

VICENZA

FOPE

DAL 1929

## Booming 2H21 revenues, FY21 strongly overperforming estimates

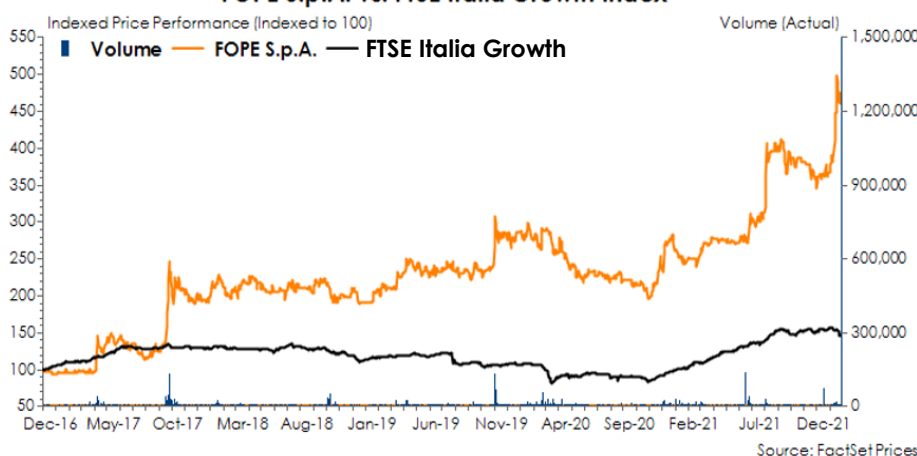
### Sector: Fashion & Luxury

**FY21 sales at Euro 40.3 m, outperforming our estimates by +26%.** FOPE recently reported FY21 sales which closed at Euro 40.3 m, posting a + 55% YoY growth (Euro 26.3 m in FY20) but more importantly an increase by +15% vs. pre-pandemic FY19 (Euro 35 m). Compared to our estimates, 2H21 strongly outperformed by landing at a record Euro 25.7 m, + 48% vs our estimated 2H21 sales of 17.4 m, +59% vs 16.1 m in 1H20 and +32% vs. 19.5 m in 2H19. For the full FY21 sales outperformed our estimates by +26% (Euro 32 m). The strong result was realized without the contribution of some important tourist driven markets (Caribbean and Art cities in Italy and Spain), which in FY19 counted for c. 15% of sales, and where markets in general were still conditioned by the negative effects of the pandemic. In our view this makes the result even more important and testifies on the soundness of the growth and brand awareness strategies.

**Estimate revision and valuation upgrade.** Given the above, we have revised upwards our FY estimates to factor in reported sales. At this revenue level, we expect an EBITDA margin of c. 19% hence implying a FY21 EBITDA of Euro 7.7 m, +51% vs. our previous estimates (Euro 5.1 m). Net Income is expected to reach Euro 4.1 m (Euro 2.3 m pr.). We also revised our expectations for FY23-23 now assuming FY22 sales of Euro 45.1 (Euro 39.0 m pr.) and an EBITDA margin of 18% as we expect the Company accelerate marketing expenses to continue to consolidate its position in key markets. For FY23E we left our sales growth unchanged (+10%). Overall, we made an average increase in Sales, EBITDA and Net Income of 18%, 22% and 28% respectively. Complete FY21 financial statements will be released on 25 March 2022.

Based on our updated estimates and peers' multiple re-rating since our last update in August 2021, we set a new target price of Euro 18.11 p.s. (15.55 pr.) providing for an upside on current stock price of 21%. Our valuation was obtained by weighting equally the DCF and the multiple comparison analysis. At our target price the stock would be trading at FY21E/22E EV/EBITDA multiples of 12.8x and 11.9x vs. current 10.6x and 9.8x.

### FOPE S.p.A. vs. FTSE Italia Growth Index



**Target Price 18.11 (15.55 pr.)**

Market Cap (€ m) **81**

EV (€ m) **83**

As of 31<sup>st</sup> January 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

#### Industry Comp.

	FOPE	EGM Sector	Peers	EGM
Rev FY20 (Eu m)	26	24	9,879	33
FY20-22E CAGR	+31%	+49%	+14%	+56%
EBITDA FY20	4	1	2,750	4
ND/EBITDA	1	1	1	1
Mkt Cap (Eu m)	81	42	68,766	63
Free Float	13%	27%	56%	32%
ADITT YTD (Eu k)	45	22	89,696	104
EV/EBITDA FY21	10.6	10.8	15.2	15.1

#### Financials

	2020A	2021E	2022E	2023E
Sales	26.3	40.3	45.1	49.6
YoY %	-25%	+55%	+12%	+10%
EBITDA	4.1	7.7	8.1	9.7
EBITDA %	16%	19%	18%	20%
EBIT	2.5	5.9	6.4	7.9
EBIT %	10%	15%	14%	16%
Net Income	1.9	4.0	4.4	5.4
Net Debt	2.6	(0.1)	(1.0)	(3.0)

#### Performance

	1M	3M	6M
Absolute %	+30%	+25%	+91%
Relative (FTSE Italia Growth)	+37%	28%	+32%
52-week High/Low (Eu)	16.00	/	7.55

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## KEY FINANCIALS

Profit&Loss Statement	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Sales	28,0	31,3	35,0	26,3	40,3	45,1	49,6
EBITDA	3,9	6,1	6,8	4,1	7,7	8,1	9,7
EBIT	3,1	5,0	5,4	2,5	5,9	6,4	7,9
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	5,7	6,2	7,7
Taxes	(0,8)	(1,4)	(0,1)	(0,4)	(1,7)	(1,8)	(2,3)
Net profit (loss) Group	2,3	3,3	4,8	1,9	4,0	4,3	5,4

Balance Sheet							
Fixed assets	6,9	9,3	12,6	13,6	13,3	13,6	13,8
NWC	8,9	9,5	11,2	12,2	13,0	14,6	16,0
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	23,7	25,5	27,2
Net Debt	1,2	0,1	0,1	2,6	(0,1)	(1,0)	(3,0)
Net Equity	11,9	16,0	20,8	20,5	23,8	26,5	30,1

Cash Flow							
EBIT	3,1	5,0	5,4	2,5	5,9	6,4	7,9
D&A	0,8	1,1	1,3	1,6	1,7	1,8	1,8
Tax	(0,8)	(1,4)	(0,1)	(0,4)	(1,7)	(1,8)	(2,3)
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	5,9	6,3	7,4
Change in NWC	(0,0)	(0,7)	(1,7)	(1,0)	(0,8)	(1,6)	(1,5)
Operating Cash Flow	3,7	4,1	5,4	2,4	5,2	4,7	5,9
Capex and Investments	(2,7)	(3,5)	(4,9)	(2,4)	(1,5)	(2,0)	(2,0)
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)	3,5	2,5	3,7
Dividend	0,0	(0,6)	(1,8)	(2,4)	(0,8)	(1,6)	(1,7)
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)	2,7	0,9	2,0

Per Share Data							
Current Price Eu		15,00					
Total shares out (mn)		5,4					
EPS	0,43	0,62	0,90	0,35	0,75	0,80	1,00
DPS	0,11	0,33	0,44	0,15	0,30	0,32	n.m.
FCF	0,2	0,1	0,0	(0,0)	0,6	0,5	0,7
Pay out ratio	25%	53%	49%	42%	40%	40%	0%

Ratios							
EBITDA margin	13,9%	19,5%	19,4%	15,6%	19,0%	18,0%	19,5%
EBIT margin	11,0%	15,9%	15,5%	9,6%	14,8%	14,1%	16,0%
Net Debt/Equity (Gearing)	9,8%	0,7%	0,4%	12,5%	n.m.	n.m.	n.m.
Net Debt/EBITDA	0,3	0,0	0,0	0,6	n.m.	n.m.	n.m.
Interest cover EBIT	-33,5	22,5	11,3	9,3	29,7	31,8	39,6
ROE	19,6%	20,9%	23,3%	9,2%	16,9%	16,3%	17,9%

Growth Rates							
Revenues	21%	12%	12%	-25%	53%	12%	10%
EBITDA	72%	56%	11%	-40%	87%	6%	19%
EBIT	96%	61%	9%	-53%	135%	7%	24%
Net Profit	117%	43%	45%	-61%	113%	7%	25%

Estimate revision – Euro m

Euro m	20A	21E Old	21E New	22E Old	22E New	23E Old	23E New
<b>Revenues</b>	<b>26,3</b>	<b>32,0</b>	<b>40,3</b>	<b>39,0</b>	<b>45,1</b>	<b>43,7</b>	<b>49,6</b>
yoy	-25%	22%	53%	22%	12%	12%	10%
<b>EBITDA</b>	<b>4,1</b>	<b>5,1</b>	<b>7,7</b>	<b>7,6</b>	<b>8,1</b>	<b>8,8</b>	<b>9,7</b>
margin	15,6%	16,0%	19,0%	19,5%	18,0%	20,1%	19,5%
<b>EBIT</b>	<b>2,5</b>	<b>3,4</b>	<b>5,9</b>	<b>5,9</b>	<b>6,4</b>	<b>7,1</b>	<b>7,9</b>
margin	9,6%	10,7%	14,8%	15,1%	14,1%	16,2%	16,0%
<b>Net Profit</b>	<b>1,9</b>	<b>2,3</b>	<b>4,0</b>	<b>4,1</b>	<b>4,3</b>	<b>5,0</b>	<b>5,4</b>
yoy	-61,1%	22,6%	113,4%	78%	7,3%	20,6%	25,3%
EPS	<b>0,36</b>	<b>0,43</b>	<b>0,75</b>	<b>0,77</b>	<b>0,80</b>	<b>0,93</b>	<b>1,00</b>

Euro m	20A	21E New	21E New	22E New	22E New	23E New	23E New
Net Working Capital (NWC)	12,2	12,5	13,0	17,1	14,6	19,2	16,0
Fixed net assets	13,6	13,3	13,3	12,9	13,6	12,9	13,8
Funds	(2,7)	(2,7)	(2,7)	(2,7)	(2,7)	(2,7)	(2,7)
<b>Net Capital Employed</b>	<b>23,1</b>	<b>23,2</b>	<b>23,7</b>	<b>27,4</b>	<b>25,5</b>	<b>29,4</b>	<b>27,2</b>
<b>Net Debt (Cash)</b>	<b>2,6</b>	<b>1,2</b>	<b>(0,1)</b>	<b>(1,1)</b>	<b>(1,0)</b>	<b>(3,0)</b>	<b>(3,0)</b>
<b>Equity</b>	<b>20,5</b>	<b>22,0</b>	<b>23,8</b>	<b>28,5</b>	<b>26,5</b>	<b>32,4</b>	<b>30,1</b>
<b>Sources</b>	<b>23,1</b>	<b>23,2</b>	<b>23,7</b>	<b>27,4</b>	<b>25,5</b>	<b>29,4</b>	<b>27,2</b>

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%	17.99
DCF	50%	18.22
<b>Target Price</b>	<b>100%</b>	<b>18.11</b>

### DCF model

WACC assumptions		
Perpetual growth rate		1%
<b>WACC</b>		<b>6.41%</b>
Risk free rate (BTP 10Y 12 months average)		0.82%
β unlevered (average peers)		0.9
Equity risk premium		6.43%
<b>Ke</b>		<b>7.7%</b>
Cost of debt		2.0%
Tax rate		27.5%
<b>Kd</b>		<b>1.45%</b>
DCF Valuation		
Euro m		
Sum of PV 2022-25 FCFs	12.5	13%
Discounted terminal value	85.8	87%
<b>Enterprise Value</b>	<b>98.3</b>	<b>100%</b>
Net Debt (FY21E)	(0.1)	
<b>Equity Value</b>	<b>98.4</b>	
N. of outstanding shares (m)	5.4	
<b>Fair Value p.s.</b>	<b>18.22</b>	

### Multiples Comparison

Companies	Market Cap	Price	Sales 2021E	Sales YoY 21/20	EBITDA % 2021E	NI % 2021E	2020A-2022E CAGR	
							Sales	EBITDA
Tod's	1,547	46.8	866	36%	6%	-2%	22%	119%
Ferragamo	3,100	18.4	1,133	24%	17%	5%	17%	44%
Prada	13,615	5.3	3,333	38%	32%	8%	25%	30%
Moncler	15,173	55.4	1,987	38%	40%	20%	29%	32%
LVMH	361,608	716.4	64,215	44%	29%	19%	27%	36%
Kering	80,776	647.8	17,072	30%	35%	19%	20%	23%
Burberry	8,917	22.3	3,373	28%	30%	13%	17%	16%
Richemont	65,391	125.3	18,383	40%	23%	14%	23%	37%
<b>Average</b>	<b>68,766</b>		<b>13,795</b>	<b>35%</b>	<b>26%</b>	<b>12%</b>	<b>23%</b>	<b>42%</b>
<b>FOPE</b>	<b>81</b>	<b>15.0</b>	<b>40</b>	<b>53%</b>	<b>19%</b>	<b>10%</b>	<b>31%</b>	<b>41%</b>

Source: FactSet data as of January 31<sup>st</sup>, 2022

Companies	EV/EBITDA			P/E		
	21E	22E	23E	21E	22E	23E
Tod's	14.6	11.5	9.8	n.a.	n.a.	45.3
Ferragamo	14.2	10.5	9.6	52.6	37.9	30.0
Prada	15.5	12.2	10.9	53.5	35.4	27.0
Moncler	20.5	14.9	13.8	37.7	30.3	26.6
LVMH	18.0	16.2	14.9	30.0	27.6	25.0
Kering	15.2	12.5	11.3	25.4	22.0	19.5
Burberry	9.7	8.9	8.2	20.7	18.4	16.4
Richemont	14.3	12.5	11.9	26.9	22.9	20.6
<b>Average</b>	<b>15.2</b>	<b>12.4</b>	<b>11.3</b>	<b>35.2</b>	<b>27.8</b>	<b>26.3</b>
<b>FOPE</b>	<b>10.6</b>	<b>9.8</b>	<b>8.3</b>	<b>20.1</b>	<b>18.8</b>	<b>15.0</b>
Premium/Discount to Peers	-31%	-21%	-27%	-43%	-32%	-43%

Source: FactSet data as of January 31<sup>st</sup>, 2022

## INDUSTRY COMPARISON

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

**EGM Sector:** average data for companies listed on EGM included in the Fashion & Luxury sub sector Take Off (TKO-IT), GIGLIO.COM (G.COM-IT), Gismondi 1754 (GIS-IT), Pattern (PTR-IT), Monnalisa (MNL-IT), Culti Milano (CULT-IT), Cover 50 (COV-IT), Giorgio Fedon (FED-IT) and Italia Independent (IIG-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).

**Euronext Growth Milan (EGM):** 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	EGM Sector	Peers	EGM
<b>Key Financials (Eu m)</b>				
Revenues	26,3	24,3	9.879,8	33,2
EBITDA	4,1	1,1	2.750,3	4,0
EBITDA %	15,6%	4,7%	27,8%	12,1%
EBIT	2,5	0,0	1.692,1	1,3
EBIT %	9,5%	-0,2%	17,1%	3,8%
Earnings	1,9	-0,5	1.086,4	0,5
Earnings %	7,2%	-2,2%	11,0%	1,4%
NFP	2,6	1,1	3.307,9	5,7
NFP/EBITDA	0,6	0,9	1,2	1,4
YOY 20/19	-25%	-37%	-19%	-1%
FY20-22 Revenues CAGR	31%	49%	14%	56%
<b>Market Data</b>				
Market Cap	81	42	68.766	63
EV	83	43	21.279	67
Free Float	13%	27%	56%	32%
ADTT YTD (Eu k)	45.541	22.056	89.696.767	103.942
<b>Trading multiples (x)</b>				
EV/Sales 2021	2,2	1,7	4,8	2,3
EV/Sales 2022	1,8	1,3	4,0	1,7
EV/EBITDA 2021	10,6	10,8	15,2	14,2
EV/EBITDA 2022	9,8	8,3	12,4	9,0
EV/EBIT 2021	10,3	9,2	n.a.	17,0
EV/EBIT 2022	8,9	31,6	23,1	16,1
P/E 2021	20,1	15,6	35,2	46,5
P/E 2022	18,8	15,7	27,8	18,0
<b>Stock performance</b>				
1D	-1%	0%	-1%	0%
1W	1%	-1%	-2%	1%
1M	30%	1%	-6%	-3%
3M	25%	-4%	0%	-1%
6M	53%	0%	-4%	11%
YTD	76%	0%	73%	-3%
1Y	91%	37%	26%	48%

Source: FactSet data as of January 31<sup>st</sup>, 2022

## FOPE SHAPSHOT

### 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 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

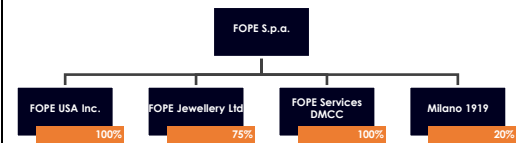
### Ownership

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%
<b>Totale</b>	<b>5.399.608</b>	<b>100,0%</b>

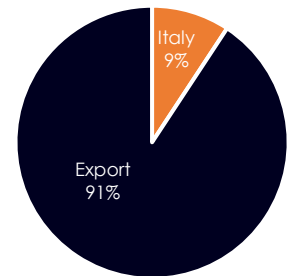
\* an additional 637,370 common shares in usufruct with the vote rights granted by the heirs of Giulia Cazzola.

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

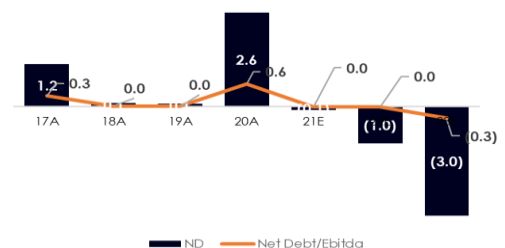
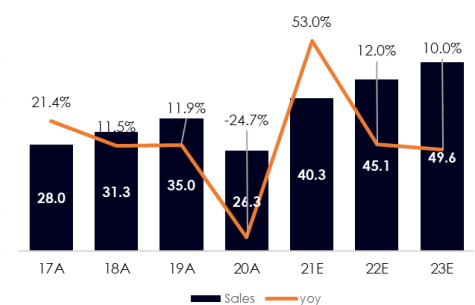
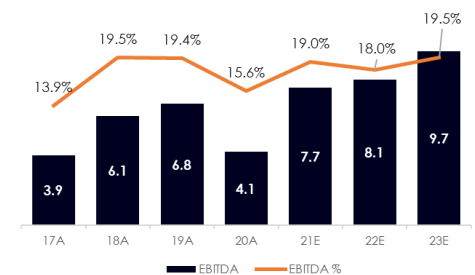
### Group Structure



### Revenue Breakdown



### Key Financials



**FOPE ON EGM**

**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

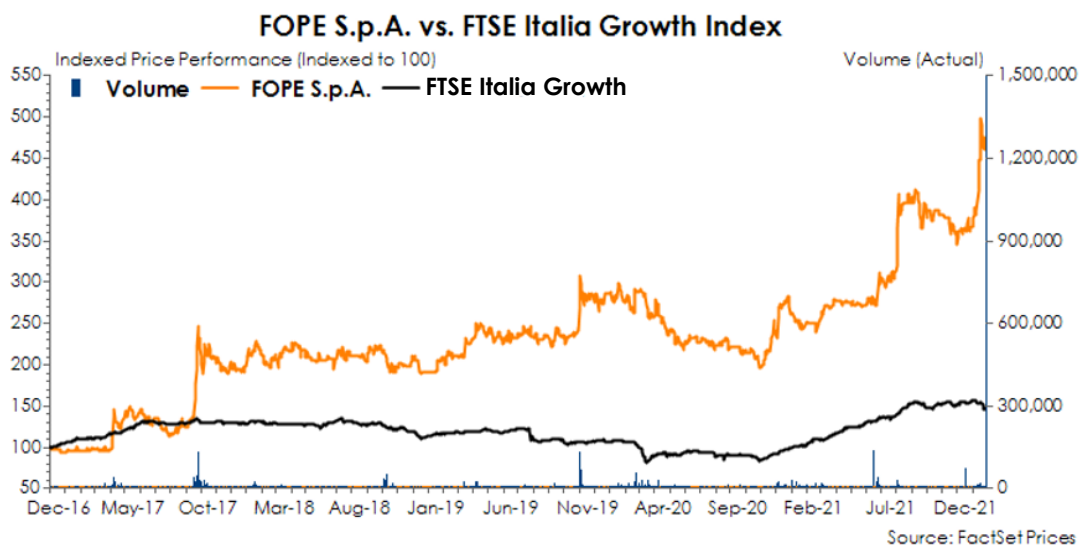
**FOPE CONVERTIBLE 4.5% 2016 – 2021**

Code: FPE21  
 ISIN: IT0005203671  
 N. issued bonds: 12,000  
 Nominal value of each bond: 100 Euro  
 Issued Value: 1.2 Euro m  
 Outstanding bonds: 0  
 Last conversion period: nov 2021. In the last conversion period 2,062 bonds were converted into 53,612 new shares. The expiry date of FOPE CONVERTIBLE 4.5% 2016 – 2021 was on Nov 30, 2021.

**SHARES** (as of January 31, 2022)

Code: FPE  
 Bloomberg: FPE IM  
 Reuters: FPE.MI  
 ISIN: IT0005203424  
 Shares: 5,399,608  
 Price: 15.00 Euro  
 Performance from IPO: +417%  
 Capitalisation: 81 Euro m  
 Free Float: 13.10%  
 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 August 4<sup>th</sup> 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	Market Price	Validity Time
January 28 <sup>th</sup> , 2022	18.11	15.00
August 4 <sup>th</sup> , 2021	15.55	12 months
March 15 <sup>th</sup> , 2021	11.42	12 months
September 24 <sup>th</sup> , 2020	11.37	12 months
September 25 <sup>th</sup> 2019	12.28	12 months
March 19 <sup>th</sup> 2019	12.26	12 months
September 19 <sup>th</sup> 2018	9.05	12 months
March 28 <sup>th</sup> 2018	8.85	12 months
September 21 <sup>st</sup> 2017	6.05	12 months
July 18 <sup>th</sup> 2017	5.40	3.83

**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, "EGM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio PMI", managed by IR Top and focused on research about performance of Companies listed on Euronext Growth Milan.

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

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Luisa Primi, (Senior Analyst, AIAF Associated)

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