

Luxury

IR TOP RESEARCH

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FOPE

Important growth in 1H 2018

1H 2018 RESULTS

FOPE released a strong set of 1H 2018 results: **revenues grew by 13% to 15.3 Eu m** (13.5 Eu m in 1H 2017) mainly driven by an important increase in foreign markets (82% of total revenues).

EBITDA came in at 3.2 Eu m, a significant increase compared to 1.8 Eu m in 1H 2017, and with an EBITDA margin of 20.8% (vs. 13.1% in 1H 2017). **Net Income** stood at 1.9 Eu m (0.8 Eu m in 1H 2017).

Net debt at the end of the period considered was 2.9 Eu m (vs 1.2 Eu m at FY 2017).

According to Management, **the results confirm budget expectations**, and was driven by positive performance both in export markets (in particular in USA and Europe) and in the domestic market where the Company has continued to consolidate its market position.

COMPANY DESCRIPTION AND STRATEGY

FOPE, founded in 1929 in Vicenza, produces high end jewellery with its own brand. The company is known for its characteristic design and has patented the "roll on" elastic gold mesh chain (Flex'it). The core business includes all the phases of productive cycle: from in house creation (concept, design realization of prototype) to in house production (final assembly) and delivery. It is a global company with around 80% of sales abroad. Germany, UK and USA are the most important markets with 20% of sales each.

FOPE will consolidate its position on international markets through:

- focus on the main markets (USA - UK - Germany)
- strengthening of value proposition in order to improve customer loyalty
- improvement of brand awareness

AIM POSITIONING 2017

We position FOPE within AIM Italia's "Fashion & Luxury" Sector which includes 5 companies: Cover 50, FOPE, Giorgio Fedon & Figli, Italia Independent Group and Monnalisa. In 2017 these companies showed average revenues of 39 Eu m, an average yoy growth of 7% and EBITDA margin of 10%.

As of September 18th 2018, average capitalisation of the Sector was of 38 Eu m, with positive average performance from IPO of +5%.

Compared to the average AIM "Fashion & Luxury" Sector, FOPE shows:

- higher Revenues growth rate (+21% vs. +7%)
- higher EBITDA margin (14% vs. 10%)
- lower NFP/EBITDA ratio (0.3x vs. 0.8x)
- lower level of indebtedness in absolute terms (1.2 Eu m vs. 6.4 Eu m)
- lower liquidity of the stock

Performance from IPO is positive (+141%) and largely above average.

VALUATION

We set a 9.05 Eu p.s. target price (previously 8.85 Eu p.s.), derived from a relative valuation using the EV/EBITDA multiple discounted by 27% to peers as of AIM Positioning (10.00 Eu p.s.) and a DCF model (8.10 Eu p.s., WACC 9.3%, g 1.0%).

Please, read important disclaimer on the last page of this report.

SHARE DATA

Market	AIM Italia
Reuters/Bloomberg	FPE.MI/FPPE IM
ISIN	IT0005203424
N. of Shares	4,747,700
Free Float	17%
Main Shareholder	Cazzola's Family (76.6%)
CEO	Diego Nardin

Target Price (Eu)

Target Price (Eu)	(Previous 8.85)	9.05
Market Price (Eu)		7.00
Capitalisation (Eu m)		33
Enterprise Value (Eu m)		36

(as of September 18th, 2018)

AIM Positioning

FY 2017 (Eu m)	Company	AIM Sector*	AIM Italia
Revenues	28	39	42
Revenues YoY	+21%	+7%	+12%
EBITDA Margin	14%	10%	14%
Net Debt (Cash)	1.2	6.4	11.1
NFP/EBITDA	0.3	0.8	1.1

Market Data (Eu m)	Company	AIM Sector*	AIM Italia
Capitalisation	33	38	69
Perf. from IPO	+141%	+5%	+1%
Free Float	17%	22%	40%
ADTT YTD (Eu)	18,260	40,422	104,577

Source: Osservatorio AIM Italia – * Fashion & Luxury

Results & Estimates

Key Figures (Eu m)	16A	17A	18E	19E	20E
Revenues	23.1	28.0	30.8	33.9	37.3
YoY growth	+10%	+21%	+10%	+10%	+10%
EBITDA	2.3	3.9	4.7	5.4	6.3
EBITDA%	9.8%	13.9%	15.3%	16.0%	16.9%
EBIT	1.6	3.1	3.6	4.1	4.9
EBIT%	6.8%	11.0%	11.8%	12.2%	13.1%
Net Profit	1.1	2.3	2.5	2.8	3.4
Net Debt (Cash)	2.1	1.2	2.7	2.6	(0.1)
EPS	0.23	0.49	0.53	0.60	0.72

Source: Company Data and IR Top Estimates

Peers Comparison

EV/EBITDA (x)	18E	19E	20E
FOPE	7.6	6.6	5.3
Luxury Peers	14.3	12.9	11.4
Discount/Premium to Luxury Peers	-47%	-49%	-54%

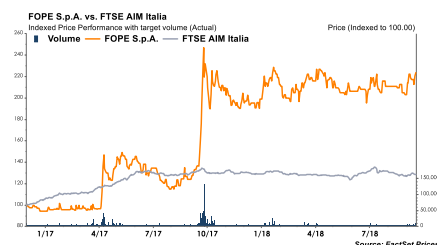
P/E (x)	18E	19E	20E
FOPE	13.1	11.7	9.8
Luxury Peers	26.5	24.9	21.9
Discount/Premium to Luxury Peers	-50%	-53%	-55%

Source: IR Top Estimates for FOPE and Factset data for comparables

Performance

	1M	3M	1Y
Absolute	+6.1%	+6.9%	+55.6%
Relative (FTSE AIM Italia)	+5.4%	+7.8%	+60.4%
52-week High/Low* (Eu)	7.87 / 3.99		

Source: Factset data
* Intra Day



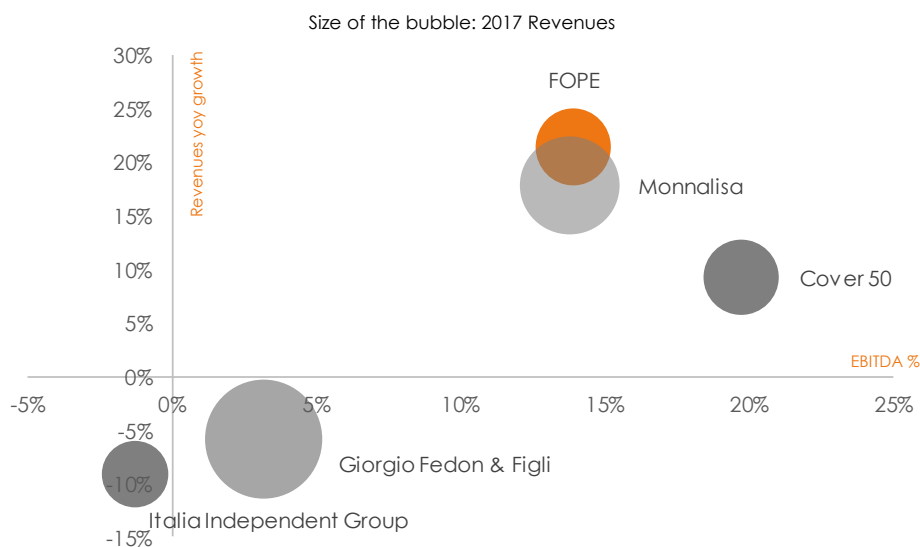
AIM POSITIONING

FOPE is the only listed company in the Luxury sector. Founded in 1929 in Vicenza, it produces high end jewellery with its own brand.

Compared to average AIM Italia "Fashion & Luxury" Sector, FOPE shows:

- higher revenues growth rates (+21% vs +7%)
- higher EBITDA margin (14% vs 10%)
- lower level of Indebtedness (NFP/EBITDA 0.3x vs 0.8x)

AIM Italia "Fashion & Luxury" Sector



2017 Data (Eu m)	Revenues	yoy	EBITDA%	NFP (Cash)	EV/EBITDA	NFP/EBITDA
Cover 50	28	+9%	20%	(9.7)	6.6	-1.8
FOPE	28	+21%	14%	1.2	8.8	0.3
Giorgio Fedon & Figli	67	-6%	3%	7.3	11.3	3.4
Italia Independent Group	22	-9%	-1%	24.6	n.m.	n.m.
Monnalisa	48	+18%	14%	8.5	12.1	1.3
Fashion & Luxury	39	+7%	10%	6.4	9.7	0.8
AIM Italia	42	+12%	14%	11.1	15.0	1.1

Source: Osservatorio AIM Italia, EV as of September 18th, 2018

FOPE is trading at discount in terms of EV/EBITDA compared to average AIM Italia "Fashion & Luxury" Sector.

Compared to average AIM Italia "Fashion & Luxury" Sector, FOPE shows:

- lower capitalisation
- lower free float
- lower average daily traded turnover (ADTT)

Performance from IPO is positive and above average (+141% vs +5%).

Company	Capitalisation (Eu m)	Free Float	Perf. from IPO	ADTT YTD (Eu)
Cover 50	45	26%	-45%	23,599
FOPE	33	17%	+141%	18,260
Giorgio Fedon & Figli	17	21%	+16%	19,915
Italia Independent Group	23	21%	-86%	17,711
Monnalisa	71	26%	-1%	122,624
Fashion & Luxury	38	22%	+5%	40,122
AIM Italia	69	40%	+1%	104,577

Source: Osservatorio AIM Italia and Factset data as of September 18th, 2018

RESULTS AND ESTIMATES

1H 2018 sales growth of 13%
EBITDA margin 20.8%

BUSINESS UPDATE

- FOPE had a positive 1H 2018, and closed with revenues of 15.3 Eu m. up by 13% vs. 1H 2017. According to Management, the result confirms budget expectations, and was driven by positive performance both in export markets (in particular in USA and Europe) and in the domestic market where the Company has continued to consolidate its market position.
- Management confirmed strategic guideline to improve Brand awareness, support the distribution network and new openings of Shop in Shops in collaboration with important customers.
- In March 2018 the Company established "FOPE Jewellery Limited", a company that will operate as an agent in the UK and Irish markets, and will substitute the former agreement with a third party. Continuity will be granted by the fact that three key managers will be transferred to the new company in which they will hold a minority share (total of 25%). The operation will allow FOPE to have a direct presence in the UK market, increase efficiency and obtain cost savings.
- With FY 2017 financial results FOPE released its first Sustainability Report. The report was prepared in accordance with the guidelines of GRI Sustainability Reporting Standards (GRI Standards).

1H 2018 RESULTS

FOPE released a strong set of 1H 2018 results: **revenues grew by 13% to 15.3 Eu m** (13.5 Eu m in 1H 2017) mainly driven by an important increase in foreign markets (representing 82% of total revenues), in particular in Europe and America. Also the Italian market contributes to the growth, registering higher revenues (+16%) compared to 1H 2017.

EBITDA came to 3.2 Eu m, registering a significant increase compared to 1.8 Eu m in 1H 2017, corresponding to an EBITDA margin of 20.8% (vs 13.1% in 1H 2017). The increase is mainly to be attributed to higher sales volumes, which generated an increase in the contribution margin on the overhead costs structure.

EBIT increased by 0.9 Eu m in the period considered and reached 2.3 Eu m (1.4 Eu m in 1H 2017), despite higher D&A due to productive and commercial investments (in particular the new exhibition stands).

Net Profit stood at 1.9 Eu m vs. 0.8 Eu m in 1H 2017, included of third parties net profit (25% of FOPE Jewellery Ltd.)

Net debt was 2.9 Eu m (vs 1.2 Eu m at FY 2017), after investment in the period for a total of c. 900 Eu k, of which c. 700 Eu k relative to the new stand for the Baselworld fair.

The increase in **Net Working Capital** (11.3 Eu m in 1H 2018 vs 8.9 Eu m at FY 2017) is mainly due to the purchase of raw materials (fine gold) carried out in 1H 2018.

Key Figures (Eu m)	1H 2018	1H 2017	FY 2017
Revenues	15.3	13.5	28.0
YoY growth	+13%	+22%	+21%
EBITDA	3.2	1.8	3.9
EBITDA%	20.8%	13.1%	+13.9%
EBIT	2.3	1.4	3.1
EBIT%	17.3%	10.1%	+11.0%
Net Profit	1.9	0.8	2.3
Net Working Capital (NWC)	11.3	9.6	8.9
Fixed net assets	7.2	2.8	6.9
Funds	(2.5)	(2.5)	(2.7)
Net Capital Employed	16.0	12.4	13.1
Net Debt (Cash)	2.9	2.2	1.2
Equity	13.1	10.1	11.9
Total Source	16.0	12.4	13.1

Source: Company Data

2018-2020E: FOPE can grow Revenues at a CAGR of +10% and EBITDA at a CAGR of +17%

ESTIMATES

Based on the positive results and Management's forecasts of a good outcome for the year, with growth in sales and increase in profitability vs. 2017, we slightly upgraded our forecasts. In particular we increased our EBITDA estimates by c. 5% on average. We maintain unchanged our revenues forecasts for 2018-2020 period.

Our updated 2018-2020 estimates show:

- 1) Revenue growth at a 2017-2020 CAGR of 10%, thanks mainly to the continuous expansion in export markets, especially in the US, UK and Germany.
- 2) EBITDA 2017-2020 CAGR of 17%, and an increase in EBITDA margin by 300 bps in the period considered thanks to revenue growth (fixed costs are spread over higher volumes), partially offset by higher marketing spending in line with Management's strategy to increase brand awareness in order to pave the way for higher market prices.
- 3) Net debt at year end 2020 at 0.1 Eu m, after capex of about 8.0 Eu m over the three year period.

MAIN FINANCIAL INDICATORS

Eu m	17A	18E Old	18E New	19E Old	19E New	20E Old	20E New
Revenues	28.0	30.8	30.8	33.9	33.9	37.3	37.3
	yoy	+21%	+10%	+10%	+10%	+10%	+10%
EBITDA	3.9	4.4	4.7	5.2	5.4	6.0	6.3
	margin	+13.9%	14.2%	15.3%	15.2%	16.0%	16.9%
EBIT	3.1	2.9	3.6	3.5	4.1	4.2	4.9
	margin	+11.0%	9.4%	11.8%	10.2%	12.2%	11.3%
Pre tax profit	3.2	2.8	3.5	3.4	3.9	4.1	4.7
Net Profit	2.3	2.1	2.5	2.5	2.8	3.0	3.4
	yoy	+117%	-11.2%	+8.4%	+19.2%	+12.6%	+21.8%
EPS	0.49	0.44	0.53	0.52	0.60	0.63	0.72

Eu m	17A	18E Old	18E New	19E Old	19E New	20E Old	20E New
Net Working Capital (NWC)	8.9	9.8	9.9	10.8	10.9	11.9	12.0
Fixed net assets	6.9	9.0	9.4	9.5	11.3	8.9	11.1
Funds	(2.7)	(2.9)	(2.8)	(3.1)	(2.9)	(3.5)	(3.0)
Net Capital Employed	13.1	16.0	16.5	17.2	19.3	17.3	20.2
Net Debt (Cash)	1.2	2.6	2.7	1.3	2.6	(1.6)	0.1
Equity	11.9	13.4	13.9	15.9	16.7	18.9	20.1
Sources	13.1	16.0	16.5	17.2	19.3	17.3	20.2

Source: Company Data and IR Top Estimates

VALUATION

Our valuation yields a Target Price of 9.05 Eu per share

AIM Positioning discount of 27%

We have updated our valuation for FOPE and in particular:

- the DCF to include the new estimates and up-to-date risk free rate and ERP;
- the relative valuation to reflect current market multiples for a peer group consisting of luxury Large Cap companies with business models comparable to FOPE. We have, in addition, updated our AIM Positioning Discount to reflect FY 2017 results for the AIM Italia market. The new discount applied is of 27%, down from 27.5% thanks to higher transparency on ESG issues.

Our valuation has not been adjusted for the possible dilution impact of the exercise of outstanding warrants, that would have an impact of 4% on our valuation.

MULTIPLES

For the relative valuation we have considered EV/EBITDA as the most important tool to evaluate the Company, as FOPE currently is in an investment phase.

Eu m	Country	Capitalisation	Revenues 2017	yoy	EBITDA % 2017A	EBITDA % 2018E
FOPE	Italy	33	28	+21%	14%	15%
Tod's	Italy	1,939	963	-4%	18%	16%
Salvatore Ferragamo	Italy	3,578	1,393	-3%	18%	16%
Prada	China	9,537	3,008	-6%	19%	20%
Moncler	Italy	9,695	1,194	+15%	33%	34%
Brunello Cucinelli	Italy	2,332	505	+11%	18%	17%
Tiffany	USA	13,091	3,396	-6%	24%	23%
LVMH	France	145,499	42,636	+13%	24%	26%
Kering	France	55,727	15,478	+25%	22%	32%
Burberry	UK	9,851	3,139	-4%	23%	21%
Hermes	France	58,084	5,549	+7%	39%	38%
Richemont	Switzerland	37,436	11,218	+5%	22%	22%
Median Luxury Peers		9,851	3,099	+7%	22%	22%

Source: Company Data for FOPE and Factset data for comparables

	18E	19E	20E
EV/EBITDA (x)			
FOPE	7.6	6.6	5.3
Median Luxury Peers	14.3	12.9	11.4
Discount/Premium to Luxury Peers	-47%	-49%	-54%

	18E	19E	20E
P/E (x)			
FOPE	13.1	11.7	9.8
Median Luxury Peers	26.5	24.9	21.9
Discount/Premium to Luxury Peers	-50%	-53%	-55%

Source: IR Top Estimates for FOPE and Factset data for comparables

DCF

Main assumptions are:
 - Perpetual growth: 1.0%
 - Risk Free interest rate: 2.70%
 - WACC: 9.3%

Sum of PV 2018-2023 FCF – Eu m	9.1
Terminal Value – Eu m	32.3
Total Enterprise Value – Eu m	41.3
Net Financial Position (Cash) – Eu m	2.9
Total Equity Value – Eu m	38.4
Number of shares outstanding – m	4.7
Fair Value per share – Eu	8.10

Source: Company Data and IR Top Estimates

Our DCF valuation yields a target price of 8.10 Eu per share.

VALUATION SUMMARY

Weighting the 2 valuation approaches equally we upgrade the target price to 9.05 Eu (previous 8.85 Eu), implying an upside of 29% and an implicit EV/EBITDA 2018 and 2019 multiple of 9.7 x and 8.4 x respectively.

Method	Price (Eu)
DCF	8.10
Multiple analysis	10.00
Target Price	9.05

FOPE ON AIM

+141% from IPO

IPO

Date: 30 November 2016
 Capital raised: 2.2 Eu m Equity (+1.2 Eu m Convertible Bond)
 Price: 2.90 Eu
 Capitalisation: 13.3 Eu m

WARRANT FOPE 2016-2019 (as of September 18th, 2018)

Code: WFPE19
 ISIN: IT0005203432
 Price: 1.00 Eu
 Outstanding Warrants: 2,881,500
 Exercise ratio: 1:10 (shares:warrants)
 1st Exercise Period: 15-30 Nov 2017 – Strike Price: $P_1 = P_{IPO} (1+10\%) = 3.19$ Eu (1,642,000 Warrant Exercised)
 2nd Exercise Period: 15-30 Nov 2018 – Strike Price: $P_2 = P_1 (1+10\%) = 3.51$ Eu
 3rd Exercise Period: 15-29 Nov 2019 – Strike Price: $P_3 = P_2 (1+10\%) = 3.86$ Eu

As of September 18th, 2018 outstanding n. 2,881,500 Warrants

FOPE CONVERTIBLE 4.5% 2016-2021

Code: FPE21
 ISIN: IT0005203671
 N. issued bonds: 12,000
 Nominal value of each bond: 100 Eu
 Issued Value: 1.2 Eu m

SHARES (as of September 18th, 2018)

Code: FPE
 Bloomberg: FPE IM
 Reuters: FPE.MI
 ISIN: IT0005203424
 Shares: 4,747,700
 Price: 7.00 Eu
 Performance from IPO: +141%
 Capitalisation: 33 Eu m
 Free Float: 17%
 NomAd: Integrae SIM
 Specialist: Integrae SIM

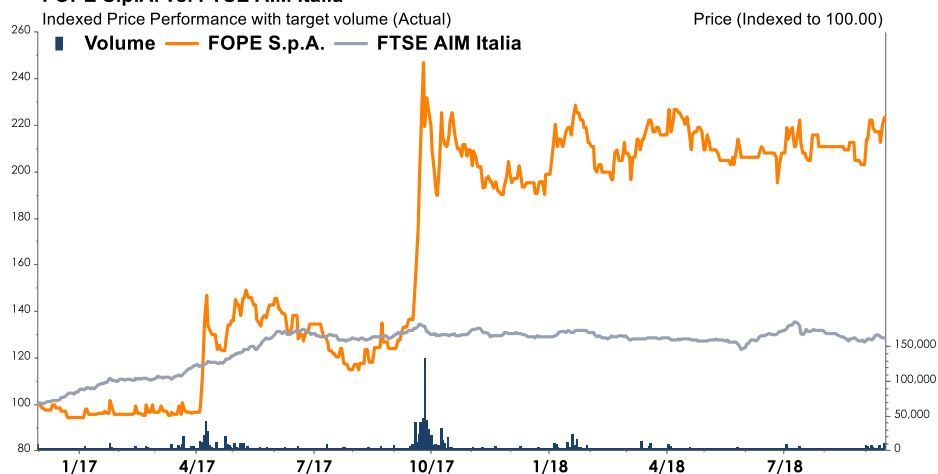
Shareholder	n. of shares	%
Ines Cazzola	1,817,200	38.28%
Umberto Cazzola*	482,460	10.16%
Giulia Cazzola**	1,334,740	28.11%
Diego Nardin	315,600	6.65%
Esperia Servizi Fiduciari S.p.A.	276,000	5.81%
Other Shareholders (<5%)	521,700	10.99%
Total	4,747,700	100.00%

* an additional 1,334,740 shares in usufruct

** of which 60,000 shares in full ownership and 1,274,740 as bare ownership.

FOPE S.p.A. vs. FTSE AIM Italia

Indexed Price Performance with target volume (Actual)



Source: FactSet Prices

RATIOS

Eu m	2015A	2016A	2017A	2018E	2019E	2020E
Profit & Loss Statement						
Revenues	20.9	23.1	28.0	30.8	33.9	37.3
EBITDA	2.0	2.3	3.9	4.7	5.4	6.3
EBIT	1.4	1.6	3.1	3.6	4.1	4.9
Financial Income (charges)	(0.1)	(0.1)	0.1	(0.2)	(0.2)	(0.2)
Pre-tax profit (loss)	1.3	1.5	3.2	3.5	3.9	4.7
Taxes	(0.3)	(0.4)	(0.8)	(1.0)	(1.1)	(1.3)
Net profit	1.0	1.1	2.3	2.5	2.8	3.4
Balance Sheet						
Fixed assets	4.5	5.0	6.9	9.4	11.3	11.1
NWC	8.1	8.9	8.8	9.9	10.9	12.0
M/L Funds	(2.5)	(2.1)	(2.6)	(2.8)	(2.9)	(3.0)
Net Capital Employed	10.1	11.8	13.1	16.5	19.3	20.2
Net Debt	4.4	2.1	1.2	2.7	2.6	0.1
Net Equity	5.7	9.6	11.9	13.9	16.7	20.1
Cash Flow						
EBIT	1.4	1.6	3.1	3.6	4.1	4.9
D&A	0.5	0.7	0.8	1.1	1.3	1.4
Tax	(0.3)	(0.4)	(0.8)	(1.0)	(1.1)	(1.3)
Other	0.0	0.0	0.0	0.0	0.0	0.0
Change in M/L Funds	0.9	(0.4)	0.5	0.1	0.1	0.1
Gross Cash Flow	2.5	1.4	3.6	3.8	4.4	5.1
Change in NWC	(2.2)	(0.8)	0.1	(1.0)	(1.0)	(1.1)
Operating Cash Flow	0.4	0.6	3.7	2.9	3.4	4.0
Capex and Investments	(1.5)	(1.2)	(2.7)	(3.6)	(3.2)	(1.2)
Financial Income (charges)	(0.1)	(0.1)	0.1	(0.2)	(0.2)	(0.2)
Free Cash Flow	(1.2)	(0.6)	1.0	(0.9)	0.0	2.6
Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Change in Equity	(0.2)	3.9	2.3	1.9	2.8	3.4
Change in Net debt	(1.4)	3.3	3.3	1.0	2.9	6.0
Per Share Data						
Current Price	7.00					
Total shares out (mln) average	4.7					
EPS	0.21	0.23	0.49	0.53	0.60	0.72
DPS	0	0	-0.125	0	0	0
FCF	(1.2)	(0.6)	1.2	(0.9)	0.0	2.6
Pay out ratio	0%	0%	25%	0%	0%	0%
Ratios						
EBITDA margin	9.4%	9.8%	13.9%	15.3%	16.0%	16.9%
EBIT margin	6.8%	6.8%	11.0%	11.8%	12.2%	13.1%
Net Debt/Equity (Gearing)	77.2%	22.1%	9.8%	19.1%	15.8%	0.3%
Net Debt/EBITDA	2.2	0.9	0.3	0.6	0.5	0.0
Interest cover EBIT	-0.1	0.0	0.0	0.0	0.0	0.0
ROE	17.5%	11.2%	19.6%	18.3%	17.0%	16.9%
Free Cash Flow Yield	-184%	-89%	171%	-132%	3%	383%
Growth Rates						
Revenues	15%	10%	21%	10%	10%	10%
EBITDA	5%	16%	72%	21%	15%	16%
EBIT	-2%	11%	96%	18%	13%	18%
Net Profit	3%	8%	117%	8%	13%	19%

DISCLAIMER**UPDATES**

This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on FOPE (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on March 28th 2018. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

Date	Target Price	Market Price	Validity Time
September 19 th 2018	9.05	7.00	12 months
March 28 th 2018	8.85	6.80	12 months
September 21 st 2017	6.05	5.00	12 months
July 18 th 2017	5.40	3.83	12 months

VALUATION METHODOLOGY (HORIZON: 12M) IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models.

Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

RESEARCH TEAM

Luisa Primi, (Senior Analyst, AIAP Associated)

Gianluca Mozzali, (Analyst)

Claudia Zolin, (Analyst)

Chiara Cardelli, (Researcher)

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