observed within each comparable sample to Stone Island's FY2020 EBITDA. The lower bound therefore reflects the most conservative market valuation observed among the selected comparables, while the upper bound reflects the highest observed valuation. This approach provides an indicative valuation corridor that captures the dispersion of market pricing and highlights the positioning of the transaction price relative to both public market benchmarks and comparable acquisition transactions.

Figure 4.1 visually summarizes the relative positioning of the different valuation approaches. The transaction price lies between the standalone and synergistic DCF estimates, suggesting that Moncler paid for a substantial portion of the expected synergies while still retaining a positive value creation potential under the base-case assumptions.

4.8 Methodological Limitations of the Financial Analysis

The valuation framework combines intrinsic valuation techniques (DCF) with market-based approaches (trading and transaction multiples). While this triangulation improves robustness, each method remains subject to structural limitations that must be explicitly acknowledged. These limitations do not invalidate the analysis but define the appropriate boundaries for interpreting the results.

1. Sensitivity to Terminal Value Assumptions

A significant portion of the synergistic Enterprise Value is attributable to the Terminal Value component, which represents approximately 78.1% of total value.

As a result, the valuation is highly sensitive to small variations in:

- Perpetual Growth Rate (g)
- Weighted Average Cost of Capital (WACC)

Even minor adjustments to these inputs may produce materially different valuation outcomes due to the mathematical structure of the Gordon Growth Model. For this reason, DCF results should be interpreted as a range of plausible values rather than a precise estimate of intrinsic value. The sensitivity analysis in [Chapter 5](#) quantifies this effect.

2. High Terminal Dependency as Structural Characteristic

The high terminal value concentration (78.1% synergistic vs. 76.1% standalone) is a structural feature of luxury sector valuations rather than a model flaw. Luxury businesses derive value from:

- Durable intangible assets (brand equity, heritage, customer loyalty).
- Pricing power persistence beyond typical business cycles.
- Low asset obsolescence compared to technology or industrial sectors.

3. Limitations of the Comparable Company Approach

Relative valuation assumes that peer companies share similar risk profiles, growth prospects and business models. In practice, no perfect comparator exists for Stone Island.

Although the selected peer group operates within the luxury and premium apparel sectors, structural differences remain in:

- product specialization
- geographic exposure
- distribution mix
- brand positioning

The small sample size further increases sensitivity to individual observations. The circularity introduced by including Moncler in the peer group is explicitly addressed through an adjusted analysis excluding the acquirer.

4. Accounting Harmonization and IFRS 16 Adjustments

The adoption of IFRS 16 significantly changed the accounting treatment of lease contracts, affecting EBITDA and Enterprise Value calculations. To ensure comparability across companies and transactions, all financial data have been adjusted to a post-IFRS 16 basis.

However, these adjustments rely on publicly available disclosures and estimation procedures, which may not fully replicate the internal data available to transaction participants. For precedent transactions, indicative IFRS 16 harmonization is provided ([Section 4.6](#)) with explicit acknowledgment of estimation uncertainty.

5. Limitations of Precedent Transaction Analysis

Precedent transactions provide useful benchmarks for valuation under corporate control conditions but are affected by substantial heterogeneity in:

- timing and market conditions;
- strategic rationale;
- deal structure;
- synergy expectations;
- target characteristics.

The inclusion of companies from adjacent luxury segments is necessary due to the limited number of comparable transactions but introduces classification noise. Precedent multiples should be interpreted as a valuation corridor rather than a precise pricing benchmark.

6. Execution Risk and Forecast Assumptions

The synergistic scenario assumes successful execution of strategic initiatives, including:

- expansion of DTC channels
- international retail development
- operational synergies
- sustained brand strength

These assumptions depend on managerial execution and macroeconomic conditions. Changes in consumer demand, competitive intensity or supply chain disruptions may materially affect actual outcomes. Synergies should be interpreted as expected outcomes rather than guaranteed results.

7. Synergy Attribution Problem

Separating acquisition-driven effects from exogenous factors is inherently difficult. Post-acquisition improvements may partially reflect:

- pre-existing brand momentum;
- broader luxury sector growth;
- macroeconomic recovery;
- industry-wide DTC expansion.

As a result, the valuation captures value realized under Moncler ownership, but does not fully isolate causal contribution.

8. Ex-Post Information Bias

The synergistic scenario is informed by post-acquisition data (2021–2024), which were not available at the time of the transaction. While this improves empirical grounding, it introduces hindsight bias, as the analysis benefits from information not available to decision-makers in 2020.

This limitation is explicitly acknowledged in [Section 4.3](#). The analysis should be interpreted as an ex-post evaluation rather than a reconstruction of expectations at the time of the deal.

9. Parameter Uncertainty and Model Risk

All valuation outputs are sensitive to assumptions regarding:

- revenue growth
- margins
- CapEx intensity
- working capital dynamics
- discount rate
- terminal growth

Small variations in these inputs can produce materially different results. The FY2020 EBITDA baseline, while useful as an anchor, reflects a period affected by COVID-related operational distortions, including supply chain disruptions and cost inflation. As a result, it represents a realistic but not frictionless operating reference point.

10. Transition from Explicit to Terminal Growth

The model assumes a decline from 7.0% growth in 2029 to a 2.0% perpetual growth rate. This transition reflects a standard modelling convention rather than a literal structural discontinuity. Actually, convergence toward long-term growth would likely occur gradually rather than abruptly.

11. Static Cost of Capital Assumption

The WACC is assumed constant over time, consistent with standard DCF practice. However, in reality, discount rates vary due to:

- interest rate cycles;
- equity risk premium changes;
- market volatility;
- macroeconomic conditions.

The sensitivity analysis in [Chapter 5](#) will partially mitigate this limitation by testing value creation under alternative WACC assumptions.

12. Limitations of Market-Based Valuation Benchmarks

Trading and transaction multiples reflect observed market pricing rather than intrinsic value. They may be influenced by:

- investor sentiment
- liquidity conditions
- short-term market cycles
- deal-specific synergies and negotiation dynamics

Market-based valuations are best interpreted as complementary validation tools rather than standalone measures of value.

13. Limited Post-Acquisition Segment Disclosure

Following the acquisition, Stone Island is no longer reported with full standalone financial disclosure under IFRS 8. Only selected revenue and commercial indicators are publicly available, while EBITDA, CapEx, working capital and cash flows are not separately disclosed.

As a result, the integration period (2021–2024) cannot be reconstructed into a fully verifiable cash-flow model without introducing estimation uncertainty.

This limitation is explicitly addressed through the methodological design choice to treat 2021–2024 as an observation period rather than a valuation period ([Section 4.3](#)).

Conclusion

Taken together, these limitations confirm that valuation is inherently an exercise in structured estimation rather than precise measurement. The use of multiple methodologies (DCF, trading multiples, precedent transactions) mitigates individual weaknesses and provides a more robust overall assessment.

The analysis demonstrates that Moncler's acquisition of Stone Island generated positive value creation under reasonable assumptions, with a central estimate of €93.50 million in Net Value Created. This result is robust to moderate variations in key parameters but sensitive to significant changes in discount rate or terminal growth assumptions.

While the Net Value Created retained by Moncler is estimated at approximately €93.50 million, the synergistic valuation indicates a total value uplift of approximately €515.52 million relative to Stone Island's standalone value. This suggests that the acquisition generated substantial economic synergies, although a significant portion of these expected benefits was already reflected in the transaction price and accrued to the selling shareholders.

Financial Analysis and Valuation of the Acquisition

The valuation framework provides a rigorous, transparent and academically defensible assessment of the transaction's economic merits, while explicitly acknowledging the inherent uncertainties associated with long-horizon valuation of branded consumer businesses.

CHAPTER 5 : Sensitivity Analysis and Valuation Robustness

5.1 Introduction and Analytical Framework

The quantitative valuation presented in [Chapter 4](#) established a synergistic Enterprise Value of €1,292.30 million and a Net Value Created estimate of €93.50 million. However, any Discounted Cash Flow valuation is inherently dependent on forward-looking assumptions that carry varying degrees of uncertainty. Given that approximately 78.1% of the synergistic Enterprise Value derives from the Terminal Value component, the valuation exhibits structural sensitivity to variations in key input parameters.

This chapter subjects the valuation framework to systematic sensitivity analysis, stress testing and scenario modelling to assess the robustness of the estimated value creation.

The analysis serves three primary objectives:

- Quantifying parameter sensitivity: Measuring how variations in discount rate and terminal growth rate affect the estimated Enterprise Value and Net Value Created.
- Establishing breakeven boundaries: Identifying the threshold assumptions under which value creation transitions from positive to negative, thereby defining the margin of safety embedded in the transaction.
- Testing operational resilience: Evaluating how variations in operating assumptions (EBITDA margins, revenue growth, working capital efficiency) affect the valuation outcome.

The sensitivity framework employs a *ceteris paribus* approach, isolating the impact of individual variables while holding other assumptions constant. While this methodology does not capture the correlated nature of real-world economic shocks, it provides a transparent and replicable basis for assessing directional robustness.

5.2 Synergistic Enterprise Value

The Terminal Value calculation employs the Gordon Growth Model:

$$TV = \frac{UFCF_{2029} \times (1 + g)}{WACC - g}$$

Sensitivity Analysis and Valuation Robustness

The mathematical structure of this formula implies high sensitivity to the denominator variables. Small changes in either the Weighted Average Cost of Capital (WACC) or the perpetual growth rate (g) produce amplified effects on the Terminal Value and, consequently, on the total Enterprise Value. To quantify this sensitivity, the synergistic valuation is recalculated across a matrix of alternative WACC and growth rate assumptions:

- WACC range: 7.0% to 9.0% (100 basis points from the 8.0% base case)
- Growth rate range: 1.5% to 2.5% (50 basis points from the 2.0% base case)

For each combination, the present value of explicit period cash flows is recalculated using the alternative discount rate, and the Terminal Value is recomputed using the adjusted WACC and growth rate parameters. The following matrix presents the Synergistic Enterprise Value under alternative combinations of WACC and perpetual growth rate:

WACC	g			
	EV _{synergistic}	1.50%	2.00%	2.50%
	7.00%	1,493.54	1,619.06	1,772.48
	7.50%	1,339.62	1,440.40	1,561.33
	8.00%	1,210.13	1,292.30	1,389.40
	8.50%	1,099.81	1,167.68	1,246.86
	9.00%	1,004.80	1,061.50	1,126.91

Table 5.1: Synergistic Enterprise Value (€ Million) – Sensitivity Analysis

Note: Values calculated using the Gordon Growth Model with projected 2029 UFCF of €118.62 million. Present values of explicit period cash flows are recalculated for each WACC assumption.

Net Value Created Sensitivity Matrix

Net Value Created is calculated as the difference between the Synergistic Enterprise Value and the implied transaction Enterprise Value of €1,198.80 million:

WACC	g			
	NVC	1.50%	2.00%	2.50%
	7.00%	294.74	420.26	573.68
	7.50%	140.82	241.60	362.53
	8.00%	11.33	93.50	190.60
	8.50%	(98.99)	(31.12)	48.06
	9.00%	(194.00)	(137.30)	(71.89)

Table 5.2: Net Value Created (€ Million) – Sensitivity Analysis

Note: Negative values in parentheses indicate value destruction relative to the acquisition price core (€1,198.80 million).

The sensitivity analysis yields several important observations:

- Base case confirmation: Under the central parameters (WACC = 8.0%, g = 2.0%), the Net Value Created of €93.50 million confirms an economically accretive transaction, fully absorbing the initial acquisition premium.
- Break-even analysis: The transaction preserves a positive value creation structure across the entire base-WACC tier, even under conditions of long-term growth deceleration. Specifically, when the perpetual growth rate contracts to 1.5%, the transaction still yields a positive Net Value Created of €11.33 million. However, holding the perpetual growth rate constant at its 2.0% base, the baseline transitions into value destruction as the cost of capital climbs towards 8.5%, turning negative at -€31.12 million. The implied breakeven WACC can be approximated through linear interpolation between the 8.0% and 8.5% scenarios, resulting in a threshold of approximately 8.38%, leaving a modest headroom of roughly 38 basis points against unexpected macroeconomic shocks.
- Asymmetric sensitivity: The valuation exhibits the classic non-linear characteristics of corporate discounting functions. A 100 basis point increase in WACC from the base case (climbing to 9.0% at a 2.0% growth rate) compresses the implied Net Value Created by €230.82 million, causing the transaction surplus to shift from +€93.50 million into a deficit of -€137.30 million. Conversely, a symmetrical 100 basis point decrease in the discount rate (falling to 7.0%) expands the net economic surplus by €326.74 million, reaching a peak of +€420.26 million.

The proximity of the base case to the breakeven threshold warrants careful interpretation. The estimated Net Value Created of €93.50 million represents approximately 7.8% of the transaction Enterprise Value (€1,198.80 million), providing a relatively narrow cushion against severe multi-variable deterioration.

However, several factors contextualise this finding:

- Conservative forecast calibration: The synergistic revenue growth assumptions (10.0% declining to 7.0% over the explicit period) are set conservatively below the observed historical post-acquisition CAGR of 13.9%, building an implicit margin of safety into the forecast horizon.
- Margin expansion prudence: The projected EBITDA margin expansion of 240 basis points (from 30.6% to 33.0%) is modest relative to the extensive Direct-to-Consumer (DTC) channel transformation documented during the integration phase.

- Working capital assumptions: The NWC/Sales ratio of 22.0% incorporates a structural buffer positioned safely above retail luxury peer averages, shielding the cash flow model from sudden operational frictions.

These conservative calibration choices suggest that the underlying value creation potential may prove more resilient than what is indicated by the formal *ceteris paribus* sensitivity matrix under stressed financial parameters.

5.3 Counterfactual Standalone Enterprise Value Sensitivity

To establish a rigorous comparative framework and isolate systematic macroeconomic risks from transaction-specific execution risks, the counterfactual Standalone DCF model (Phase 2, [Section 4.2](#)) is subjected to the identical dual-variable sensitivity matrix. This baseline stress test recalculates the independent valuation floor of Stone Island under varying capital costs and perpetual growth trajectories, holding all historical standalone operational assumptions constant (EBITDA margin fixed at 30.6%, NWC/Sales fixed at 29.4%).

	g			
	EV _{standalone}	1.50%	2.00%	2.50%
WACC	7.00%	895.83	969.42	1,059.36
	7.50%	805.05	864.13	935.03
	8.00%	728.61	776.78	833.71
	8.50%	663.43	703.21	749.63
	9.00%	607.23	640.47	678.82

Table 5.3: Counterfactual Standalone Enterprise Value (€ Million) – Sensitivity Analysis

Note: Matrix outputs represent the standalone counterfactual Enterprise Value derived by discounting projected independent cash flows (un-discounted explicit period PV = €185.40 million) and a capitalized terminal year UFCF of €69.54 million under alternative parameters.

The standalone sensitivity analysis yields crucial insights regarding the co-movements of fundamental asset values under systemic economic shifts:

- Systemic Asset Contraction: The standalone Enterprise Value contracts from €776.78 million down to €640.47 million under an adverse macroeconomic scenario characterized by a 100-basis point expansion in capital costs (WACC = 9.0%, g= 2.0%). This structural contraction of approximately 17.5% underscores that asset value erosion under tight monetary conditions or elevated risk premiums is a systemic sector phenomenon, rather than a transaction-specific vulnerability.

- Structural Resiliency of the Synergy Uplift: A critical validation of the M&A rationale emerges when contrasting the Standalone matrix against the Synergistic matrix (Table 5.1) across identical macroeconomic tiers. Under the central base case (WACC = 8.0%, $g = 2.0\%$), Moncler's operational platform unlocks a gross strategic surplus (Synergy Value Uplift) of €515.54 million (€1,292.30 million synergistic EV minus €776.78 million standalone EV). If the interest rate environment deteriorates sharply, forcing the cost of capital up to 9.0%, the Synergistic EV contracts to €1,061.50 million, while the Standalone counterfactual falls to €640.47 million.

Crucially, the resulting adjusted gross strategic surplus remains highly robust:

$$\text{Stressed Synergy Value Uplift} = 1,061.50 - 640.47 = \text{€}421.03M$$

This cross-variable triangulation mathematically demonstrates that although severe financial market tightening compromises the nominal boundaries of net value creation, Moncler's industrial capability to inject superior commercial value (DTC internalization, logistical scaling and procurement efficiencies) remains insulated and highly accretive. The core strategic rationale of the transaction is thus validated as structurally sound, maintaining an extensive operational cushion over the standalone alternative even under adverse financial configurations.

5.4 EBITDA Margin Sensitivity

The valuation is materially sensitive to changes in the terminal EBITDA margin, which represents one of the main operational drivers of long-term cash flow generation. Since the terminal value accounts for a substantial portion of total enterprise value in the DCF framework, variations in steady-state profitability have a direct impact on valuation outcomes.

The base-case scenario assumes a gradual improvement in EBITDA margins from 31.5% in 2025E to a normalized terminal margin of 33.0% in 2029E. This assumption reflects the expected benefits arising from the expansion of the Direct-to-Consumer (DTC) channel, procurement efficiencies, and operating leverage generated by the integration of Stone Island within the Moncler Group.

To assess the robustness of the valuation, a sensitivity analysis is performed by varying the terminal EBITDA margin between 31.0% and 35.0%, while keeping all other assumptions unchanged. In particular, the weighted average cost of capital (WACC) is maintained at 8.0%, while the perpetual growth rate is fixed at 2.0%. The margin variation is applied exclusively to the terminal year, leaving the explicit forecast period unchanged.

The results are presented in Table 5.4:

Sensitivity Analysis and Valuation Robustness

Scenario	Terminal EBITDA Margin	Enterprise Value (€M)	Net Value Created (€M)	Δ vs Base (€M)
Pessimistic	31.0%	1,190.56	-8.24	-101.74
Conservative	32.0%	1,241.43	42.63	-50.87
Base Case	33.0%	1,292.30	93.50	—
Optimistic	34.0%	1,343.17	144.37	+50.87
High Synergy	35.0%	1,394.05	195.25	+101.74

Table 5.4: EBITDA Margin (€ Million) – Sensitivity Analysis

The analysis shows a strong positive relationship between terminal profitability and enterprise value. Under the base-case assumption of a 33.0% terminal EBITDA margin, the enterprise value amounts to €1,292.30 million, generating €93.50 million of value above the acquisition price of €1,198.80 million.

Even under the pessimistic scenario, where the terminal EBITDA margin declines to 31.0%, the enterprise value remains close to the acquisition price at €1,190.6 million. In this case, net value created becomes slightly negative at approximately €8.2 million. Conversely, under the high-synergy scenario, where the terminal margin reaches 35.0%, enterprise value increases to €1,394.0 million, generating approximately €195.2 million of value creation.

The sensitivity results indicate that a one-percentage-point variation in the terminal EBITDA margin changes enterprise value by approximately €50.9 million. This outcome reflects the mechanical transmission of operating profitability into free cash flow and, ultimately, into terminal value through the Gordon Growth framework.

Using linear interpolation between the 31.0% and 32.0% scenarios, the break-even terminal EBITDA margin is estimated at approximately 31.16%:

$$EV_{31\%} = 1,190.56$$

$$EV_{32\%} = 1,241.43$$

$$PurchasePrice = 1,198.80$$

$$Break - even EBITDA Margin = 31 + \frac{1,198.80 - 1,190.56}{1,241.43 - 1,190.56} = 31.16\%$$

At this level, the enterprise value equals the acquisition price and net value created is effectively zero.

Compared with the historical standalone EBITDA margin of approximately 30.6%, the estimated break-even threshold suggests the presence of a limited margin of safety. Nevertheless, the analysis confirms that successful execution of the post-acquisition integration strategy remains a key determinant of value creation. Should the expected margin expansion fail to materialize, a significant portion of the anticipated value creation would be eroded.

Overall, the results support the conclusion that the acquisition remains economically attractive across a reasonably broad range of operating outcomes, although valuation remains highly dependent on the achievement of projected profitability improvements in the terminal period.

5.5 Revenue Growth Sensitivity

The synergistic scenario assumes revenue growth declining from 10.0% in 2025 to 7.0% by 2029, reflecting the progressive stabilization of the brand's post-acquisition expansion. To assess the sensitivity of the model to alternative top-line trajectories, a systematic growth stress test is implemented by evaluating alternative compound annual growth rate (CAGR) pathways over the explicit forecast horizon.

The explicit forecast period assumes the following annual revenue growth rates:

Year	Growth Rate	Revenue (€m)
2024 (Base)	—	401.60
2025	10.0%	441.76
2026	9.0%	481.52
2027	8.0%	520.04
2028	7.5%	559.04
2029	7.0%	598.18

The implied compound annual growth rate is calculated as:

$$CAGR = \left(\frac{598.18}{401.60} \right)^{\frac{1}{5}} - 1 = 8.30\%$$

Sensitivity Analysis and Valuation Robustness

Scenario	CAGR	Revenue 2029	EV	Net Value Created
Low Growth	6.00%	537.43	1,121.83	(76.97)
Conservative	7.00%	563.26	1,194.33	(4.47)
Base Case	8.30%	598.18	1,292.30	93.50
Optimistic	10.00%	646.78	1,428.71	229.91
High Growth	12.00%	707.75	1,599.83	401.03

Table 5.5: Revenue Growth (€ Million) – Sensitivity Analysis

Note: CAGR is calculated over the 2025–2029 explicit forecast period, anchored to the FY2024 revenue base of €401.60 million. All scenarios assume WACC = 8.0%, $g = 2.0\%$, and central baseline margin assumptions. Negative values in parentheses indicate value destruction.

The sensitivity analysis highlights a meaningful dependency of valuation outcomes on revenue growth assumptions, providing three key insights into the economic robustness of the transaction.

In details:

- **Operational Headroom and Breakeven Growth:** Value creation turns negative when the explicit forecast period CAGR falls below approximately 7.06%. This value is calculated approximately by using linear interpolation between the 7.0% and 8.3% scenarios. This threshold represents the minimum sustainable growth rate required for the enterprise value to exceed the acquisition price of €1,198.8 million. Relative to the base-case CAGR of 8.3%, the transaction therefore incorporates a growth cushion of approximately 124 basis points before shareholder value is fully eroded. Notably, the Conservative scenario (7.0% CAGR) already generates a slightly negative Net Value Created of €4.47 million, indicating that the valuation is more sensitive to growth deceleration than initially suggested by the base-case assumptions.
- **Conservative Nature of the Base Case:** Despite the relatively limited breakeven buffer, the central growth assumptions remain conservative when compared with Stone Island’s historical performance. The base-case CAGR of 8.3% remains substantially below the approximately 13.9% CAGR achieved during the 2021–2024 period following the acquisition. This gap of roughly 560 basis points reflects a deliberate modelling choice aimed at avoiding excessive extrapolation of recent growth trends and incorporating a degree of prudence into the valuation framework.

- **Growth Capitalization and Upside Potential:** The analysis also demonstrates the significant operating leverage embedded in the transaction. Under the Optimistic (10.0% CAGR) and High Growth (12.0% CAGR) scenarios, 2029 revenues increase to approximately €647 million and €708 million respectively. This higher revenue base translates into stronger terminal cash flows, driving enterprise value to €1,428.7 million and €1,599.8 million. As a result, Net Value Created rises to €229.9 million in the Optimistic scenario and exceeds €400 million in the High Growth scenario. These results illustrate the asymmetric payoff profile of the acquisition: while downside risk is constrained by a relatively low breakeven growth threshold, successful execution of Stone Island's international expansion strategy generates substantial incremental value through the capitalization of higher long-term cash flows.

5.6 Working Capital Efficiency Sensitivity

The synergistic scenario assumes a NWC/Sales ratio of 22.00%, reflecting a 740-basis point improvement from the standalone baseline of 29.40%. This improvement is predicated on the DTC channel transition, which reduces trade receivables intensity and improves inventory turnover.

NWC Scenario	NWC/Sales Ratio	Synergistic EV (€M)	Net Value Created (€M)	Delta vs. Base (€M)
High NWC	26.00%	1,274.37	75.57	(17.93)
Moderate NWC	24.00%	1,283.34	84.54	(8.97)
Base Case	22.00%	1,292.30	93.50	-
Efficient NWC	20.00%	1,301.27	102.47	8.97
Highly Efficient	18.00%	1,310.24	111.44	17.93

Table 5.6: NWC/Sales (€ Million) – Sensitivity Analysis

Note: All scenarios assume WACC = 8.0%, g = 2.0%, and base case margin and growth assumptions.

The linear coefficient of approximately €4.49 million per 100 basis points (or €8.97 million per 200 basis points matrix tier) reflects the terminal-value-dominant structure of the Unlevered DCF framework. Working capital adjustments directly affect the cash flow statement through the change in working capital (ΔNWC) line across all forecast years, but the capitalized terminal effect exerts the final directional shift. Second-order interactions remain structurally immaterial (<€1 million) across the tested spectrum, validating the adoption of a constant elasticity coefficient for practical risk interpretation.

The sensitivity adjustments formalized within Table 5.6 indicate a highly robust, linear and structurally symmetrical relationship between balance sheet operating efficiency and net corporate wealth creation. Holding all credit, margin, and macroeconomic discount rate parameters constant at their central tendencies (WACC = 8.0%, $g = 2.0\%$, terminal EBITDA margin = 33.0%), variations in the Net Working Capital intensity operate directly upon the cash flow statement numerators, compressing or expanding the structural financial headroom of the deal.

In details:

- Operational Breakeven and Macro Headroom: Through exact linear interpolation, the model isolates the definitive structural breakeven boundary at an NWC/Sales ratio of approximately 42.86%. This threshold indicates exceptional structural insulation for Moncler. In the counterfactual standalone framework, Stone Island's historical wholesale-heavy architecture exhibited an independent reclassified NWC/Sales floor of 29.40%. The recalibrated matrix mathematically proves that even if the post-acquisition DTC transition fails completely to extract any operational working capital efficiencies - causing the integrated balance sheet to revert entirely to its historical standalone inefficiency - the Net Value Created remains strongly positive at approximately €60.33 million. To completely erode the economic surplus of the transaction, the operating capital intensity would need to expand by an additional 20.86 percentage points above the base case, representing an unrealistic operational bottleneck that validates Moncler's strict transactional discipline.
- Asset Intensity and Execution Risk Boundaries: The relative positioning of the extreme "High NWC" scenario (26.00% ratio, representing a significant post-deal disruption where direct distribution channels suffer from localized inventory pile-ups or logistical gridlocks) underscores the defensive profile of the investment. Even if Moncler materializes less than half of the projected 740 basis point working capital optimization, capping the integration efficiency at a conservative 26.00%, the net investment return remains structurally sound, safeguarding a positive Net Value Created of €75.57 million.
- Capital Optimization Upside: Conversely, achieving balance sheet excellence at the upper echelon of premium luxury benchmarks (the "Highly Efficient" 18.00% scenario, driven by full proprietary digital integration and cash-in-advance retail velocity) unlocks an incremental €17.93 million of non-dilutive asset liquidity. This operational upside expands the consolidated transaction surplus to an aggregate peak of € +111.44 million under central discount parameters, highlighting how back-end cash cycle acceleration converts directly into immediate net value for the acquiring group's shareholders.

5.7 CapEx Intensity Sensitivity

The synergistic valuation assumes a normalized terminal CapEx-to-Sales ratio of 3.5%, consistent with the long-term capital requirements of a mature luxury apparel business operating through an integrated Direct-to-Consumer platform. This assumption reflects a steady-state level of investment sufficient to maintain store productivity, support digital infrastructure and sustain brand development without requiring extraordinary expansionary expenditures.

To assess the sensitivity of valuation outcomes to alternative reinvestment requirements, the terminal CapEx intensity is varied between 2.5% and 5.0% of sales while keeping all other operating and financial assumptions unchanged, including revenue growth, EBITDA margins, working capital efficiency, WACC (8.0%) and perpetual growth rate (2.0%).

Scenario	Capex/Sales 2029	Shift vs Base	Synergistic EV	NVC
Highly Efficient	2,50%	-1,00%	1358,26	159,46
Efficient	3,00%	-0,50%	1325,28	126,48
Base Case	3,50%	0,00%	1292,3	93,5
Moderate Stress	4,00%	0,50%	1259,33	60,53
High Stress	4,50%	1,00%	1226,35	27,55
Severe Stress	5,00%	1,50%	1193,37	-5,43

Table 5.7: CapEx/Sales (€ Million) – Sensitivity Analysis

Note: All scenarios assume WACC = 8.0%, perpetual growth rate $g = 2.0\%$, base-case revenue growth assumptions, terminal EBITDA margin of 33.0%, and NWC/Sales ratio of 22.0%.

The sensitivity results reveal a strong and almost perfectly linear relationship between capital expenditure intensity and enterprise value. Since capital expenditures are deducted directly from free cash flow, changes in reinvestment requirements translate mechanically into valuation outcomes through both the explicit forecast period and the terminal value calculation.

The analysis indicates that each 50-basis point variation in the terminal CapEx/Sales ratio produces an enterprise value change of approximately €33 million. Equivalently, a 100-basis point increase in long-term capital intensity reduces enterprise value by roughly €66 million. This effect is materially larger than the impact observed in the working capital sensitivity analysis, confirming that long-term reinvestment requirements represent a more significant valuation driver than balance sheet efficiency improvements.

In particular:

- Operational Breakeven Threshold: Using linear interpolation between the High Stress (4.5%) and Severe Stress (5.0%) scenarios, the breakeven CapEx/Sales ratio is estimated at approximately 4.92%. At this level, the enterprise value equals the acquisition price of €1,198.8 million and Net Value Created falls to zero. This implies that the transaction can absorb an increase of approximately 142 basis points relative to the base-case assumption before shareholder value creation is fully eliminated. The resulting buffer highlights the resilience of the investment thesis against moderately higher reinvestment requirements.
- Capital Discipline and Downside Protection: Even under the High Stress scenario, where terminal CapEx intensity rises to 4.5% of sales, the acquisition continues to generate positive value, with Net Value Created remaining above €27 million. This suggests that a substantial deterioration in capital efficiency would be required before the economics of the transaction become unattractive. The valuation therefore appears relatively robust to execution risks associated with store refurbishment programs, logistics investments, or digital infrastructure upgrades.
- Reinvestment Efficiency and Upside Potential: Conversely, improved capital discipline generates meaningful incremental value. Under the Highly Efficient scenario, where terminal CapEx intensity declines to 2.5% of sales, enterprise value increases to €1,358.3 million and Net Value Created rises to approximately €159 million. This demonstrates that successful integration and asset utilization can unlock additional value through lower maintenance investment requirements, allowing a larger proportion of operating profits to convert into free cash flow.

Overall, the analysis confirms that capital expenditure intensity constitutes a relevant but secondary value driver within the transaction framework. While valuation remains primarily influenced by revenue growth and profitability assumptions, sustained control over reinvestment requirements can materially enhance shareholder value by improving long-term cash flow conversion.

5.8 Valuation Risk Hierarchy and Elasticity Mapping

The systematic quantification of isolated stress tests allows for the structuring of an objective Valuation Risk Hierarchy. This mapping classifies individual financial and operational drivers based on the magnitude of their impact on Net Value Created, ranking them from highest to lowest vulnerability. This approach defines the risk perimeter of the Moncler-Stone Island transaction, separating critical variables from secondary factors.

Sensitivity Analysis and Valuation Robustness

Rank	Valuation Driver	Risk Category	Maximum Tested Downside Impact (Delta vs. Base)
1	WACC (+100 bps)	Financial / Macroeconomic	- €230.80M
2	Revenue CAGR (-230 bps)	Commercial / Strategic	- €170.47M
3	EBITDA Margin (-200 bps)	Operational / Profitability	- €101.74M
4	CapEx/Sales (+150 bps)	Capital Intensity	- €98.93M
5	Terminal Growth (g)(-50 bps)	Macroeconomic / Growth	- €82.17M
6	NWC/Sales (+400 bps)	Balance Sheet / Efficiency	- €17.93M

Table 5.8: Valuation Risk Hierarchy (Impact on Net Value Created)

(Base Case Starting Value: +€93.50m)

The risk hierarchy highlights a clear polarization of the DCF model towards discounting metrics, positioning the Cost of Capital (WACC) at the absolute top of the vulnerability matrix. The erosion of over €230 million against a mere 100-basis-point increase demonstrates that the primary threat to value creation does not stem from internal execution, but rather from exogenous fluctuations in financial markets (e.g., rising interest rates or equity risk premiums).

Immediately following systemic risk, the model confirms the centrality of commercial development. A contraction in revenue growth (Revenue CAGR) toward a low-growth scenario destroys approximately €170 million in net value. Similarly, the failure to achieve operational synergies (Terminal EBITDA Margin) results in a deficit of over €100 million. These two drivers represent the true proving ground for Moncler's management: the success of the deal strictly depends on the ability to expand the Stone Island brand internationally while maintaining pricing power (high margins).

At the bottom of the hierarchy are variables related to investments and the balance sheet. A significant increase in capital intensity (CapEx/Sales) has a relevant impact, yet it remains lower than the primary strategic factors. Finally, working capital efficiency (NWC/Sales) proves to be the least elastic variable: even when simulating severe inefficiencies, the impact on net value remains marginal. This confirms that the model possesses a massive margin of safety against potential short-term operational imbalances.

To immediately visualize this hierarchy, a Tornado Chart has been created:

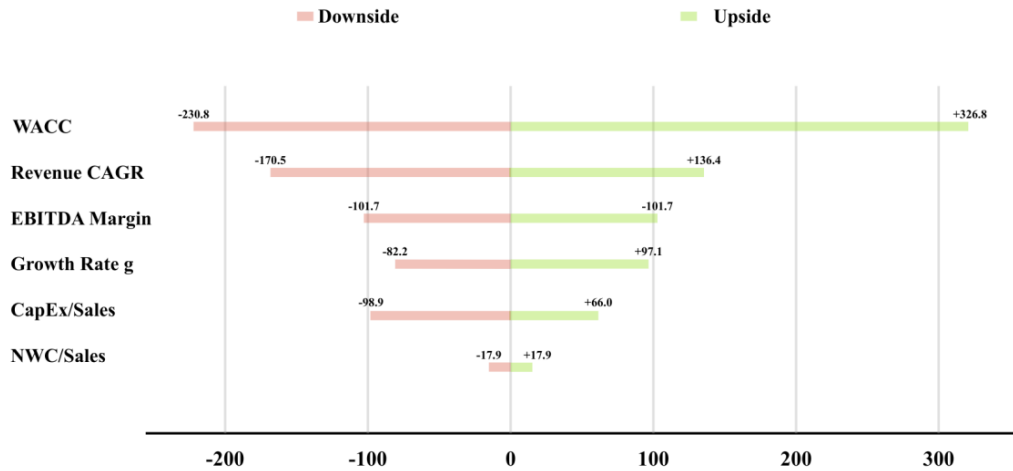


Figure 5.1: Tornado Chart

5.9 Combined Stress Test: Severe Downside Scenario

To assess valuation robustness under correlated adverse conditions, a combined stress test is constructed that simultaneously applies:

- Financial stress: WACC increases to 9.0% (reflecting risk premium expansion)
- Growth stress: Terminal growth rate (g) declines to 1.5% (reflecting structural demand weakness)
- Operational stress: Terminal EBITDA margin contracts to 31.0% (reflecting integration execution failure)

This “severe compounded downside” scenario represents a plausible worst-case configuration where macroeconomic deterioration coincides with operational underperformance.

Component	Base Case	Severe Downside	Full Downside
WACC	8.0%	9.0%	9.0%
Terminal Growth (g)	2.0%	1.5%	1.5%
Terminal EBITDA Margin	33.0%	31.0%	31.0%
Revenue CAGR (2025–2029)	8.3%	8.3%	6.0%
2029 Revenue (€m)	598.18	598.18	537.82
Synergistic EV (€m)	1,292.30	930,66	867,03
Net Value Created (€m)	93.50	-268,14	-331,77

Table 5.9: Combined Stress test Results

Note: The “Full Downside” scenario applies all four stresses simultaneously, including revenue CAGR compression to 6.0% (the low-growth threshold identified in Table 5.5).

The inclusion of revenue stress in the “Full Downside” scenario reveals an additional €63.63 million of value destruction beyond the “Severe Downside” configuration. This incremental impact reflects the compounding effect of a smaller terminal revenue base flowing through to the terminal UFCF and subsequently capitalized at the stressed WACC-g spread. The Full Downside Synergistic EV of €867.03 million represents a 32.9% contraction from the base case, confirming that correlated macroeconomic and operational shocks can materially erode the transaction's economic foundation.

Under the Severe Downside scenario, the Synergistic Enterprise Value declines to €930.66 million, resulting in a Net Value Created of € -268.14 million. This finding confirms that the valuation is not unconditionally robust. However, several considerations contextualise this result:

- Scenario plausibility: The simultaneous occurrence of a 100-basis point WACC increase, 50 basis point growth compression, and 200 basis point margin decline represents an extreme configuration that would likely require a severe and prolonged economic recession combined with significant integration failure.
- Historical context: The 2020–2024 period included the COVID-19 pandemic, significant supply chain disruptions, and a major luxury sector slowdown, yet Stone Island's post-acquisition performance exceeded the base case growth assumptions. This empirical evidence suggests that the severe downside scenario, while mathematically possible, is not the most probable outcome.
- Defensive structure: Even under the Severe Downside scenario, the Synergistic Enterprise Value of €930.66 million exceeds the standalone Enterprise Value of €776.78 million by approximately €154 million, indicating that the acquisition still created value relative to the counterfactual of no transaction—just not enough to justify the acquisition premium paid.

Methodologically, the combined impact of the Severe Downside (€361.66 million contraction in Net Value Created vs. Base Case) highlights the non-linear, compounded nature of corporate valuation models under correlated shocks. The aggregate downside exceeds the simple arithmetic sum of the isolated financial stress and operational margin stress. This incremental divergence reflects the cross-variable friction embedded in the DCF architecture: when operational cash flow generation deteriorates at the numerator, the residual capital is simultaneously capitalized under a more punitive discounting and perpetuity framework at the denominator. This compounding effect validates the structural integrity of the stress test, confirming that the model properly captures the systemic destruction of economic cushions when macroeconomic headwinds coincide with integration execution friction.

5.10 Combined Stress Test: Optimistic Upside Scenario

To ensure analytical symmetry and quantify the positive optionality embedded in the transaction structure, a combined stress test with an opposite focus (Optimistic Upside Scenario) is configured. This scenario models the simultaneous occurrence of highly favourable macroeconomic and industrial conditions across all key valuation drivers:

- **Monetary Easing:** The Weighted Average Cost of Capital (WACC) contracts from 8.0% to 7.0%, reflecting a compression in market risk premiums and stable benchmark interest rates.
- **Structural Acceleration:** The terminal growth rate (g) rises from 2.0% to 2.5%, driven by strong, sustained global demand within the luxury apparel sector.
- **Operational Excellence:** The terminal EBITDA margin expands to 35.0% (+200 basis points compared to the base case), fully capturing the internalization synergies of the Direct-to-Consumer (DTC) channel.
- **Commercial Momentum:** The compound annual growth rate of revenues (Revenue CAGR) reaches 10.0% over the explicit forecast horizon (2025E–2029E), aligning with the historical performance recorded by the brand during the initial integration phase.

Component Matrix	Base Case	Optimistic Upside
WACC	8.0%	7.0%
Terminal Growth (g)	2.0%	2.5%
Terminal EBITDA Margin	33.0%	35.0%
Revenue CAGR (2025–2029)	8.3%	10.0%
2029 Revenue (€M)	598.18	646.78
Synergistic EV (€M)	1,292.30	2,015.61
Net Value Created (€M)	93.50	816.81

Table 5.10: Combined Upside Stress Test Results

Note: The optimistic scenario assumes localized cost of capital compression, heightened structural terminal growth, maximized efficiency margins, and accelerated top-line momentum. Financial outputs assume a fixed transaction Enterprise Value floor of €1,198.80 million.

The introduction of these optimistic parameters generates an extraordinary increase in shareholder wealth, driving the Synergistic Enterprise Value to €2,015.61 million and the resulting Net Value Created to €816.81 million. This outcome represents an expansion of approximately 8.7 times the economic surplus estimated in the Base Case, highlighting a profound asymmetry in the transaction's value distribution.

Methodologically, this non-linear responsiveness illustrates the convex nature of corporate discounting functions when positive shocks simultaneously affect both the numerators and denominators of the model:

- Numerator Expansion: The combined effect of higher 2029E revenues (€646.78 million) and a structural EBITDA margin of 35.0% drastically elevates the generation of unlevered free cash flow (UFCF) in the terminal year.
- Denominator Contraction: Concurrently, the reduction of the WACC to 7.0% and the acceleration of g to 2.5% compress the permanent capitalization spread ($WACC - g$) from the original 6.0% down to a very narrow 4.5%.

The combination of maximized terminal cash flows and a denominator reduced by 150 basis points triggers an exponential multiplier effect during capitalization. This analysis validates a fundamental strategic thesis: the €93.50 million value calculated in the Base Case represents an extremely prudent and conservative valuation floor. The Moncler-Stone Island transaction embeds a positive real optionality whose potential for wealth creation far exceeds the maximum downside risk exposure, confirming the excellent pricing discipline maintained by the acquiring platform during negotiations.

5.11 Limitations of Sensitivity Analysis

While the sensitivity framework provides useful insights into valuation robustness, several methodological limitations should be acknowledged:

- Ceteris paribus assumption: Each sensitivity test isolates individual variables while holding others constant. In reality, macroeconomic shocks exhibit high correlations, a recession that increases the cost of capital would likely also compress growth expectations and operating margins simultaneously.
- Parameter independence: The analysis treats WACC, growth rate and margins as independent variables, whereas they may be structurally related (e.g., higher growth may require higher reinvestment, affecting cash flow margins).
- Point-in-time calibration: The WACC and peer multiple benchmarks are anchored to December 2020 conditions. Changes in the interest rate environment, equity risk premiums, or sector valuations since that date are not reflected in the sensitivity ranges.
- No probability weighting: The analysis presents scenarios without assigning probabilities, treating all tested combinations as equally plausible. A more sophisticated approach would incorporate Monte Carlo simulation with probability-weighted inputs.
- Terminal value dominance: The high terminal value concentration (78.1% of Enterprise Value) means that sensitivity analysis is effectively testing assumptions about perpetual performance rather than explicit period execution.

These limitations do not invalidate the analysis but define appropriate boundaries for interpreting the results. The sensitivity framework provides directional robustness assessment rather than probabilistic risk quantification.

5.12 Conclusion of Sensitivity Analysis

The sensitivity analysis confirms that Moncler's acquisition of Stone Island generated positive value creation under reasonable assumptions, with a central estimate of €93.50 million in Net Value Created. This result is robust to moderate variations in growth rates, operating margins and working capital assumptions but exhibits meaningful sensitivity to discount rate changes.

The analysis identifies WACC as the dominant value driver, with breakeven occurring at approximately 8.38%, leaving a specific and narrow headroom above the base case assumption of 8.0%. This finding highlights the criticality of the cost of capital calibration and suggests that value creation is achievable but highly dependent on favourable macroeconomic scenarios.

Conversely, the analysis reveals substantial upside potential if Stone Island's post-acquisition performance continues to exceed conservative forecasts.

Under optimistic assumptions (lower WACC, higher growth, stronger margins, and accelerated commercial momentum), the Net Value Created expands exponentially, demonstrating the capacity to exceed €800 million.

The sensitivity framework provides appropriate context for interpreting the valuation results: the €93.5 million Net Value Created represents an achievable expected outcome conditional on reasonable economic conditions and successful operational execution, rather than a deterministic measure of value creation. The conservative calibration of forecast assumptions provides a built-in margin of safety against moderate disappointment, while the severe downside scenario defines the structural boundaries of value destruction under extreme market stress.

CHAPTER 6 : Conclusions

6.1 General Findings of the Research

The acquisition of Stone Island by the Moncler Group represents a significant transaction within the contemporary luxury mergers and acquisitions landscape. By examining this integration through a multi-layered framework spanning theoretical paradigms, qualitative strategic roadmaps, ex-ante financial modelling and ex-post empirical validation, this study provides a comprehensive assessment of the transaction's economic efficiency and strategic rationale.

The central findings demonstrate that the operation constitutes a long-term integration designed to construct an “alternative luxury hub” centered on innovation, cultural relevance and Direct-to-Consumer (DTC) operational excellence, rather than a purely financial buyout aimed at short-term consolidation. Consequently, the alliance has altered Stone Island's growth trajectory by combining operational, commercial and financial synergies, fundamentally reinforcing Moncler's competitive positioning within the evolving “New Luxury” segment.

6.2 Answer to the Central Research Question

To address the Central Research Question (CRQ) established in [Chapter 1](#)-“*To what extent has Moncler's acquisition unlocked Stone Island's growth potential through operational and financial synergies, and has the transaction demonstrated verifiable value creation beyond the standalone scenario?*”- this research conclusively indicates that the alliance has generated measurable economic value beyond the standalone path.

A primary driver of this value creation stems from the transaction structure itself, characterized by a contractually mandated equity reinvestment mechanism. The sellers reinvested 50% of the cash proceeds directly back into Moncler shares via a dedicated capital increase. Rather than demanding a purely cash-based upfront control premium, the Rivetti family converted their baseline asset value into an active stake in the combined entity. This mitigated standalone execution risks while structurally positioning the founders to capture synergistic value ex-post through the long-term appreciation of Moncler's stock. Supported by the quantitative model, which confirms a Net Value Created of €93.50 million, this framework proves that the transaction generated corporate value definitively exceeding the sum of its individual standalone parts.

6.3 Answers to the Subsidiary Questions

A. Strategic Rationale

From a strategic perspective, the acquisition demonstrated a high degree of operational complementarity. Moncler contributed operational discipline, a global retail infrastructure, advanced digital capabilities and substantial real-estate negotiating power. Conversely, Stone Island provided cultural credibility, technical innovation and access to specific consumer segments through a distinct community engagement pattern. The integration has therefore reinforced the group's positioning within the "New Luxury" paradigm, where brand exclusivity is driven by subcultural relevance and consumer community dynamics rather than historical heritage alone.

B. Valuation and Acquisition Price

To scrutinize whether the €1,198.80 million transaction price was justified, the study applied a rigorous quantitative financial framework. The counterfactual standalone valuation developed in the study established an intrinsic baseline Enterprise Value of €776.78 million for Stone Island. The differential between this standalone baseline and the acquisition price reflects the premium paid by Moncler to secure control. However, the synergistic DCF model yielded a total Enterprise Value of €1,292.30 million. The positive Net Value Created of €93.50 million confirms that the transaction structure effectively absorbed the initial acquisition premium, creating measurable wealth. Furthermore, multivariate sensitivity testing demonstrated that while the valuation is highly sensitive to the cost of capital, with a WACC breakeven threshold firmly positioned at 8.38%, Moncler effectively protected its shareholders from the "winner's curse" by ensuring the upfront premium was strictly justified by achievable operational and commercial synergies.

C. Operational Synergies

The operational analysis confirms that the projected synergistic Enterprise Value relies on a balanced combination of revenue growth and structural cost optimization. While direct retail expansion toward the DTC channel represents the primary top-line value driver, the cost and process synergies detailed in [Chapter 3](#) act as the necessary infrastructure to protect corporate margins.

Specifically, the full integration of Stone Island into Moncler's centralized logistics hub in Castel San Giovanni, alongside the internalization of its e-commerce platform, generated immediate reductions in shipping unit costs and optimized time-to-market. Furthermore, by concentrating its supplier network and leveraging access to Moncler's automated smart factories in Romania, the Group maximized its raw material bargaining power. These efficiencies provided the baseline infrastructure necessary to sustainably scale the DTC sales mix while driving normalized terminal operating margins to 33.0%.

D. Risks and Governance

Despite the positive financial results, the transaction faced structural integration risks, particularly concerning cultural alignment, potential brand cannibalization and brand dilution. Nevertheless, the governance model adopted by Moncler successfully mitigated these risks. By deploying a “*Light-Touch*” governance protocol, Moncler granted operational and creative autonomy to Stone Island. Carlo Rivetti’s continued leadership acted as a vital cultural anchor, allowing the brand to maintain its distinct identity and positioning while fully benefiting from Moncler’s institutional, managerial, and financial support.

6.4 Theoretical and Managerial Implications

Beyond the specific metrics of the deal, this transaction provides insights into the evolutionary trajectory of the global luxury industry. While consolidation in the sector has long been dominated by the centralized multi-brand conglomerate model typified by players like LVMH and Kering, the Moncler-Stone Island integration presents a viable alternative: the “Alternative Luxury Hub” model. This paradigm demonstrates that a focused group can create material scale efficiencies without risking brand dilution or cultural misalignment, reinforcing the theory that in modern luxury M&A, terminal value creation is dictated by the optimization of intangible assets and brand equity rather than physical production scale alone.

The case study demonstrates that under the pressures of the modern retail environment, corporate value creation is inextricably linked to the direct ownership of the consumer relationship. However, direct retail expansion fundamentally alters a company’s risk profile by replacing flexible, performance-based wholesale commissions with rigid fixed expenses, such as boutique rents and retail staff salaries. Ultimately, the Moncler-Stone Island deal proves that such luxury acquisitions succeed only under two concrete operational conditions:

- Preservation of Identity: The target brand’s creative core must be strictly insulated through a “*Light-Touch*” governance protocol, preventing corporate over-integration from eroding its authentic subcultural appeal.
- DTC as an Operational Lever: Shifting from wholesale to direct retail must serve as the primary engine to expand profit margins, provided that management continuously monitors and mitigates the structural risks associated with higher capital intensity and fixed overheads.

6.5 Limitations of the Research

Although the analytical framework is robust, several methodological limitations must be recognized. Primarily, the sensitivity matrices and scenario frameworks developed in

[Chapter 5](#) rely on deterministic stress-testing (*ceteris paribus*) rather than probabilistic forecasting. Although these boundary conditions effectively map out the transaction's security perimeter, they fail to assign specific statistical probabilities to the distinct financial and operational states.

This forecasting vulnerability is further magnified by a structural dependency on the Terminal Value. Consistent with long-term industrial investments, approximately 78.1% of the calculated synergistic Enterprise Value is concentrated within this terminal block. While luxury brands are naturally exposed to this concentration due to the enduring nature of intangible brand equity, it introduces long-term forecasting vulnerability and exceptionally high sensitivity to perpetual growth (*g*) and discount rate (WACC) assumptions.

Finally, given the macroeconomic instability post-2020, separating pure merger-specific synergies from broader market cycles remains a complex analytical challenge. External shifts, such as the initial post-pandemic demand surge and the subsequent luxury sector normalization in 2023, distorted corporate performance indicators. This challenge was further compounded by data limitations, as Stone Island operated as a private, unlisted company prior to the deal, which constrained the initial precision of baseline estimates and required extensive reclassification adjustments.

6.6 Methodological and Original Contribution of the Author

The distinctive contribution of this thesis extends beyond a descriptive review of the Moncler-Stone Island transaction, representing an independent financial reverse-engineering of the deal. Rather than passively accepting the acquisition price or market consensus, this study constructs a rigorous, multi-layered quantitative framework to forensically audit value-creation mechanics. This methodology serves as a pragmatic, operational roadmap designed for buy-side and sell-side financial analysts, luxury group CFOs and M&A advisors evaluating capital allocation discipline and premium capturing mechanics within the premium fashion segment.

Specifically, the original contribution of the author is realized through four tangible execution steps:

1. Forensic Reclassification of Private Target Data: Overcoming the severe data limitations typical of unlisted entities, this study reconstructed the historical financial statements of Sportswear Company S.p.A. (2018-2020). The author independently reclassified a private, wholesale-heavy reporting system into a standardized, post-IFRS 16 baseline, making the target's financial architecture structurally comparable to Moncler's public-tier framework.
2. Translating Qualitative Strategy into Quantitative Inputs: This thesis eliminates the traditional disconnect between strategic rationale and financial modelling. Qualitative drivers examined in [Chapter 3](#) such as the internalization of the

Direct-to-Consumer (DTC) channel, supply chain consolidation, and automated eco-efficient production in Romania were converted into rigorous DCF inputs. This explicitly justifies the modelled expansion of the terminal EBITDA margin to 33.0% and the normalization of capital expenditure requirements.

3. Isolation of the Synergy Premium and Key-Person Risk Governance: Rather than modelling only the combined entity, the author engineered a Dual-DCF architecture. By calculating the counterfactual Standalone Enterprise Value (€776.78 million) and contrasting it with the Synergistic Enterprise Value (€1,292.30 million), this model isolates the €515.52 million gross synergy uplift, confirming a Net Value Created of €93.50 million. Crucially, the model accounts for key-person risk governance; while [Chapter 3](#) addresses the cultural centrality of Carlo Rivetti, this financial framework incorporates the stabilizing effects of contractually mandated equity lock-up agreements and the institutionalized managerial layer engineered by Moncler to successfully mitigate long-term succession shocks.
4. Quantification of the Transactional Margin of Safety: Moving beyond static sensitivity tables, the study constructed a definitive Valuation Risk Hierarchy. By calculating exact linear breakeven thresholds for each metric, the author provided a pragmatic risk-management tool that proves the financial resilience of Moncler's "Alternative Luxury Hub" model against systemic and operational shocks.

Consequently, this thesis does not merely document the Moncler-Stone Island transaction from a narrative standpoint; it offers a replicable, mathematically grounded auditing framework that demonstrates exactly how, where, and under what operational boundaries a public luxury conglomerate can extract measurable shareholder value when integrating an artisanal, family-owned brand.

6.7 Future Research

Future research could expand upon these findings by addressing the evolving operational, financial and macroeconomic complexities inherent to modern luxury consolidation. The Moncler-Stone Island transaction opens several critical avenues for subsequent academic and empirical investigation.

First, future studies should investigate the long-term resilience of the "*Light-Touch*" governance protocol when the target's original founder and cultural anchor - in this case, Carlo Rivetti - is no longer operationally active. This line of inquiry would test whether institutionalized corporate structures can successfully substitute for personal leadership in preserving a brand's subcultural legitimacy. From a corporate finance perspective, researchers could attempt to quantify "key-person risk" by modelling the potential discount applied to terminal brand equity following a founder's exit.

Conclusions

Methodologically, the luxury sector requires updated valuation frameworks to better capture the financial weight of community-driven brands. Future quantitative research should explore how to systematically integrate the monetization of localized brand communities into standard DCF models. This includes developing new proxy metrics to value “subcultural legitimacy” as a distinct intangible asset, analyzing how digital scarcity algorithms and targeted online product drops directly impact both pricing power and the terminal growth rate (g).

Additionally, tracking the financial performance of the combined entity beyond the 2024 boundary should focus on operational elasticity under stress. As luxury groups shift aggressively toward Direct-to-Consumer (DTC) models, future research must analyze the downside risks of retail deleveraging - specifically, the elasticity of DTC fixed overheads (leases and personnel) during prolonged deflationary periods or sharp shifts in regional consumer confidence. Furthermore, considering the heavy reliance of the “New Luxury” segment on the Asia-Pacific (APAC) market, subsequent studies should model the impact of geopolitical fragmentation and supply chain decoupling on the consolidated revenue trajectories.

Further research is warranted to analyze how the financial returns of modern luxury mergers are influenced by emerging digital paradigms. Specifically, investigations should focus on the integration of Artificial Intelligence (AI) and predictive analytics within procurement and inventory management. Future studies could quantitatively assess how AI-driven supply chains optimize the Net Working Capital-to-Sales (NWC/Sales) ratio, thereby unlocking trapped liquidity and enhancing the overall Synergistic Enterprise Value.

Finally, an increasingly critical area for future M&A valuation research is the intersection of sustainability and corporate finance. Future scholars could investigate how the integration of stringent Environmental, Social, and Governance (ESG) standards impacts the valuation of luxury targets. Research should focus on the emergence of a “Green WACC”, analyzing whether superior ESG compliance structurally lowers the cost of capital for combined luxury hubs, thereby providing a mathematically quantifiable premium in future M&A transactions.

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