



Another record year underway: revenues and profitability above expectations in 1H22

Sector: Fashion & Luxury

Top-line up by 89% YoY, EBITDA at 24% above FY21 (22%) despite increase in gold price. 1H22 outperformed our expectations as the positive trend already registered in 2H21 was confirmed with volumes far beyond pre-Covid levels. Sales came in at Euro 27.7 m, posting an 89% increase vs. 1H21 (+78% vs. 1H19). According to Management, export markets showed the highest growth rates thanks much to the contribution of tourist areas where consumer spending has recovered. EBITDA spiked at Euro 6.7 m, +179% YoY (Euro 2.4m in 1H21) as EBITDA margin of 24% overperformed prior year's (16% 1H21 and 22% FY21) thanks mainly to good operational leverage (higher sales volumes on fixed costs). Margins were not namely affected by the increase in gold prices during the period as Management, already at the beginning of the year, has put in place hedges. Finally, net income was of Euro 4.7 m, almost five times that of last year (Euro 1.0 m). FOPE closed 1H22 with a Net Cash position of Euro 0.2 m, down vs. year-end 2021 of Euro 1.9 m. We recall that the Company paid c. Euro 2.4 m in dividend at the beginning of May.

Positive outlook confirmed for FY22 and beyond. Despite significant macro-economic challenges, the personal luxury goods market proved resilient in 1H22 and experienced a significant performance driven mainly by the recovery in Europe and strong momentum in the US and China. Over the next six months growth is expected to remain strong and the mid-term the direction of the personal luxury goods market remains positive. After the remarkable performance over the last 18 months, which has confirmed the soundness of a strategy based on continuous investments in international markets, brand awareness and product development, FOPE looks very well-placed to continue to grow above market rates in a steadily growing industry. Management did not provide guidance for FY22 but expressed confidence about the current business environment and underlined that at the end of June 2022, the order portfolio was in line with previous months and, that "there are currently no signs that suggest significant changes in market trend over the next six months". Management also reaffirmed the commitment to continue to consolidate wholesale markets while considering opportunities to boutique openings in markets with high expected growth rates such as Japan and Malaysia.

Estimate revision and valuation update. Given all the above, we increased our expectations for FY22 now assuming sales of Euro 55 m and an EBITDA margin of 22.5% (20.2% pr.) While leaving our growth and margin assumptions largely unchanged for FY23 only slightly increasing margins following higher sales volumes in absolute terms. We also added FY24 to our explicit forecast and timed NWC assumptions. Overall, we made an average increase in Sales, EBITDA and Net Income of 23%, 35% and 56% respectively. Based on our updated estimates we set a new TP of 29.38 p.s. (Euro 18.79 p.s. previously) an increase of 56% vs. our last report despite a worsening interest rate scenario (WACC +90 bps) and peers' de-rating of c. -8%. Our valuation, obtained by weighting equally the DCF and the multiple comparison analysis, provides for a potential upside of c. 20%. At our target price the stock would be trading at P/E 22-23 of 18.0x and 18.8x respectively vs. peers at 28.3x and 24.0x.

Target Price 29.38 (18.79 pr.)

Market Cap (€ m) **136**

EV (€ m) **136**

Market Price (€) **25.20**

As of 26th September 2022

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

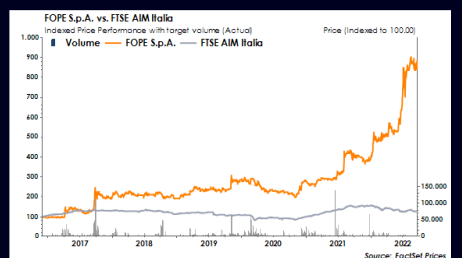
Financials	21A	22E	23E	24E
Sales	40.3	55.2	61.8	68.0
YoY %	55%	37%	12%	10%
EBITDA	8.8	12.4	13.6	15.0
EBITDA %	21.8%	22.5%	22.0%	22.0%
EBIT	6.8	10.5	11.6	13.3
EBIT %	16.8%	18.9%	18.8%	19.5%
Net Income	5.0	8.8	8.4	9.6
Net Debt	(1.9)	(0.7)	(2.3)	(5.1)
Net Equity	25.8	32.2	36.3	41.9

Sustainability

ESG Profile available

Performance

	1M	3M	1Y
Absolute %	-4%	+32%	+105%
Relative (FTSE Italia Growth)	+2%	+37%	+158%
52-week High/Low (Eu)	28.20	/	10.80



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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	55,2	61,8	68,0
EBITDA	3,9	6,1	6,8	3,9	8,8	12,4	13,6	15,0
EBIT	3,1	5,0	5,4	2,3	6,8	10,5	11,6	13,3
Financial Income (charges)	0,1	(0,2)	(0,5)	(0,3)	0,0	(0,1)	(0,1)	(0,1)
Pre-tax profit (loss)	3,2	4,7	5,0	2,1	6,8	10,4	11,5	13,2
Taxes	(0,8)	(1,4)	(0,1)	(0,4)	(1,80)	(1,5)	(3,1)	(3,6)
Net profit (loss) Group	2,3	3,3	4,8	1,7	5,0	8,8	8,4	9,6

Balance Sheet	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
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	21,2	23,7	26,1
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	31,5	34,1	36,8
Net Debt/(Cash)	1,2	0,1	0,1	2,4	(1,875)	(0,7)	(2,3)	(5,1)
Net Equity	11,9	16,0	20,8	20,5	25,8	32,2	36,3	41,9

Cash Flow	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Net Profit	2,3	3,3	4,8	1,7	5,0	8,8	8,4	9,6
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)	(7,3)	(2,5)	(2,4)
Cash Flow from Operations	3,7	3,9	4,7	2,3	5,0	3,3	7,8	8,9
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	1,2	5,8	6,9
Dividend	0,0	(0,6)	(1,8)	(2,4)	(0,8)	(2,4)	(4,3)	(4,1)
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	(1,2)	1,6	2,9

Per Share Data	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Current Price		25,20						
Total shares out (mn)		5,4						
EPS	0,43	0,62	0,90	0,31	0,93	1,63	1,56	1,78
DPS	0,00	0,11	0,33	0,44	0,15	0,45	0,79	0,75
FCF	0,2	0,2	0,0	(0,4)	0,8	(0,2)	0,3	0,5
Pay out ratio	25%	53%	49%	47%	48%	48%	48%	48%

Ratios	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA margin	13,9%	19,5%	19,4%	15,2%	21,8%	22,5%	22,0%	22,0%
EBIT margin	11,0%	15,9%	15,5%	9,0%	16,8%	18,9%	18,8%	19,5%
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	104,6	116,4	132,7
ROE	19,6%	20,9%	23,3%	8,2%	19,5%	27,4%	23,2%	22,9%

Growth Rates	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Revenues	21%	12%	12%	-26%	55%	37%	12%	10%
EBITDA	72%	56%	11%	-42%	123%	41%	10%	10%
EBIT	96%	61%	9%	-57%	190%	54%	11%	14%
Net Profit	117%	43%	45%	-65%	200%	75%	-4%	14%

Key Financials

	1H22A	1H21A	1H20A	1H19A	2021A	2020A	2019A
Sales	27.7	14.6	10.2	15.5	40.3	26.0	35.0
yoy	+89%	44%	-34%	2%	+55%	-26%	+12%
EBITDA	6.7	2.4	0.7	3.2	8.8	3.9	6.8
margin	24.2%	16.4%	6.9%	20.6%	21.8%	15.6%	19.4%
EBIT	5.7	1.6	(0.2)	2.6	6.8	2.3	5.4
margin	20.6%	11.0%	n.m.	16.5%	16.9	9.5%	15.5%
Net Profit	4.7	1.0	(0.1)	1.9	5.0	1.7	4.8
Net Capital Employed	27.3	22.6	25.0	20.5	23.9	23.1	20.9
Net Debt (Cash)	(0.2)	2.0	4.2	3.9	(1.9)	2.6	0.1
Equity	27.5	20.6	20.9	16.6	25.8	20.5	20.8
Sources	27.3	22.6	25.0	20.5	23.9	23.1	20.9

Source: Group Data

Estimate revision – Euro m

Euro m	21A	22E Old	22E New	23E Old	23E New	24E New
Revenues	40,3	45,1	55,2	49,6	61,8	68,0
yoy	55%	12%	37%	10%	12%	10%
EBITDA	8,8	9,1	12,4	10,2	13,6	15,0
margin	21,8%	20,2%	22,5%	20,5%	22,0%	22,0%
EBIT	6,8	7,1	10,5	8,2	11,6	13,3
margin	16,8%	15,8%	18,9%	16,5%	18,8%	19,5%
Net Profit	5,0	5,2	8,8	5,9	8,4	9,6
yoy	200,4%	3%	75,1%	14,3%	-4,4%	62,3%
EPS	0,93	0,96	1,63	1,10	1,56	1,78

Euro m	21A	22E Old	22E New	23E Old	23E New	24E New
NWC	13,9	15,0	21,2	16,5	23,7	26,1
Fixed net assets	12,8	13,0	12,8	13,1	12,9	13,2
Funds	(2,8)	(2,4)	(2,5)	(2,4)	(2,5)	(2,5)
Net Capital Employed	23,9	25,6	31,5	27,2	34,1	36,8
Net Debt (Cash)	(1,9)	(3,5)	(0,7)	(5,8)	(2,3)	(5,1)
Equity	25,8	29,1	32,2	32,9	36,3	41,9
Sources	23,9	25,6	31,5	27,2	34,1	36,8

Source: Group Data and PMI Capital Research Estimates

VALUATION

Valuation Summary

Method	Weight	Price (Euro)
Multiple Comparison (20% discount to Peers' FY22-23 EV/EBITDA and P/E)	50%	27.52
DCF	50%	31.24
Target Price	100%	29.38

DCF model

DCF Valuation		
Euro m		
Perpetual growth rate	1.5%	
WACC	7.45%	
Sum of PV 2022-27 FCFs	42.7	25%
Discounted terminal value	125.8	75%
Enterprise Value	168.5	100%
Net Cash (1H22)	(0.2)	
Equity Value	168.7	
N. of outstanding shares (m)	5.4	
Fair Value p.s.	31.24	

Multiples Comparison

Companies	Country	Market Cap	Sales 2021A	Sales YoY 21/20	EBITDA % 2021E	NI % 2021E	2021A-2023E CAGR	
							Sales	EBITDA
Tod's	Italy	1.353	885	39%	18%	-1%	8%	18%
Ferragamo	Italy	2.383	1.136	30%	26%	7%	9%	-5%
Prada	Hong Kong	12.365	3.366	39%	34%	9%	14%	17%
Moncler	Italy	11.782	1.824	27%	45%	22%	25%	18%
LVMH	US	305.377	64.215	44%	35%	19%	14%	13%
Kering	France	59.035	17.645	35%	37%	19%	12%	11%
Burberry	France	7.205	3.337	27%	29%	14%	4%	6%
Richemont	Switzerland	52.715	19.181	46%	27%	11%	6%	9%
Average		56.527	13.949	36%	31%	12%	12%	11%
FOPE	ITA	136	40	55%	22%	12%	24%	24%

Source: FactSet data as of September 26, 2022

Companies	EV/EBITDA			P/E		
	21E	22E	23E	21E	22E	23E
Tod's	13,5	9,8	8,5	n.a.	74,4	34,6
Ferragamo	13,5	9,0	10,0	28,8	34,3	52,9
Prada	14,9	10,2	9,2	37,1	27,6	22,4
Moncler	20,0	n.a.	n.a.	28,1	20,9	19,4
LVMH	18,2	12,8	11,8	25,4	21,4	19,4
Kering	14,7	8,8	8,2	17,5	14,4	13,3
Burberry	8,2	7,4	7,1	17,6	14,6	14,0
Richemont	13,4	9,5	9,3	25,3	18,6	16,4
Average	14,5	9,7	9,2	25,7	28,3	24,0
FOPE	15,5	10,9	10,0	27,0	15,4	16,2
Premium/Discount to Peers	6%	13%	9%	5%	-45%	-33%

Source: FactSet data as of September 26, 2022

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	Consumer Durables		XS0072
	FOPE	EGM Sector	Peers Avg	FTSE Italia Growth
Key Financials				
Revenues	40,3	26,1	13.949	31,5
EBITDA	8,8	2,8	4.516	4,8
EBITDA %	21,8%	10,9%	32,4%	15,3%
EBIT	6,8	1,9	3.429	1,7
EBIT %	16,9%	7,4%	24,6%	5,3%
Earnings	5,0	1,2	2.338	1,1
Earnings %	12,4%	4,6%	16,8%	3,4%
Net Debt	-1,9	4,7	752	2,0
ND/EBITDA	-0,2	1,6	0,2	0,4
FY18-20 Rev. CAGR	-9%	-37%	-3%	-3%
FY21-23 Rev. CAGR	24%	28%	12%	26%
FY18-20 Earnings CAGR	27%	-65%	-18%	-8%
FY21-23 Earnings CAGR	29%	96%	17%	84%
Market Data				
Market Cap	136,1	34,1	12.074	50,9
EV	135,9	37,6	84.779	52,9
Free Float	13.10%	25,60%	59,33%	33,76%
ADTT YTD (Eu k)	46.150	26.428	80.087.729	60.293
Market Multiples				
EV/Sales 2022	2,5	1,3	2,9	1,7
EV/Sales 2023	2,2	1,1	2,7	1,2
EV/EBITDA 2022	11,0	10,3	9,7	11,9
EV/EBITDA 2023	10,0	8,1	9,2	8,6
EV/EBIT 2022	12,9	15,4	19,3	14,1
EV/EBIT 2023	11,7	10,8	17,4	10,7
P/E 2022	15,5	28,5	28,3	21,9
P/E 2023	16,2	15,7	24,0	16,7
Earnings Yield	6,5%	3,5%	3,5%	4,6%
Stock Performance				
1D	0,0%	-0,1%	0%	0,0%
1W	0,0%	-1,7%	-4%	-4,3%
1M	-3,8%	-9,1%	-8%	-5,9%
3M	31,9%	-18,8%	2%	-3,6%
6M	66,9%	-5,2%	-10%	-14,4%
YTD	117,2%	-8,9%	-24%	13,9%
1Y	104,9%	-4,2%	-13%	-20,5%

Source: PMI Capital Research and FactSet data as of 26 September 2022

MATERIAL ESG ISSUES

Environmental

- Performance and activities.
- Carbon Footprint Analysis.
- Project to offset CO₂ emissions.

HIGHLIGHTS

The company has reduced CO₂ emissions, both by purchasing more efficient and often electric or hybrid vehicles, and by using state-of-the-art software for route optimization. In particular, its commitment includes:

- presence of an air conditioning system with heat pumps and electricity supply (not methane gas);
- presence of an air circulation system that recovers the heat of the expelled air;
- lighting system made exclusively with low-consumption LED lamps;
- installation of a photovoltaic system at 18.3 kWh, capable of producing on average about 20,000 kWh on an annual basis. This process will enable FOPE to further reduce its supply needs from the network.

The new FOPE building has obtained a "class A" rating, (top performer) in the energy classification of buildings.

Natural gas is used exclusively for heating of the Vicenza headquarters. This choice allowed the company to avoid emissions for about 11.11 tons of CO₂ in 2021.

In 2020 FOPE launched the Treedom initiative to neutralise the 2018 and 2019 CO₂ emissions. The CO₂ neutralisation seen hundreds of trees planted in Kenya, Madagascar, Tanzania and Central America. Today 1.267 trees have already been planted with a total of 404 tonnes/CO₂ offset.

Regarding emissions related to business trips made by plane, since 2019 the company adheres to compensation programs promoted by the same airlines, systematically making voluntary donations proposed during the purchase of tickets.

Governance

- Transparency and accountability in the practices adopted by the Company.

Adoption of the Organization, Management and Control Model; appointment and operation of the Supervisory Body.

Composition of the governing bodies: 9 people, including 4 women and 5 men.

Already in 2020, the company adopted the Code of Ethics.

People

- Human resources, skills development and training.
- Partnership with the territory.
- Health and safety.
- Welfare.

In 2021, FOPE employed 53 resources in Italy (49 in 2020), with an incoming turnover rate of 13.2%. The reduced outgoing turnover rate (7.8%) represents a good retention capacity of its employees.

Overall, 219 hours of training provided by Fope staff during the course of 2021. Employee participation in the courses "Fundamentals of Business Intelligence" and "Data Analysis in Support of Decision Making" for the enhancement of knowledge and the basic and advanced use of Microsoft Excel.

Other courses: foreign language skills, update on gemmology and health and safety protection.

Fope is a member and supporter of the "CUOA Foundation Business School of Vicenza", renewing its commitment to support and support the talents of its territory.

In 2021 there was no accidents at work.

Since 2020, Fope has signed a contract with "Us! Welfare S.r.l."; the project saw the implementation of the digital platform and the allocation to each employee of an amount to be used within the portal.

Supply Chain

- Responsible and sustainable supply chain.
- Supplier identification.

Purchase of LBMA and RJC certified raw materials.

All gold purchased is subject to the London Bullion Market Association (LBMA) certification and diamond suppliers ensure that it comes from legitimate sources that are not involved in conflict financing in the countries of origin.

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 40 million in revenues in 2021, 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

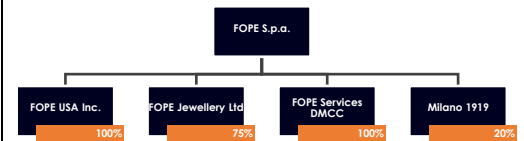
Ownership

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%
Totale	5.399.608	100,0%

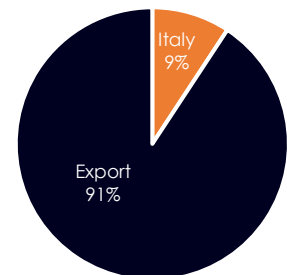
* an additional 637,370 common shares in usufruct with the vote rights granted by the heirs of Giulia Cazzola.

** of which 637,370 as bare ownership.

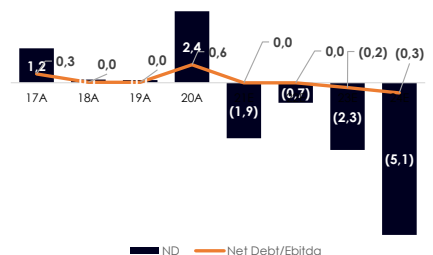
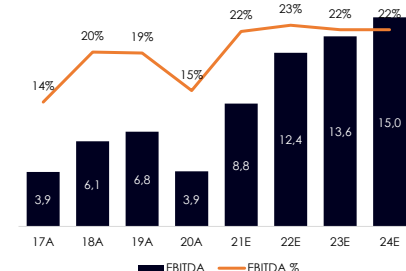
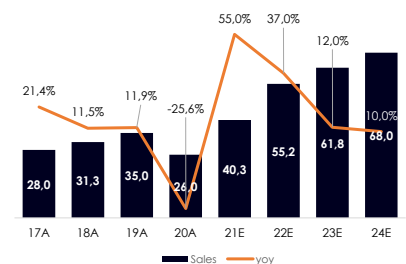
Group Structure



Revenue Breakdown



Key Financials



FOPE ON EURONEXT GROWTH MILAN

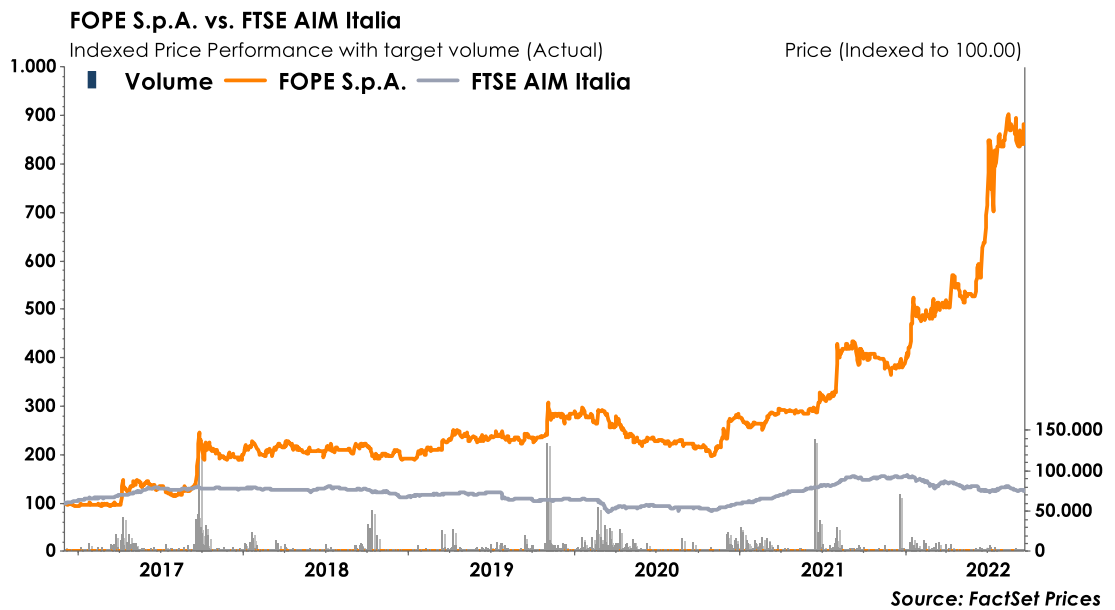
IPO

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 September 26th, 2022)

Code: FPE
 Bloomberg: FPE IM
 Reuters: FPE.MI
 ISIN: IT0005203424
 Shares: 5,399,608
 Price: 25.20 Euro
 Performance from IPO: +XXXX%
 Capitalisation: 136 Euro m
 Free Float: 13.10%
 NomAd: Integrae SIM
 Specialist: Integrae SIM

STOCK PERFORMANCE



DISCLAIMER

UPDATES

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Date	Target Price	Market Price	Validity Time
September 27, 2022	29.38	25.20	12 months
March 9, 2022	18.79	14.70	12 months
January 28 th , 2022	18.11	15.00	12 months
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. 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, AIAF Associated)

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