

# Gucci (US) (GUC) Branded Consumer Goods

## Company Highlight

Stock rating: Outperform

Coverage view: Neutral

Large-Cap Growth

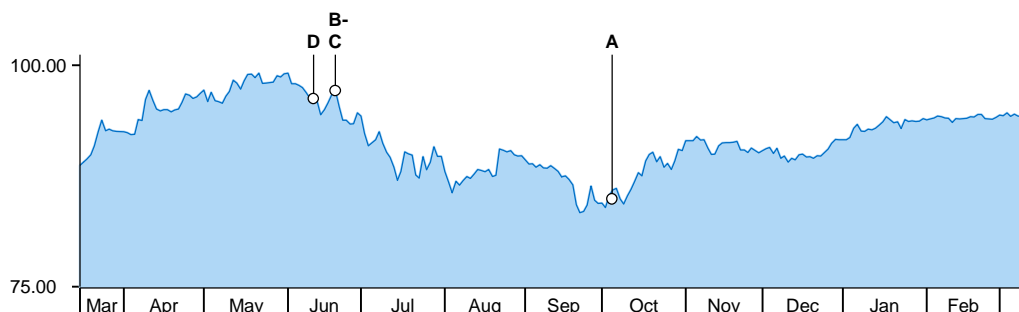
Price: \$94.50

March 13, 2003

Italy

## Price Performance

Currency: U.S. Dollar



### A. Oct 08, 2002 Gucci (RL): A need to re-engineer the core Gucci brand; report published

Tough operating conditions have translated into weaker momentum in the cash cow Gucci brand, at a time of large investments in new brands, and we believe guidance is still at risk. The focus is now on making Gucci more exclusive and cutting costs. We reiterate our RL rating and EUR100 12-month target price, derived using a shareholder value based approach. Risks to our price target include terrorism, war or any obstacles to the March 2004 PPR offer.

### B. Jun 20, 2002 Gucci (RL): Weak 1Q highlights tough sector environment still

We expected a poor 1Q, but it came out worse than expected! Yet, most of the disappointment comes from general sector environment, as opposed to structural brand-specific problems, in our view. We believe this should not affect Gucci's stock price, given its 'bond' characteristics (PPR offer in 2004). We expect the whole sector to remain weak over the next 2/3 weeks, as investors prepare for more subdued Q2 news flow next month. We would buy Gucci on any material weakness. RL rating and EUR110 price target unchanged. EPS cut by 3% to EUR2.62 this year and 2% to EUR3.43 next year.

### C. Jun 17, 2002 Gucci (RL): Remains attractive despite poor expected 1Q; report

We expect Gucci to report a disappointing 1Q. However, we continue to favour the stock because the equity story remains strong at YSL and the setback at the Gucci brand level should only be temporary. In addition, we believe the 'bond' story provides almost full downside protection. Retain RL. (This report is based on our morning note of June 12, 2002.)

### D. Jun 12, 2002 Gucci (RL): Likely subdued Q1; attractive downside protection

Gucci (RL) will report Q1 results on June 19. We expect a subdued performance, with sales -1% (o/w -6% for Gucci brand), adjusted EBIT -19%; reported EBIT -29%; and EPS -32% to EUR0.38. We move from EUR to \$ forecasts, and cut EPS by 4% this year and 3% next year, to reflect 1) continuing subdued travel flow and wealth-mix of travellers; 2) recent dollar weakness. Despite likely weak Q1 at the Gucci brand, we continue to favour the stock, due to leverage from a sharp YSL revamping, and substantial downside protection through PPR's '04 bid commitment.

# Fundamental Company Data

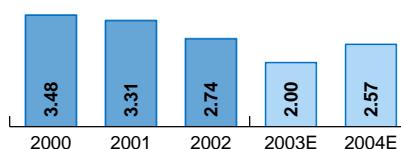
Currency: U.S. Dollar

## Earnings Trends

### EPS Growth

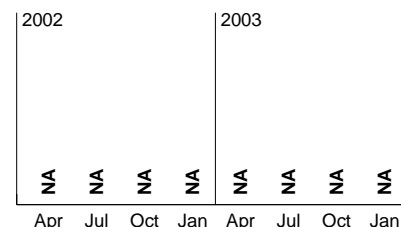
Fiscal Year 2003 Estimate	-27.0%
Fiscal Year 2004 Estimate	28.5%

### EPS Expectations (\$)



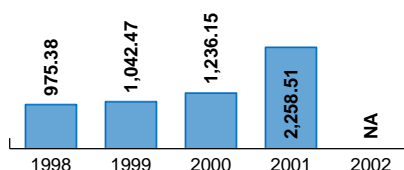
Annual EPS for Gucci (US) declined 17% from 2001 to 2002. EPS is expected to decline 27% from 2002 to 2003.

### Earnings Progression (\$)



## Fundamentals

### Revenue (\$mn)



Historical revenues provided by Worldscope via FactSet Research Systems.

### Stock Data

52 Week Price Range	99.11-83.34
YTD Price Change	3.2%
Market Capitalization (bn)	\$9.5
Current Yield	0.5%
Shares Outstanding (mn)	100.7
Fiscal Year Ends	January

Gucci (US) is trading at 5% off of its 52-week high and 13% above its 52-week low.

### Price Performance

1 Week	0.3%	
1 Month	0.6%	
3 Months	5.8%	
6 Months	7.4%	
9 Months	-1.5%	
1 Year	7.2%	

The Year-to-date price performance for Gucci (US) is 3%.

## Other Companies in the Goldman Sachs Branded Consumer Goods Industry

Comparable companies listed below are companies covered by Goldman Sachs Research, in the same industry, and are selected based on market capitalization relative to Gucci (US); additionally, these companies are domiciled in the same country as Gucci (US).

	Goldman Rating/ Coverage View	Market Cap (\$mn)	Price/Earnings		LT EPS Growth Estimate	P/E to Growth Ratio
			Current Fiscal Year	Next Fiscal Year		
Gucci (US)	Outperform/Neutral	9518.32	47.3X	36.8X	NA	NA
Luxottica (US)	In-Line/Neutral	4690.89	12.3X	11.4X	10%	1.2X
Head	In-Line/Neutral	61.32	15.4X	NA	NA	NA

## Important Definitions

**EPS** (Earnings Per Share) is the total earnings divided by the number of shares outstanding. Companies often use a weighted average of outstanding stock over the reported term.

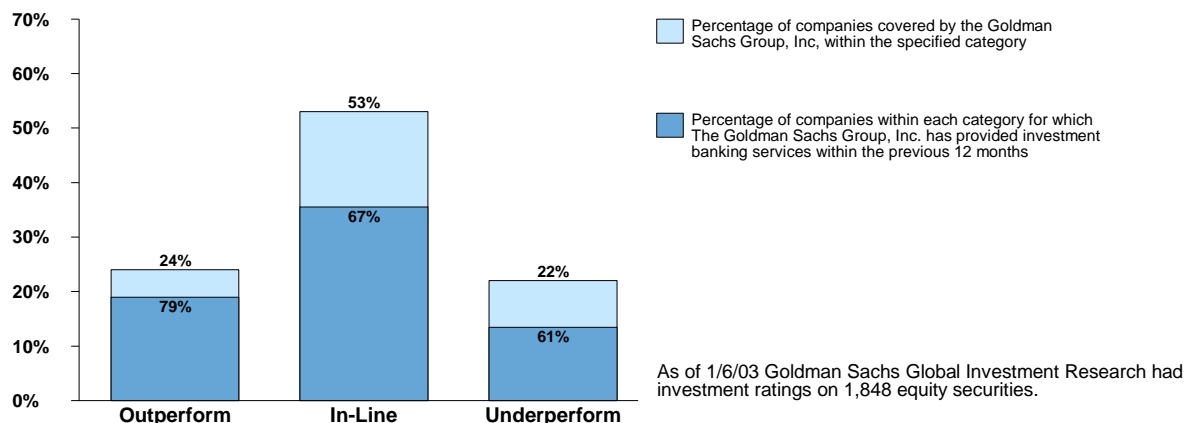
**A Fiscal Year** (FY) is an accounting period that covers 12 consecutive months at the end of which profit and/or losses are determined. This may or may not be the calendar year.

**Market Capitalization** is the market value of a company, determined by multiplying the price of its stock by the number of shares outstanding. Companies valued at upwards of US\$8-to-US\$10 billion are usually classed as large cap; those valued at less than US\$2 billion as small cap, and those in between as mid cap. In general, a stock's volatility varies inversely with its market cap.

**Price/Earnings Ratio** (P/E) is the price of a stock divided by the annual earnings that the security will produce. The P/E multiple indicates how much an investor is paying for the company's earnings power. A higher P/E means that an investor is paying more and thus should expect to achieve higher earnings growth. Low P/E stocks are usually slower growing (value), more mature stocks that pay more dividends.

**Goldman Sachs Research global coverage universe**

Distribution of ratings/investment banking relationships



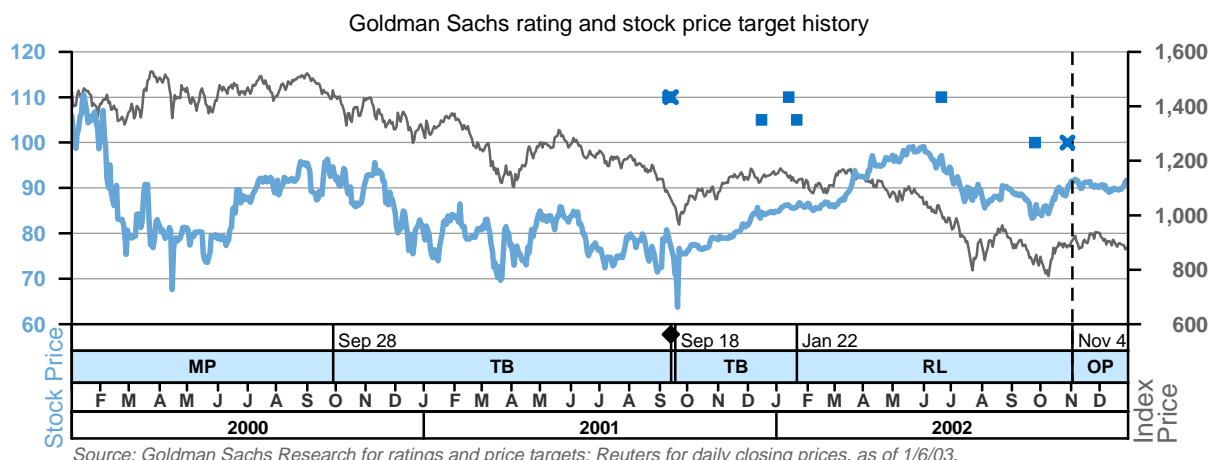
Goldman Sachs uses three ratings - Outperform, In-Line, and Underperform - reflecting expected stock price performance relative to each analyst's coverage group, on an unweighted basis with regard to market capitalization and with a 12-month time horizon. Each analyst also assigns a coverage view - Attractive, Neutral, or Cautious - representing the analyst's fundamental outlook on the coverage group. NASD/NYSE rules require a member to disclose the percentage of its rated securities to which the member would assign a buy, hold, or sell rating if such a system were used. Although relative ratings do not correlate to buy, hold, and sell ratings across all rated securities, for purposes of the NASD/NYSE rules, Goldman Sachs has determined the indicated percentages by assigning buy ratings to securities rated Outperform, hold ratings to securities rated In-Line, and sell ratings to securities rated Underperform, without regard to the coverage views of analysts.

Source: Goldman Sachs

As of January 6, 2003

**Gucci (US) (GUC)**

Currency: U.S. Dollar



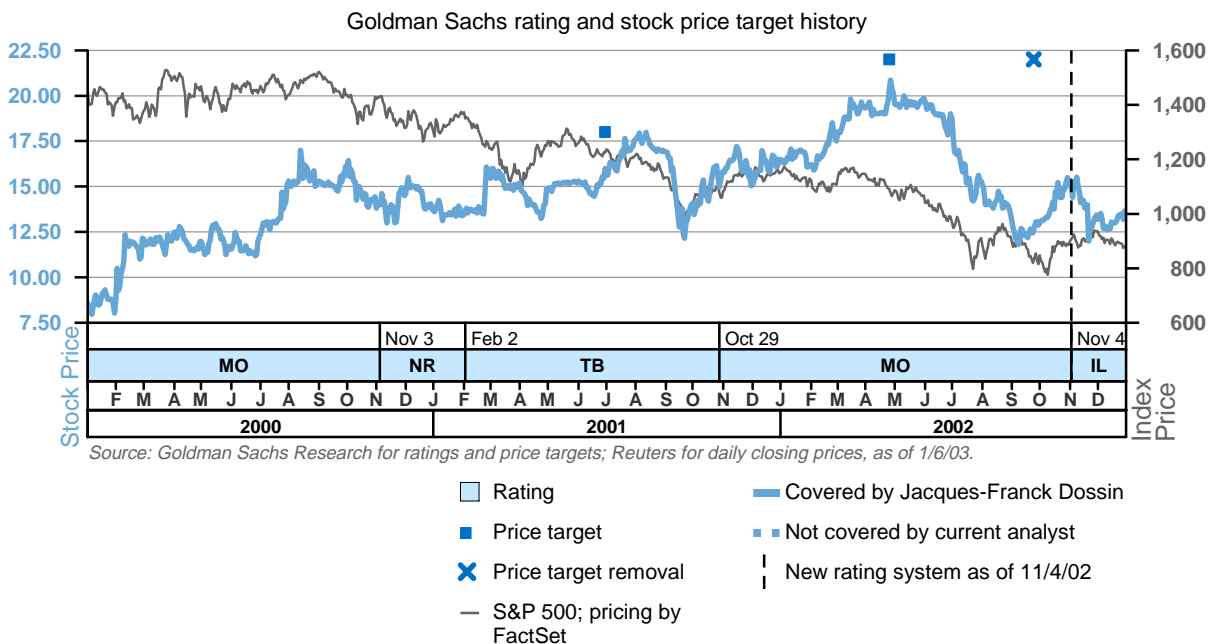
◆ Sep 13, 2001 to NR from TB

- Rating
- Price target
- Price target removal
- S&P 500; pricing by FactSet
- Covered by Jacques-Franck Dossin
- Not covered by current analyst
- New rating system as of 11/4/02

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## Luxottica (US) (LUX)

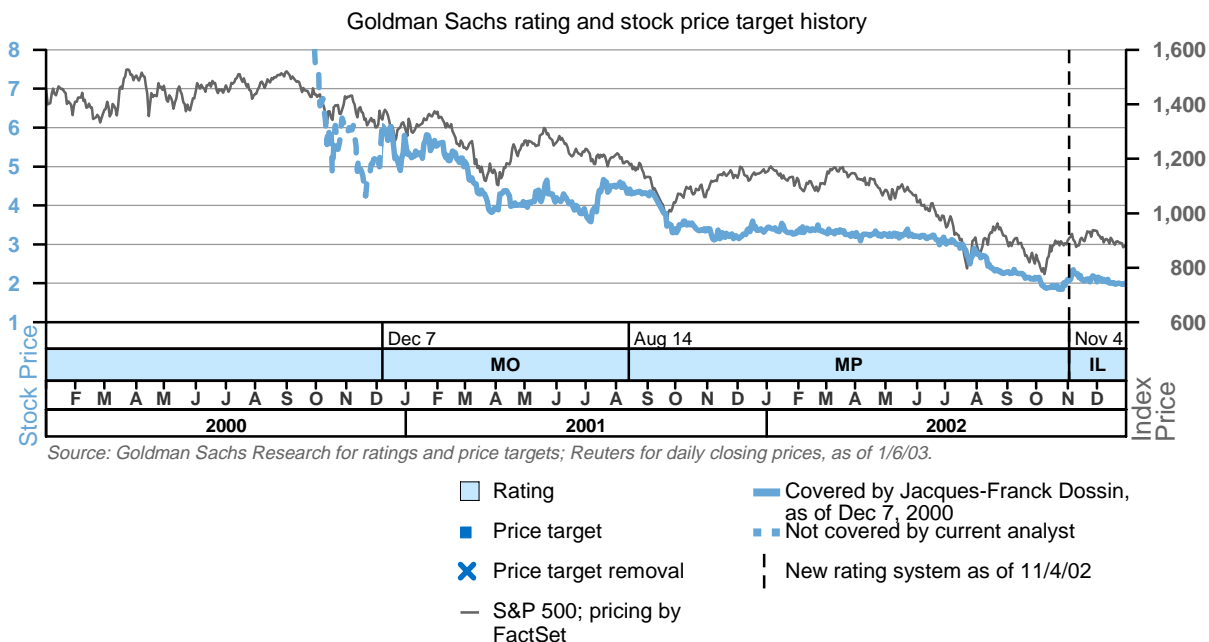
Currency: U.S. Dollar



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## Head (HED)

Currency: U.S. Dollar



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Disclosures from relevant comment

**A. October 08, 2002**

Gucci (GCCl.AS) - **BC2, MM1, MM2**  
Gucci (US) (GUC) - **BC2, MM1, MM2**

**B. June 20, 2002**

Gucci (GCCl.AS) - **No Disclosures**  
Gucci (US) (GUC) - **CF, SP1, SP2**

**C. June 17, 2002**

Gucci (GCCl.AS) - **No Disclosures**  
Gucci (US) (GUC) - **CF, SP1, SP2**

**D. June 12, 2002**

Gucci (GUC) - **CF, SP1, SP2**

Disclosures from March 13, 2003

GUC	BC2, MM1, MM2	LUX	BC1, BC2, MM1, MM2	HED	BC2
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- JSL (Japan/Chubu/Osaka) Securities Finance has issued a warning against using this company's common stock in loan transactions.
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BS	Bearer shares	G	Genussschein
CD	Convertible debentures	GDR/GDS	Global depository receipts/shares
CPF	Convertible preferred shares	New CLA	New Class A special shares
CPF(RTRSY)	News Corp. convertible preferred convertible into Reuters ordinary shares	New CLB	New Class B shares
CLA	Class A shares	NVS	Non-voting shares
CLB	Class B shares	OS	Ordinary shares
CS	Common stock	PC	Participating certificates
CVS	Convertible voting shares	RA	Registered ADRs
ED	Equity derivatives	RBS	Registered bearer shares
EC(ENT)	Elf Aquitaine Euro convertibles, convertible into Enterprise Corporation ordinary shares	RS	Registered shares
EC(MMM)	D&K Euro convertibles convertible into Minnesota Mining & Mfrg common stock.	W	Warrants
EC(RTRSY)	United News Euro convertible into Reuters ordinary shares	ZC	Zero coupon convertibles

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#### Other definitions

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## Previous rating system

Investment ratings: definitions

**RL = Recommended List.** Expected to provide price gains of at least 10 percentage points greater than the market over the next 6-18 months.

**LL = Latin America Recommended List.** Expected to provide price gains at least 10 percentage points greater than the Latin America MSCI Index over the next 6-18 months.

**TB = Trading Buy.** Expected to provide price gains of at least 20 percentage points sometime in the next 6-9 months.

**MO = Market Outperformer.** Expected to provide price gains of at least 5-10 percentage points greater than the market over the next 6-18 months.

**MP = Market Performer.** Expected to provide price gains similar to the market over the next 6-18 months.

**MU = Market Underperformer.** Expected to provide price gains of at least 5 percentage points less than the market over the next 6-18 months.

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