ACATIS GANÉ Value Event Fonds (WKN A0X754)

Investment Report October 2020 **Aschaffenburg, 5th November 2020**

We invest in winners. This means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

L'Occitane International S.A.

We introduced the French natural cosmetics manufacturer L'Occitane in our investment report in March 2014 and in June 2019. Unfortunately, the share price has barely changed since then. Although it rose to a high in May 2015 and December 2019, it has fluctuated around the HKD 15 mark ever since – the issue price on the Hong Kong stock exchange in 2010. Two very different events prevented the two attempts at reaching a new valuation. First, L'Occitane had to adapt its business model because digitalisation has changed consumer behaviour. Many established companies are struggling even today to keep up with these changes. But L'Occitane understands how to use them, even if it has weighed on earnings for several years. The retail shop and the logistics concept were changed, the multi-channel strategy was expanded, new markets were developed, social media and influencer campaigns were established and investments were made in POS, CRM and HCM systems from Salesforce and SAP. In addition, two brands with a digital strategy, strong growth and global potential were acquired: LimeLife (2018) and Elemis (2019). They are an excellent fit with the brand portfolio. L'Occitane is profiting from the knowledge of their dynamic entrepreneurs, new product lines (skin care, make-up) and supplementary sales channels (direct sales, tele-shopping). In return, L'Occitane offers global sales expertise, production and logistics capacity and R&D, IT and Treasury services to drive global expansion outside the home markets of the USA (LimeLife) and UK (Elemis). This reorientation and expansion strategy proved successful. In the first half of the financial year ending on 31 March 2020, sales have increased by 20% and profitability has improved.

It looked like clear sailing ahead. But then the coronavirus crisis scuttled the plan. Retail shops had to be closed worldwide. Strict conditions were imposed for reopenings. Nevertheless, L'Occitane managed to close the financial year with revenue growth of 15% and an EBIT margin of 11%. The excellent work of recent years is now being reflected in the crisis. Although sales per square metre have slumped sharply, L'Occitane is doing well as of 30 September 2020. The decline in sales in the first half of the financial year amounted to only 15%. The Group benefits from its strength in the Asia-Pacific region (APAC), which accounts for 50% of sales, as well as its high online penetration, which accounts for 41% of total sales. L'Occitane is a robust company with a "digital-first strategy". The very high core profitability (gross profit margin: 80%) and the anticipated regional, product-related and multi-channel growth should ultimately result in a revaluation of the share after the end of the coronavirus crisis. All good things come in threes!

Sincerely yours

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