

FOPE

1H21 confirms positive trend seen in first two months, increase in revenues and margins

Revenues and margins return to pre-Covid levels in spite of still challenging market conditions. FOPE, a leading player in the high-end jewellery sector, just released preliminary 1H21 results which confirmed the positive trend recorded in the first two months of the year. The results show that a recovery is well underway with a return to pre-Covid levels despite still challenging market conditions. More in detail, sales came in at Euro 14.6 m, up by 44% vs. 1H20 and 6% below 2019 levels (Euro 10.2 m and Euro 15.5 m). The good results were driven by a progressive reopening in key European markets (Germany and UK) and a somewhat unexpected rebound in the US luxury market¹ in the first half of the year. On the other hand, markets depending on tourism, which in FY19 counted for c. 15% of total sales (Caribbean, art cities in Italy and Spain), have continued to struggle. Management also underlined good performance of the new collections released at the beginning of the year. EBITDA stood at Euro 2.4 m vs. Euro 0.7 m in 1H20 (Euro 3.2 m in 1H19) with an EBITDA margin of 16.4% (6.9% in 1H20 and 20.6% in 1H19) reflecting resumed investments in marketing and advertising activities. EBIT amounted to Euro 1.6 m (Euro -0.2 m in 1H20 and Euro 2.4 m in 1H19) while Net Profit came in at Euro 1.0 m vs. Euro -0.1 m in 1H20 and Euro 1.9 in 1H19. Net Debt at the end of the period considered was of Euro 2.0 m, down from Euro 2.4 at year-end 2020 after a dividend payment made in May of c. Euro 0.8 m (Euro 0.15 p.s., pay-our ratio of 42%). Working capital remained largely in line with 2020 year-end (Euro 12.4 m vs. Euro 12.4 m in FY20) despite higher sales volumes. Net Equity was of Euro 20.6 m

Focus on geographical expansion in key markets and product development. Amid the pandemic and thanks to a solid balance sheet, Management has continued to invest in geographical expansion and product development and has over the last six months continued to open new shops including c. 20 in the US, a flagship store in Kuala Lumpur, and a showroom in Dubai. Management stressed that although focus remains on key markets, the Company continues to develop other geographical markets and has over the last months seen particularly encouraging results in Japan. In terms of product development, the Company continued to launch new collections featuring designs aimed to keep in mind also a younger clientele. In addition, a new line of jewellery was recently presented to the sales network which will open up the FOPE brand proposal to include the male public (cufflinks, bracelets).

Positive Outlook Confirmed. Given the above our outlook for FOPE remains positive. We believe that the second half of the year can benefit from the resuming of the trade fair activities which in the industry represent an a very important sales moment (Las Vegas and Vicenza coming up in 2H), and hopefully also from a recovery in revenues from tourist driven locations. Management highlighted that it looks optimistically at 2021 and, although not providing any guidance for FY21, confirmed positive closing forecasts for the year.

Estimate revision and Valuation update. Following the positive 1H21 results, we have slightly raised our avg. FY21-22 EPS estimates by +6%. Our revised FY21 estimates are now pointing to revenues of Euro 32 m (vs. Euro 30 m before) and EBITDA of Euro 5.1 m (vs. Euro 4.7 m previously). We also added 2023 to our explicit forecast period. Based on our updated estimates and peers' multiples re-rating since our last update, we set a new target price of 15.55 Euro p.s. (Euro 11.42 p.s. previously), providing for a 22% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis. At our target price the stock would be trading at FY21/22 EV/EBITDA multiples of 16.6/11.2x, vs. current 13.6/9.1x and vs. peers' 16.5/14.2x.

Sector: Fashion & Luxury

Target Price (Euro)	15.55 (11.42 pr)
Market Price (Euro)	12.80
Market Cap (Euro m)	68.4
EV (Euro m)	70.4
As of August 4 th , 2021	

Share Data

Market	AIM Italia
Bloomberg /Reuters	FPE.MI/FPE:IM
ISIN	IT0005203424
N. of Shares	5,345,996
Free Float	18.09%
CEO	Diego Nardin

Industry Comparison

	FOPE	Sector AIM	Peers	AIM Italia
Rev FY20 (Eu m)	26	24	9,880	39
FY20-22E CAGR	24%	18%	21%	22%
EBITDA FY20	16%	8%	28%	14%
ND/EBITDA	0.6x	1.3x	1.2x	0.5x
Mkt Cap (Eu m)	68	38	69,021	59
Free Float	18%	24%	55%	32%
ADTT YTD (Eu k)	48	78	37,791	122
EV/EBITDA FY21	13.6x	16.4x	16.5x	21.2x
P/E FY21	29.6x	25.3x	39.8x	31.6x

Key Financials

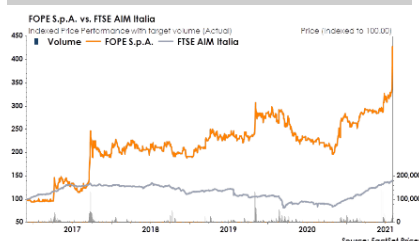
	20A	21E	22E	23E
Sales	26.3	32.0	39.0	43.7
YoY %	-25%	+22%	+22%	+12%
EBITDA	4.1	5.1	7.6	8.8
EBITDA %	16%	16%	20%	20%
EBIT	2.5	3.4	5.9	7.1
EBIT %	10%	11%	15%	16%
Net Income	1.9	2.3	4.1	5.0
Net Debt / (Cash)	2.6	1.2	0.5	(1.1)

Performance

	1M	3M	6M
Absolute	+33.3	+46.3	+91.2
Relative (FTSE AIM Italia)	+29.1	+28.8	+21.1
52-week High/Low (Eu)	12.80	/	6.10

IR TOP RESEARCH

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KEY FINANCIALS

Profit&Loss Statement	2017A	2018A	2019E	2020A	2021E	2022E	2023E
Sales	28.0	31.3	35.0	26.3	32.0	39.0	43.7
EBITDA	3.9	6.1	6.8	4.1	5.1	7.6	8.8
EBIT	3.1	5.0	5.4	2.5	3.4	5.9	7.1
Financial Income (charges)	0.1	(0.2)	(0.5)	(0.3)	(0.2)	(0.2)	(0.2)
Pre-tax profit (loss)	3.2	4.7	5.0	2.3	3.2	5.7	6.9
Taxes	(0.8)	(1.4)	(0.1)	(0.4)	(0.9)	(1.6)	(1.9)
Net profit (loss) Group	2.3	3.3	4.8	1.9	2.3	4.1	5.0

Balance Sheet							
Fixed assets	6.9	9.3	12.6	13.6	13.3	13.1	12.9
NWC	8.9	9.5	11.2	12.2	12.5	15.3	17.1
M/L Funds	(2.7)	(2.8)	(3.0)	(2.7)	(2.7)	(2.7)	(2.7)
Net Capital Employed	13.1	16.1	20.9	23.1	23.2	25.8	27.4
Net Debt	1.2	0.1	0.1	2.6	1.2	0.5	(1.1)
Net Equity	11.9	16.0	20.8	20.5	22.0	25.2	28.5

Cash Flow							
EBIT	3.1	5.0	5.4	2.5	3.4	5.9	7.1
D&A	0.8	1.1	1.3	1.6	1.7	1.7	1.7
Tax	(0.8)	(1.4)	(0.1)	(0.4)	(0.9)	(1.6)	(1.9)
Other	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Change in M/L Funds	0.6	0.1	0.2	(0.3)	0.0	0.0	0.0
Gross Cash Flow	3.7	4.8	7.1	3.4	4.2	6.0	6.9
Change in NWC	(0.0)	(0.7)	(1.7)	(1.0)	(0.3)	(2.8)	(1.8)
Operating Cash Flow	3.7	4.1	5.4	2.4	3.9	3.3	5.0
Capex and Investments	(2.7)	(3.5)	(4.9)	(2.4)	(1.5)	(1.5)	(1.5)
Financial Income (charges)	0.1	(0.2)	(0.5)	(0.3)	(0.2)	(0.2)	(0.2)
Free Cash Flow	1.0	0.3	0.1	(0.2)	2.2	1.6	3.3
Dividend	0.0	(0.6)	(1.8)	(2.4)	(0.8)	(0.9)	(1.6)
Change in Equity	(0.0)	1.3	1.7	0.2	0.0	0.0	0.0
Change in Net debt	1.0	1.1	0.0	(2.4)	1.4	0.6	1.7

Per Share Data							
Current Price		12.80					
Total shares out (mn) average		5.3					
EPS	0.44	0.63	0.91	0.35	0.43	0.77	0.93
DPS	0.11	0.33	0.45	0.15	0.17	0.31	n.m.
FCF	0.2	0.1	0.0	(0.0)	0.4	0.3	0.6
Pay out ratio	25%	53%	49%	42%	40%	40%	0%

Ratios							
EBITDA margin	13.9%	19.5%	19.4%	15.6%	16.0%	19.5%	20.1%
EBIT margin	11.0%	15.9%	15.5%	9.6%	10.7%	15.1%	16.2%
Net Debt/Equity (Gearing)	9.8%	0.7%	0.4%	12.5%	5.3%	2.1%	n.m.
Net Debt/EBITDA	0.3	0.0	0.0	0.6	0.2	0.1	n.m.
Interest cover EBIT	-33.5	22.5	11.3	9.3	17.1	29.5	35.4
ROE	19.6%	20.9%	23.3%	9.2%	10.5%	16.3%	17.4%

Growth Rates							
Revenues	21%	12%	12%	-25%	22%	22%	12%
EBITDA	72%	56%	11%	-40%	25%	49%	15%
EBIT	96%	61%	9%	-53%	35%	73%	20%
Net Profit	117%	43%	45%	-61%	23%	78%	21%

FINANCIALS & ESTIMATES OVERVIEW
Key Financials – Euro m

	1H21A	1H20A	1H19A	2020A	2019A
Sales	14,6	10,2	15,5	26,3	35,0
yoy	44%	-34%	2%	-25%	+12%
EBITDA	2,4	0,7	3,2	4,1	6,8
margin	16,4%	6,9%	20,6%	15,6%	19,4%
EBIT	1,6	-0,2	2,6	2,5	5,4
margin	11,0%	n.m.	16,5%	9,5%	15,5%
Net Profit	1,0	-0,1	1,9	1,9	4,8
Net Working Capital (NWC)	12,4	15,4	12,3	12,2	11,2
Fixed net assets	13,2	12,6	10,7	13,6	12,6
Funds	(2,9)	(3,0)	(2,5)	(2,7)	(3,0)
Net Capital Employed	22,6	25,0	20,5	23,1	20,9
Net Debt (Cash)	2,0	4,2	3,9	2,6	0,1
Equity	20,6	20,9	16,6	20,5	20,8
Sources	22,6	25,0	20,5	23,1	20,9

Source: Company Data

Estimate revision – Euro m

	20A	21E Old	21E New	22E Old	22E New	23E New
Sales	26,3	30,0	32,0	38,0	39,0	43,7
yoy	-25%	15%	22%	27%	22%	12%
EBITDA	4,1	4,7	5,1	7,6	7,6	8,8
margin	15,6%	15,5%	16,0%	20,1%	19,5%	20,1%
EBIT	2,5	3,1	3,4	5,9	5,9	7,1
margin	9,6%	10,3%	10,7%	15,6%	15,1%	16,2%
Net Profit	1,9	2,1	2,3	4,1	4,1	5,0
yoy	-61,1%	10,1%	22,6%	98%	77,7%	20,6%
EPS	0,36	0,39	0,43	0,77	0,77	0,93

Euro m	20A	21E Old	21E New	22E Old	22E New	23E New
Net Working Capital (NWC)	12,2	13,9	12,5	17,6	17,1	19,2
Fixed net assets	13,6	11,6	13,3	11,4	12,9	12,9
Funds	(2,7)	(3,0)	(2,7)	(3,0)	(2,7)	(2,7)
Net Capital Employed	23,1	22,5	22,5	26,0	26,0	27,4
Net Debt (Cash)	2,6	1,1	1,2	1,3	(1,1)	(3,0)
Equity	20,5	21,5	22,0	24,7	28,5	32,4
Sources	23,1	22,5	23,2	26,0	27,4	29,4

Source: Company Data and IR Top Estimates

VALUATION
Valuation Summary

Method	Weight	Price (Euro)
Multiple Comparison (20% discount to Peers' FY21-22 EV/EBITDA and P/E)	50%	15.62
DCF	50%	15.48
Target Price	100%	15.55

DCF model

WACC assumptions		
Perpetual growth rate		1.0%
WACC		6.2%
Risk free rate (BTP 10Y 12 months average)		0.76%
β unlevered (average peers)		0.90
Equity risk premium		6.23%
Ke		7.4%
Cost of debt		2.0%
Tax rate		27.5%
Kd		1.45%
DCF Valuation		
Euro m		
Sum of PV 2020-25 FCFs	14.2	17%
Discounted terminal value	70.6	83%
Enterprise Value	84.8	100%
Net Debt (1H21)	2.0	
Equity Value	82.8	
N. of outstanding shares (m)	5.3	
Fair Value p.s.	15.48	

Multiples Comparison

Companies	Country	Market Cap	Sales 2021E	Sales YoY 21/20	EBITDA % 2021E	NI % 2021E	2020A-2022E CAGR	
							Sales	EBITDA
Tod's	Italy	1.784	783	23%	6%	-4%	17%	108%
Ferragamo	Italy	2.847	1.127	23%	17%	3%	17%	39%
Prada	HK	16.780	3.186	31%	32%	7%	22%	23%
Moncler	Italy	16.093	1.945	35%	40%	19%	27%	29%
LVMH	US	350.655	61.301	37%	29%	17%	23%	29%
Kering	France	97.476	16.678	27%	35%	19%	19%	22%
Burberry	France	10.269	3.230	23%	30%	12%	15%	13%
Richemont	Switzerland	56.264	16.575	26%	23%	12%	17%	24%
Average Peers		69.021	13.103	28%	26%	11%	19%	36%
FOPE	ITA	68	32	22%	16%	7%	22%	36%

 Source: FactSet data as of August 4th, 2021

Companies	EV/EBITDA (x)		P/E (x)	
	21E	22E	21E	22E
Tod's	17,9	13,9	n.a.	n.a.
Ferragamo	13,0	10,8	n.a.	46,5
Prada	18,4	16,1	76,2	50,3
Moncler	19,6	16,4	41,2	33,1
LVMH	19,3	17,4	34,0	30,5
Kering	17,3	15,3	30,9	26,4
Burberry	11,6	10,5	25,5	22,2
Richemont	15,0	13,1	30,7	26,0
Average Peers	16,5	14,2	39,8	33,6
FOPE	13,6	9,1	29,6	16,7
Premium/Discount to Peers	-18%	-36%	-26%	-50%

 Source: FactSet data as of August 4th, 2021

INDUSTRY COMPARISON

Fope Spa (FPE-IT): IR Top estimates and Factset Data

AIM Sector: average data for listed on AIM Italia included in the Fashion&Luxury sub sector: Cover 50 (COV-IT), Culti Milano (CULT-IT), Giorgio Fedon & Figli (FED-IT), Gismondi 1754 (GIS-IT), Italia Independent Group (IIG-IT), Monnalisa (MNL-IT), Pattern (PTR-IT)

Industry Peers: average data for a selected group of international peers: Tod's (TOD-IT), Ferragamo (SFER-IT), Prada (1913-HK), Moncler (MONC-IT), LVMH (MC-FR), Kering (KER-FR), Burberry (BRBY-GB), Richemont (CFR-CH)

AIM Italia: average financial and market data for all the companies listed on AIM Italia, reported price performance data are related to the FTSE Italia Index

	FOPE	AIM Sector	Peers	AIM Italia
Key Financials (Eu m)				
Revenues	26.3	24.2	9,879.8	39.2
EBITDA	4.1	1.8	2,751.5	5.4
EBITDA %	15.6%	7.6%	27.8%	13.7%
EBIT	2.5	-0.1	1,692.1	1.9
EBIT %	9.5%	-0.5%	17.1%	4.9%
Earnings	1.9	-0.7	1,086.4	1.0
Earnings %	7.2%	-2.9%	11.0%	2.5%
NFP	2.6	2.4	3,307.9	2.7
NFP/EBITDA	0.6	1.3	1.2	0.5
FY18-20 Revenue CAGR	-8%	-12%	-3%	9%
FY20-22 Revenue CAGR	24%	18%	21%	22%
Market Data				
Market Cap	68.4	37.6	69,020.9	58.8
EV	70.4	38.8	55,720.0	60.3
Free Float	18%	24%	55%	32%
ADTT YTD (Eu k)	48	78	37,791	122
Trading multiples (x)				
EV/Sales 2021	2.2	1.8	4.9	2.0
EV/Sales 2022	1.8	1.5	4.4	1.5
EV/EBITDA 2021	13.6	16.4	16.5	21.2
EV/EBITDA 2022	9.1	10.5	14.2	15.2
EV/EBIT 2021	20.4	11.3	31.4	11.3
EV/EBIT 2022	11.7	11.9	23.8	9.0
P/E 2021	29.6	25.3	39.8	31.6
P/E 2022	16.7	16.1	33.6	27.8
Earnings Yield	3.4%	4.0%	2.9%	3.2%
Stock performance				
1D	10.3%	1.6%	-1%	0.4%
1W	29.9%	6.9%	3%	2.4%
1M	33.3%	7.7%	2%	3.3%
3M	46.3%	31.9%	16%	13.5%
6M	62.0%	48.7%	36%	33.5%
YTD	49.8%	48.2%	86%	32.6%
1Y	91.2%	60.8%	86%	57.9%

Source: FactSet data as of August 4th, 2021

Company Profile

FOPE is a historic Italian jewellery company established in Vicenza in 1929 and a leader in the fine jewellery market. The core business includes all the phases of productive cycle: from creation (concept, design realization of prototype) to production (final assembly), delivery and after-sales service. The whole production cycle takes place inside the headquarters in Vicenza. With over 80% of revenues realized outside Italy, the Company operates globally through a well-established and selected network of over 600 stores in 50 countries (with a direct presence in the US, Arab, and UK markets through the subsidiaries FOPE USA Inc., FOPE Services DMCC, and FOPE Jewellery Limited, respectively). The business model focuses on maintaining direct business relationships with multi-brand jewellery retailers (either independent or part of groups) that specialise in luxury products such as fine jewellery and watches. FOPE's investments in R&D have led to an extremely high level of standardisation and automation, with proprietary technology that allows to optimise processes and times in order to deliver products of world-class quality. With Euro 26 million in revenues in 2020, c. 50 employees, and a strong international presence (c. 90% of sales).

Products

FOPE's jewels range from timeless classics featuring the iconic Novecento mesh to the more recent Flex'it lines, which include the original bracelets made flexible thanks to a patented system of tiny gold springs embedded in the mesh.

Key Managers

Diego Nardin – CEO
 Umberto Cazzola – Chairman
 Ines Cazzola – Deputy Chariman

Strategy

Strengthen the position in the international markets to create upselling

- focus on main markets (America - United Kingdom – Germany)
- value proposition (loyalty programmes for best retailers)
- brand awareness

Sustainability Philosophy

- Sustainability report since 2017
- Carbon footprint project:
 - Target to guarantee neutral footprint
 - Certified emission (RINA)
 - CO2 load compensation with project Treadom
 - Offset emissions in 2018 e 2019

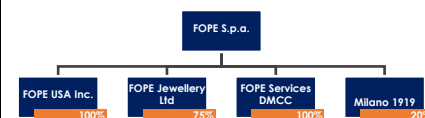
Ownership

Shareholder	n. of shares	%
Ines Cazzola	1.884.600	35,25%
Umberto Cazzola *	1.247.230	23,33%
Eredi Giulia Cazzola **	637.370	11,92%
Diego Nardin	306.160	5,73%
Vitaliano Borromeo	303.600	5,68%
Mercato	967.036	18,09%
Totale	5.345.996	100,0%

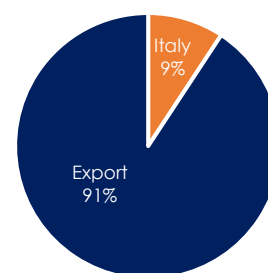
* an additional 637,370 common shares in usufruct with the vote rights granted by the heirs of Giulia Cazzola.

** of which 637,370 as bare ownership.

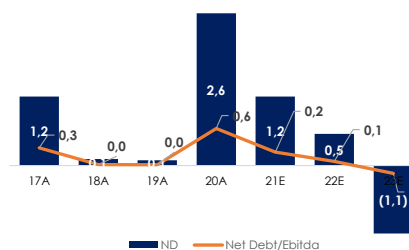
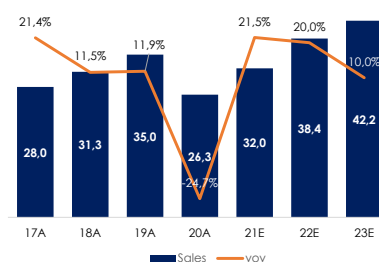
Group Structure



Revenue Breakdown



Key Financials



FOPE ON AIM

IPO

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

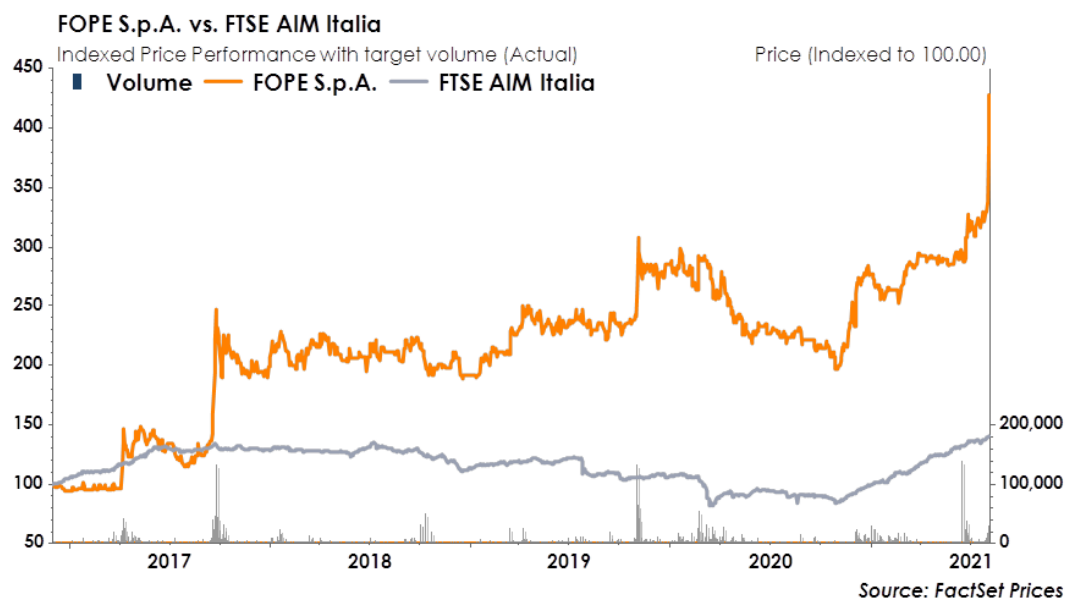
FOPE CONVERTIBLE 4.5% 2016-2021

Code: FPE21
ISIN: IT0005203671
N. issued bonds: 12,000
Nominal value of each bond: 100 Euro
Issued Value: 1.2 Euro m
Outstanding bonds: 2,064
Last conversion period: nov 2021

SHARES (as of August 4th, 2021)

Code: FPE
Bloomberg: FPE IM
Reuters: FPE.MI
ISIN: IT0005203424
Shares: 5,345,996
Price: 12.80 Euro
Performance from IPO: +341%
Capitalisation: 68.4 Euro m
Free Float: 18.01%
NomAd: Integrae SIM
Specialist: Integrae SIM

PERFORMANCE



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 15th 2021. Opinions and estimates of this Research are as of 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
August 4 th , 2021	15.55	12.80	12 months
March 15 th , 2021	11.42	8.60	12 months
September 24 th , 2020	11.37	6.70	12 months
September 25 th 2019	12.28	7.45	12 months
March 19 th 2019	12.26	7.30	12 months
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 Research obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top Research 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

Luiso Primi, (Senior Analyst, AIAF Associated)

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