

VICENZA

FOPE

DAL 1929

**FY22 revenues largely outperforming our estimates**

**Sector: Fashion & Luxury**

**Target Price 36.19 (29.38 pr.)**

Market Cap (€ m) **156.6**

EV (€ m) **156.4**

Market Price (€) **29.00**

**As of 23<sup>rd</sup> January 2023**

**Share Data**

Market	Euronext Growth Milan
Reuters/Bloomberg	FPE.MI/FPE:IM
ISIN	IT0005203424
N. of Shares	5,399,608
Free Float	13.10%
Main Shareholder	Diego Nardin

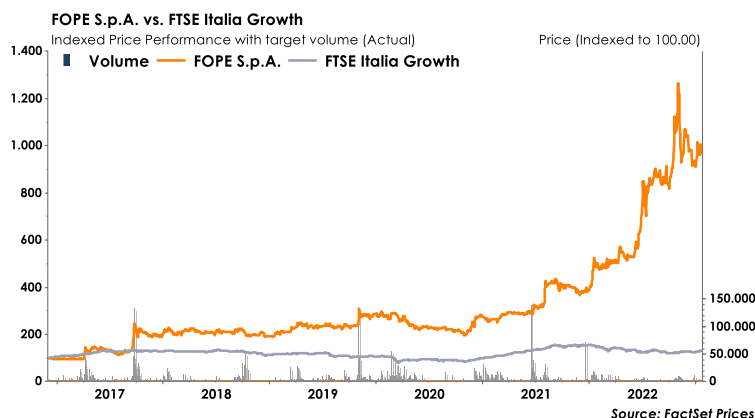
Financials	21A	22E	23E	24E
Sales	40.3	62.2	69.6	78.0
YoY %	+55%	+54%	+12%	+12%
EBITDA	8.8	14.6	15.7	17.5
EBITDA %	21.8%	23.5%	22.5%	22.5%
EBIT	6.8	12.5	13.7	15.8
EBIT %	16.8%	20.2%	19.7%	20.3%
Net Income	5.0	9.6	9.9	11.5
Net Debt	(1.9)	(0.2)	(2.8)	(6.2)
Net Equity	25.8	33.0	38.3	45.0

**Performance**

	1M	3M	1Y
Absolute %	+3,6	-8,2	+95,9
Relative (FTSE Italia Growth)	-0,5	-13,6	+128,9
52-week High/Low (Eu)	38.60	/	14.00

**YoY top-line growth of +54% largely overperforming reference market:** Last week FOPE announced FY22 revenues which according to the note reached Euro 62,2 m, largely outperforming our estimates of Euro 55,2 m (+13%), posting a YoY growth of +54% (Euro 40.3 m in FY21). The excellent performance, in our view highlights how the Company, notwithstanding difficult market conditions during the Covid-years, was able to continue to focus on its strategy to consolidate its position in core markets and exploring new markets with high growth potential while continuing investing in brand awareness. The Company has in fact been able to grow revenues at a FY19-22 CAGR of c. 20% (+78% vs. 2019), largely beyond the reference market which according to Bain-Altgamma WW Monitor 2022 grew at a 10% CAGR between 2019 and 2022. Looking at the second half of the year, revenues stood at c. Euro 34.4 m, +34% vs. 2H21, a very significant result as for the first time in a while none of the periods was particularly influenced by Covid restrictions on travelling. Management highlighted that the result was driven by generalized strong performance across all geographical markets. The note did not provide guidance for FY23, however Management stated that they are looking positively at 2023, despite an uncertain international economic context, as "the specific nature of FOPE's product range and the forecasts on the potential business trend in the luxury sector should back up the positive estimates".

**Upward review of estimates and new TP at Euro 36.19 p.s..** Given the above we reviewed upwards our FY22 estimates to factor in FY22 actual sales (Euro 62.2 million). We also slightly increased YoY growth for FY23-24 (now 12% vs. 10% pr.). We further adjusted EBITDA margin expectations to reflect the higher sales volumes (23.5% for FY22 vs. 22.5% and 22.5% for FY23-24 vs 22% pr. while leaving other assumptions for FY23-24 unchanged. Overall, we made an average increase in Sales, EBITDA and Net Income of +13%, +16% and +14% respectively. Based on our updated estimates we set a new TP of 36.19 p.s. (Euro 29.38 p.s. previously) an increase of +23% vs. our last report. Our valuation, obtained by weighting equally the DCF and the multiple comparison analysis, provides for a potential upside of c. 25%. At our target price the stock would be trading at P/E 22-23 of 20.3x and 19.7x respectively vs. peers at 30.6 and 28.6x.



Luisa Primi

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### KEY FINANCIALS

Profit&Loss Statement	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Sales	28,0	31,3	35,0	26,0	40,3	62,2	69,6	78,0
EBITDA	3,9	6,1	6,8	3,9	8,8	14,6	15,7	17,5
EBIT	3,1	5,0	5,4	2,3	6,8	12,5	13,7	15,8
Financial Income (charges)	0,1	(0,2)	(0,5)	(0,3)	0,0	(0,2)	(0,1)	(0,1)
Pre-tax profit (loss)	3,2	4,7	5,0	2,1	6,8	12,3	13,6	15,7
Taxes	(0,8)	(1,4)	(0,1)	(0,4)	(1,80)	(2,7)	(3,7)	(4,3)
Net profit (loss) Group	2,3	3,3	4,8	1,7	5,0	9,6	9,9	11,5

Balance Sheet								
Fixed assets	6,9	9,3	12,6	13,7	12,8	12,8	12,9	13,2
NWC	8,9	9,5	11,2	12,1	13,9	22,4	25,1	28,2
M/L Funds	(2,7)	(2,8)	(3,0)	(2,9)	(2,8)	(2,5)	(2,5)	(2,5)
Net Capital Employed	13,1	16,1	20,9	23,0	23,9	32,8	35,5	38,8
Net Debt/(Cash)	1,2	0,1	0,1	2,4	(1,9)	(0,2)	(2,8)	(6,2)
Net Equity	11,9	16,0	20,8	20,5	25,8	33,0	38,3	45,0

Cash Flow								
Net Profit	2,3	3,3	4,8	1,7	5,0	9,6	9,9	11,5
Non Cash Items	1,4	1,2	1,5	1,5	1,8	1,7	2,0	1,7
Change in NWC	(0,0)	(0,7)	(1,7)	(0,9)	(1,8)	(8,5)	(2,7)	(3,0)
Cash Flow from Operations	3,7	3,9	4,7	2,3	5,0	2,8	9,2	10,2
Capex	(2,7)	(3,5)	(4,7)	(2,7)	(0,9)	(2,0)	(2,0)	(2,0)
Operating Free Cash Flow	1,0	0,3	0,1	(0,4)	4,1	0,8	7,2	8,2
Dividend	0,0	(0,6)	(1,8)	(2,4)	(0,8)	(2,4)	(4,6)	(4,8)
Change in Equity	(0,0)	1,3	1,7	0,5	1,0	0,0	0,0	0,0
Change in Net Debt	1,0	1,1	0,0	(2,3)	4,3	(1,6)	2,6	3,4

Per Share Data								
Current Price		29,00						
Total shares out (mn)		5,4						
EPS	0,43	0,62	0,90	0,31	0,93	1,78	1,84	2,13
DPS	0,00	0,11	0,33	0,44	0,15	0,45	0,86	0,89
FCF	0,2	0,2	0,0	(0,4)	0,8	(0,3)	0,5	0,6
Pay out ratio	25%	53%	49%	47%	48%	48%	48%	48%

Ratios								
EBITDA margin	13,9%	19,5%	19,4%	15,2%	21,8%	23,5%	22,5%	22,5%
EBIT margin	11,0%	15,9%	15,5%	9,0%	16,8%	20,2%	19,7%	20,3%
Net Debt/Equity (Gearing)	9,8%	0,7%	0,4%	11,8%	n.m.	n.m.	n.m.	n.m.
Net Debt/EBITDA	0,3	0,0	0,0	0,6	n.m.	n.m.	n.m.	n.m.
Interest cover EBIT	-33,5	22,5	11,3	9,0	-138,4	62,7	137,0	158,4
ROE	19,6%	20,9%	23,3%	8,2%	19,5%	29,2%	25,9%	25,6%

Growth Rates								
Revenues	21%	12%	12%	-26%	55%	54%	12%	12%
EBITDA	72%	56%	11%	-42%	123%	66%	7%	12%
EBIT	96%	61%	9%	-57%	190%	85%	9%	16%
Net Profit	117%	43%	45%	-65%	200%	91%	3%	16%

**Estimate revision – Euro m**

	Euro m	21A	22E Old	22E New	23E Old	23E New	24E Old	24E New
<b>Revenues</b>		<b>40.3</b>	<b>55.2</b>	<b>62.2</b>	<b>61.8</b>	<b>69.6</b>	<b>68.0</b>	<b>78.0</b>
	yoy	55%	37%	54%	12%	12%	10%	12%
<b>EBITDA</b>		<b>8.8</b>	<b>12.4</b>	<b>14.6</b>	<b>13.6</b>	<b>15.7</b>	<b>15.0</b>	<b>17.5</b>
	margin	21.8%	22.5%	23.5%	22.0%	22.5%	22.0%	22.5%
<b>EBIT</b>		<b>6.8</b>	<b>10.5</b>	<b>12.5</b>	<b>11.6</b>	<b>13.7</b>	<b>13.3</b>	<b>15.8</b>
	margin	16.8%	18.9%	20.2%	18.8%	19.7%	19.5%	20.3%
<b>Net Profit</b>		<b>5.0</b>	<b>8.8</b>	<b>9.6</b>	<b>8.4</b>	<b>9.9</b>	<b>9.6</b>	<b>11.5</b>
	yoy	200.4%	75%	91.2%	-4.4%	3.1%	62.3%	36.5%
EPS		<b>0.93</b>	<b>1.63</b>	<b>1.78</b>	<b>1.56</b>	<b>1.84</b>	<b>1.78</b>	<b>2.13</b>

	Euro m	21A	22E New	22E New	23E New	23E New	24E New	24E New
Net Working Capital		13.9	21.2	22.4	23.7	25.1	26.1	28.2
Fixed net assets		12.8	12.8	12.8	12.9	12.9	13.2	13.2
Funds		(2.8)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
<b>Net Capital Employed</b>		<b>23.9</b>	<b>31.5</b>	<b>32.8</b>	<b>34.1</b>	<b>35.5</b>	<b>36.8</b>	<b>38.8</b>
<b>Net Debt (Cash)</b>		<b>(1.9)</b>	<b>(0.7)</b>	<b>(0.2)</b>	<b>(2.3)</b>	<b>(2.8)</b>	<b>(5.1)</b>	<b>(6.2)</b>
<b>Equity</b>		<b>25.8</b>	<b>32.2</b>	<b>33.0</b>	<b>36.3</b>	<b>38.3</b>	<b>41.9</b>	<b>45.0</b>
<b>Sources</b>		<b>23.9</b>	<b>31.5</b>	<b>32.8</b>	<b>34.1</b>	<b>35.5</b>	<b>36.8</b>	<b>38.8</b>

Source: Group Data and PMI Capital Research Estimates

## VALUATION

### Valuation Summary

Method	Weight	Price (Euro)	Equity Value (Euro m)
Multiple Comparison (20% discount to Peers' FY22-23-24 EV/EBITDA and P/E)	50%	35.7	192.5
DCF	50%	36.7	198.3
<b>Target Price</b>	<b>100%</b>	<b>36.19</b>	<b>195.4</b>

### DCF model

DCF Valuation		
Euro m		
Perpetual growth rate		1.5%
WACC		7.88%
Sum of PV 2023 -27 FCFs	47.0	24%
Discounted terminal value	151.1	76%
<b>Enterprise Value</b>	<b>198.1</b>	<b>100%</b>
Net Cash (FY22E)	(0.2)	
<b>Equity Value</b>	<b>198.3</b>	
N. of outstanding shares (m)	5.4	
<b>Fair Value p.s.</b>	<b>36.7</b>	

### Multiples Comparison

Companies	Country	Market Cap	Sales 2022E	Sales YoY 22/21	EBITDA % 2022E	NI % 2022E	2021A-2023E CAGR	
							Sales	EBITDA
Tod's	Italy	1.074	989	12%	20%	2%	9%	17%
Ferragamo	Italy	3.092	1.268	12%	24%	6%	9%	-5%
Prada	Hong Kong	14.190	4.037	20%	36%	11%	14%	18%
Moncler	Italy	15.386	2.540	39%	40%	23%	25%	18%
LVMH	US	396.617	78.810	23%	34%	19%	15%	14%
Kering	France	66.663	20.628	17%	35%	19%	11%	8%
Burberry	France	10.358	3.508	5%	30%	15%	6%	8%
Richemont	Switzerland	72.294	19.528	2%	32%	19%	4%	13%
<b>Average</b>		<b>72.459</b>	<b>16.413</b>	<b>16%</b>	<b>31%</b>	<b>14%</b>	<b>12%</b>	<b>11%</b>
<b>FOPE</b>	<b>ITA</b>	<b>157</b>	<b>62</b>	<b>54%</b>	<b>24%</b>	<b>15%</b>	<b>31%</b>	<b>34%</b>

Source: FactSet data as of January 23<sup>rd</sup>, 2023 and IR TOP estimates for FOPE

Companies	EV/EBITDA			P/E		
	22E	23E	24E	22E	23E	24E
Tod's	8.0x	7.4x	6.6x	59.2x	29.6x	20.1x
Ferragamo	10.1x	12.3x	10.2x	42.2x	68.5x	39.7x
Prada	10.5x	10.0x	9.4x	30.5x	25.2x	22.1x
Moncler	13.3x	13.6x	12.2x	26.9x	25.4x	22.5x
LVMH	13.9x	14.8x	13.7x	27.0x	24.6x	22.6x
Kering	9.1x	9.7x	8.8x	17.0x	16.2x	14.6x
Burberry	10.6x	9.9x	9.3x	20.3x	18.9x	17.4x
Richemont	12.6x	12.1x	11.1x	21.5x	20.4x	18.5x
<b>Average</b>	<b>11.0x</b>	<b>11.2x</b>	<b>10.2x</b>	<b>30.6x</b>	<b>28.6x</b>	<b>22.2x</b>
<b>FOPE</b>	<b>10.7x</b>	<b>10.0x</b>	<b>8.9x</b>	<b>16.3x</b>	<b>15.8x</b>	<b>13.6x</b>
<b>Premium/Discount to Peers</b>	<b>-3%</b>	<b>-11%</b>	<b>-12%</b>	<b>-47%</b>	<b>-45%</b>	<b>-39%</b>

Source: FactSet data as of January 23<sup>rd</sup>, 2023 and IR TOP estimates for FOPE

## INDUSTRY COMPARISON

**FOPE Spa (FPE-IT):** PMI Capital Research estimates and Factset Data

**EGM Sector:** average data for listed on EGM included in the Consumer Durables sub sector: Askoll EVA (EVA-IT), Estrima (BIRO-IT), FOPE (FPE-IT), Gismondi 1754 (GIS-IT), Illa (ILLA-IT), Imprendiroma (IMP-IT), Pozzi Milano (POZ-IT), Radici (RAD-IT).

**Industry Peers:** average data for a selected group of listed peers (European luxury brands): 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).

**Euronext Growth Milan:** average financial and market data for all the companies listed on EGM, reported price performance data are related to the FTSE Italia Index.

	FPE-IT FOPE	Consumer Durables EGM Sector	Peers Avg	XS0072 FTSE Italia Growth
<b>Key Financials FY21</b>				
Revenues	40,3	35,7	13.949	47,2
EBITDA	8,8	5,4	4.516	7,4
EBITDA %	21,8%	15,2%	32,4%	15,7%
EBIT	6,8	4,2	3.429	3,5
EBIT %	16,9%	11,7%	24,6%	7,5%
Earnings	5,0	3,1	2.338	2,1
Earnings %	3,0%	8,6%	16,8%	4,5%
Net Debt	(1.9)	1,7	753	5,0
ND/EBITDA	(0.2)x	0,3x	0,2x	0,7x
FY21-23 Revenues CAGR	31%	34%	12%	15%
FY21-23 Earnings CAGR	41%	114%	18%	49%
<b>Market Data</b>				
Market Cap	156,6	40,1	14.761	54,2
EV	156,4	42,9	84.779	58,0
Free Float	13,10%	25,60%	57,76%	33,76%
ADTT YTD (Eu k)	87	45	78.009	75
<b>Market Multiples</b>				
EV/Sales 2022	2,5x	1,2x	3,5x	1,3x
EV/Sales 2023	2,2x	1,0x	3,5x	1,0x
EV/EBITDA 2022	10,7x	10,3x	11,0x	8,5x
EV/EBITDA 2023	10,0x	6,7x	11,2x	6,4x
EV/EBIT 2022	12,5x	12,8x	19,7x	13,8x
EV/EBIT 2023	11,4x	8,9x	20,0x	8,8x
P/E 2022	16,3x	19,2x	30,6x	19,5x
P/E 2023	15,8x	13,8x	28,6x	12,5x
Earnings Yield	6,1%	5,2%	3,3%	5,1%
<b>Stock Performance</b>				
1D	-3,3%	-3,0%	1%	0,2%
1W	0,7%	-0,5%	1%	0,7%
1M	3,6%	-2,4%	15%	4,1%
3M	n.a.	11,7%	20%	6,2%
6M	n.a.	1,9%	19%	2,4%
YTD	-12,6%	-4,1%	-5%	22,5%
1Y	n.a.	2,9%	-3%	-14,4%

Source: PMI Capital Research and FactSet data as of January 23<sup>rd</sup>, 2023

### 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, Middle East, 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 62 million in revenues in 2022, 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

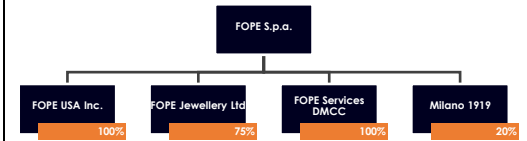
### Ownership

Shareholder	n. of shares	%
Ines Cazzola	1.884.756	34,91%
Umberto Cazzola *	1.247.386	23,10%
Eredi Giulia Cazzola **	637.370	11,80%
Diego Nardin	306.160	5,67%
Vitaliano Borromeo	346.800	6,42%
P4P International S.p.A.	270.000	5,00%
Mercato	707.136	13,10%
<b>Totale</b>	<b>5.399.608</b>	<b>100,0%</b>

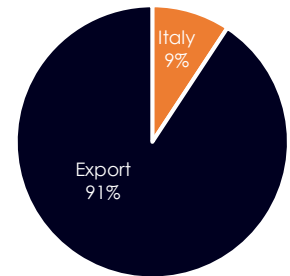
\* an additional 637,370 common shares in usufruct with the vote rights granted by the heirs of Giulia Cazzola.

\*\* of which 637,370 as bare ownership.

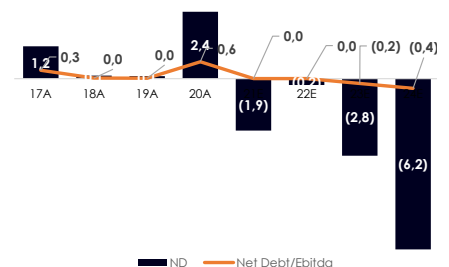
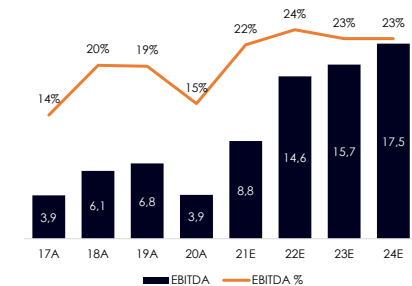
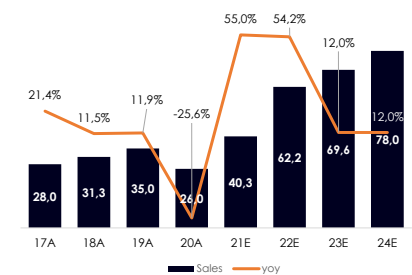
### Group Structure



### Revenue Breakdown



### Key Financials



**FOPE ON EURONEXT GROWTH MILAN**

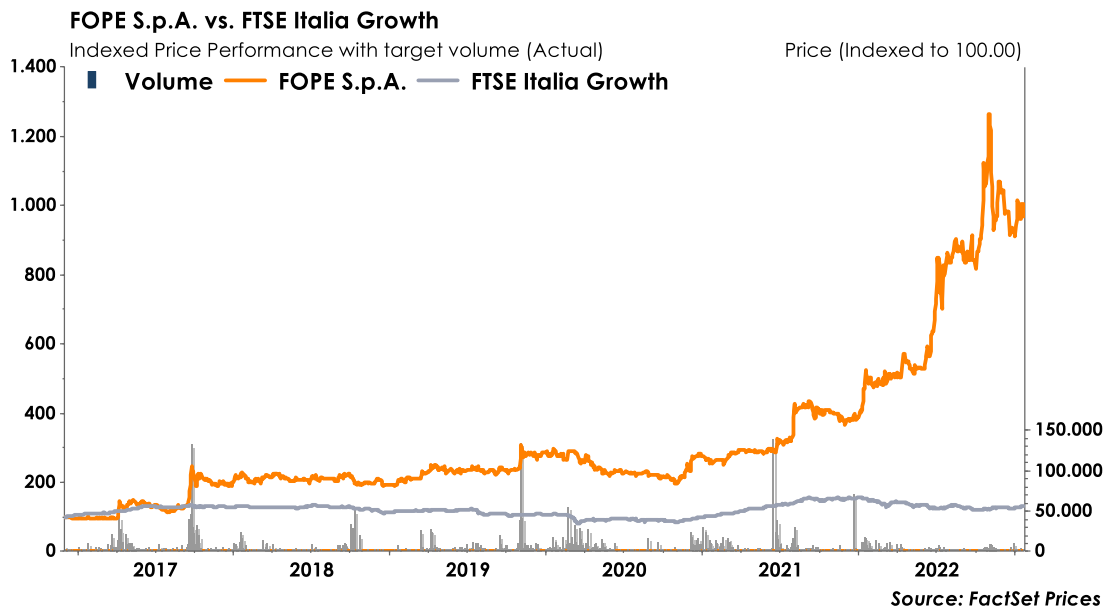
**IPO**

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

**SHARES** (as of January 23<sup>th</sup>, 2023)

Code: FPE  
 Bloomberg: FPE IM  
 Reuters: FPE.MI  
 ISIN: IT0005203424  
 Shares: 5,399,608  
 Price: 29.00 Euro  
 Performance from IPO: +900%  
 Capitalisation: 156.4 Euro m  
 Free Float: 13.10%  
 NomAd: Integrae SIM  
 Specialist: Integrae SIM

**STOCK 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 September 27<sup>th</sup> 2022. 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
January 24 <sup>th</sup> , 2023	36.19	29.00	12 months
September 27 <sup>th</sup> , 2022	29.38	25.20	12 months
March 9 <sup>th</sup> , 2022	18.79	14.70	12 months
January 28 <sup>th</sup> , 2022	18.11	15.00	12 months
August 4 <sup>th</sup> , 2021	15.55	12.80	12 months
March 15 <sup>th</sup> , 2021	11.42	8.60	12 months
September 24 <sup>th</sup> , 2020	11.37	6.70	12 months
September 25 <sup>th</sup> 2019	12.28	7.45	12 months
March 19 <sup>th</sup> 2019	12.26	7.30	12 months
September 19 <sup>th</sup> 2018	9.05	7.00	12 months
March 28 <sup>th</sup> 2018	8.85	6.80	12 months
September 21 <sup>st</sup> 2017	6.05	5.00	12 months
July 18 <sup>th</sup> 2017	5.40	3.83	12 months

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Luisa Primi, (Senior Analyst, AIAF Associated)

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