

VICENZA

FOPE

DAL 1929

A very strong set of FY21 results

Sector: Fashion & Luxury

Higher than expected profitability and excellent cash flow. This morning during the Luxury Goods Retail Investor Day organized by IR Top Consulting, FOPE's Management presented preliminary FY21 results, which again overperformed our previous expectations (January 2022 based on preliminary sales results). Sales was confirmed at Euro 40.3 m, (+55% YoY and +15% vs. FY19 (Euro 35 m)) whereas EBITDA was reported at Euro 8.8 m, +123% vs. FY20, +30% vs FY19 (Euro 6.8 m) and +14% vs. our estimates (Euro 7.7 m). EBITDA margin came in at c. 22% vs. 16% in FY20 and 19% in FY19, thanks mainly to higher sales volumes coupled with an efficient management of costs. Net Income was of Euro 5.0 m, more than a doubling vs. Euro 1.9 m in FY20 and in line with the result of FY19 which however benefitted from important tax incentives (patent box) no longer in place. The Company closed FY21 with a Net Cash position of Euro 1.9 m (Net Debt Position in FY20 of Euro 2.4 m) thanks to very good operating cash flow and after having paid dividends of c. Euro 0.8 m (Euro 0.15 p.s. pay-out ratio of 42%) and implemented all planned investment in technologies and markets.

Continuous positive outlook for FY22. Management highlighted that during the early months of 2022, market response remained excellent, confirming positive expectations for the new year. Management also stated that it does not expect gross margin to be significantly affected by the increase in gold price, as the Company has already covered the needs for the larger part of 2022. We also add that the Company is not present in and does not rely on tourism from the countries directly involved in Russia's war in Ukraine.

Estimate revision and valuation update. Given the above, we adjusted our estimates to factor in preliminary FY221 results and by finetuning profitability margins for FY22-23 while confirming revenue expectations. Overall, we made an average increase in Sales, EBITDA and Net Income of 0%, 11% and 18% respectively. Based on our updated estimates and peers' multiple re-rating (c. -20% since our last report), we slightly adjusted our target price upwards to Euro 18.79 p.s. (18.11 pr.) providing for an upside on current stock price of 28%. Our valuation was obtained by weighting equally the DCF and the multiple comparison analysis. At our target price the stock would be trading at FY22E/23E EV/EBITDA multiples of 10.7x and 9.4x vs. current 8.3x and 7.5x.

Target Price 18.79 (18.11 pr.)

Market Cap (€ m) **79**

EV (€ m) **77**

Market Price (€) **14.70**

As of 8th March 2022

Share Data

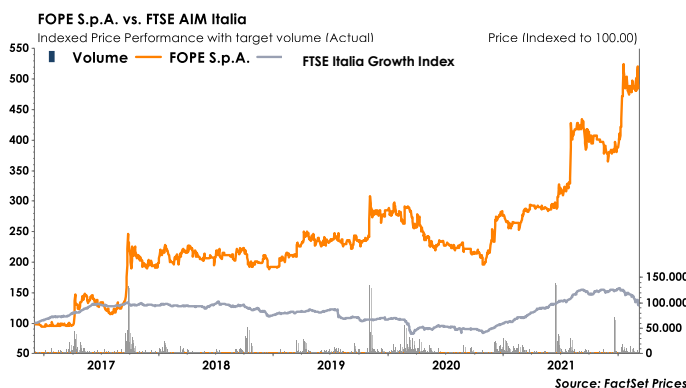
Market	Euronext Growth Milan
Reuters/Bloomberg	FPE.MI/FPE:IM
ISIN	IT0005203424
N. of Shares	5,399,608
Free Float	13.10%
Main Shareholder	Diego Nardin

Financials

	2020A	2021P	2022E	2023E
Sales	26.3	40.3	45.1	49.6
YoY %	-25%	+55%	+12%	+10%
EBITDA	4.1	8.8	9.1	10.2
EBITDA %	16%	22%	20%	21%
EBIT	2.5	6.8	7.1	8.2
EBIT %	10%	17%	16%	17%
Net Income	1.9	5.0	5.2	5.9
Net Debt	2.6	(1.9)	(3.5)	(5.8)

Performance

	1M	3M	1Y
Absolute %	+1%	+29%	+73%
Relative (FTSE Italia Growth)	+13%	53%	+45%
52-week High/Low (Eu)	16.00	/	8.30



Luisa Primi
l.primi@irtop.com

KEY FINANCIALS

Profit&Loss Statement	2017A	2018A	2019A	2020A	2021P	2022E	2023E
Sales	28,0	31,3	35,0	26,0	40,3	45,1	49,6
EBITDA	3,9	6,1	6,8	4,0	8,8	9,1	10,2
EBIT	3,1	5,0	5,4	2,3	6,8	7,1	8,2
Financial Income (charges)	0,1	(0,2)	(0,5)	(0,1)	(0,1)	(0,1)	(0,1)
Pre-tax profit (loss)	3,2	4,7	5,0	2,3	6,7	7,0	8,1
Taxes	(0,8)	(1,4)	(0,1)	(0,6)	(1,7)	(1,9)	(2,2)
Net profit (loss) Group	2,3	3,3	4,8	1,7	5,0	5,2	5,9

Balance Sheet	2017A	2018A	2019A	2020A	2021P	2022E	2023E
Fixed assets	6,9	9,3	12,6	13,7	12,8	13,0	13,1
NWC	8,9	9,5	11,2	11,9	13,6	15,0	16,5
M/L Funds	(2,7)	(2,8)	(3,0)	(2,7)	(2,4)	(2,4)	(2,4)
Net Capital Employed	13,1	16,1	20,9	23,0	24,0	25,6	27,2
Net Debt	1,2	0,1	0,1	2,4	(1,9)	(3,5)	(5,8)
Net Equity	11,9	16,0	20,8	20,5	25,9	29,1	32,9

Cash Flow	2017A	2018A	2019A	2020A	2021P	2022E	2023E
EBIT	3,1	5,0	5,4	2,3	6,8	7,1	8,2
D&A	0,8	1,1	1,3	1,7	2,0	2,0	2,0
Tax	(0,8)	(1,4)	(0,1)	(0,6)	(1,7)	(1,9)	(2,2)
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)	(0,3)	0,0	0,0
Gross Cash Flow	3,7	4,8	7,1	3,2	6,8	7,2	8,0
Change in NWC	(0,0)	(0,7)	(1,7)	(0,7)	(1,7)	(1,4)	(1,5)
Operating Cash Flow	3,7	4,1	5,4	2,4	5,2	5,9	6,5
Capex and Investments	(2,7)	(3,5)	(4,9)	(2,5)	(1,1)	(2,2)	(2,0)
Financial Income (charges)	0,1	(0,2)	(0,5)	(0,1)	(0,1)	(0,1)	(0,1)
Free Cash Flow	1,0	0,3	0,1	(0,1)	4,0	3,6	4,4
Dividend	0,0	(0,6)	(1,8)	(2,4)	(0,8)	(2,0)	(2,1)
Change in Equity	(0,0)	1,3	1,7	0,2	1,2	0,0	0,0
Change in Net debt	1,0	1,1	0,0	(2,3)	4,3	1,6	2,3

Per Share Data	2017A	2018A	2019A	2020A	2021P	2022E	2023E
Current Price		14,70					
Total shares out (mn) average		5,4					
EPS	0,43	0,62	0,90	0,31	0,93	0,96	1,10
DPS	0,11	0,33	0,44	0,15	0,37	0,38	n.m.
FCF	0,2	0,1	0,0	(0,0)	0,7	0,7	0,8
Pay out ratio	25%	53%	49%	47%	40%	40%	0%

Ratios	2017A	2018A	2019A	2020A	2021P	2022E	2023E
EBITDA margin	13,9%	19,5%	19,4%	15,4%	21,8%	20,2%	20,5%
EBIT margin	11,0%	15,9%	15,5%	9,0%	16,9%	15,8%	16,5%
Net Debt/Equity (Gearing)	9,8%	0,7%	0,4%	11,7%	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	30,3	68,0	71,5	82,1
ROE	19,6%	20,9%	23,3%	8,3%	19,4%	17,8%	18,0%

Growth Rates	2017A	2018A	2019A	2020A	2021P	2022E	2023E
Revenues	21%	12%	12%	-26%	55%	12%	10%
EBITDA	72%	56%	11%	-41%	120%	4%	12%
EBIT	96%	61%	9%	-57%	191%	5%	15%
Net Profit	117%	43%	45%	-65%	196%	3%	14%

Estimate revision – Euro m

Euro m	20A	21E Old	21P New	22E Old	22E New	23E Old	23E New
Revenues	26,3	40,3	40,3	45,1	45,1	49,6	49,6
yoy	-25%	53%	55%	12%	12%	10%	10%
EBITDA	4,1	7,7	8,8	8,1	9,1	9,7	10,2
margin	15,6%	19,0%	21,8%	18,0%	20,2%	19,5%	20,5%
EBIT	2,5	5,9	6,8	6,4	7,1	7,9	8,2
margin	9,6%	14,8%	16,9%	14,1%	15,8%	16,0%	16,5%
Net Profit	1,9	4,0	5,0	4,3	5,2	5,4	5,9
yoy	-61,1%	113,4%	195,6%	7%	3,1%	25,3%	14,3%
EPS	0,36	0,75	0,93	0,80	0,96	1,00	1,10

Euro m	20A	21E Old	21P New	22E Old	22E New	23E Old	23E New
Net Working Capital (NWC)	12,2	13,0	13,6	14,6	15,0	16,0	16,5
Fixed net assets	13,6	13,3	12,8	13,6	13,0	13,8	13,1
Funds	(2,7)	(2,7)	(2,4)	(2,7)	(2,4)	(2,7)	(2,4)
Net Capital Employed	23,1	23,7	24,0	25,5	25,6	27,2	27,2
Net Debt (Cash)	2,6	(0,1)	(1,9)	(1,0)	(3,5)	(3,0)	(5,8)
Equity	20,5	23,8	25,9	26,5	29,1	30,1	32,9
Sources	23,1	23,7	24,0	25,5	25,6	27,2	27,2

Source: Company Data and PMI Research Estimates

VALUATION

Valuation Summary

Method	Weight	Price (Euro)
Multiple Comparison (20% discount to Peers' FY22-23 EV/EBITDA and P/E)	50%	17.18
DCF	50%	20.40
Target Price	100%	18.79

DCF model

WACC assumptions	
Perpetual growth rate	1%
WACC	6.56%
Risk free rate (BTP 10Y 12 months average)	1.0%
β unlevered (average peers)	0.9
Equity risk premium	6.43%
Ke	7.7%
Cost of debt	2.0%
Tax rate	27.5%
Kd	1.45%
DCF Valuation	
Euro m	
Sum of PV 2022-27 FCFs	25.9 24%
Discounted terminal value	82.4 76%
Enterprise Value	108.3 100%
Net Cash (FY21E)	(1.9)
Equity Value	110.2
N. of outstanding shares (m)	5.4
Fair Value p.s.	20.40

Multiples Comparison

Companies	Country	Market Cap	Price	Sales 2021E	Sales YoY 21/20	EBITDA % 2021E	NI % 2021E	2020A-2022E CAGR	
								Sales	EBITDA
Tod's	Italy	1.165	35,2	873	37%	6%	-1%	23%	122%
Ferragamo	Italy	2.578	15,3	1.134	24%	17%	6%	17%	44%
Prada	HK	11.161	4,4	3.355	38%	32%	8%	25%	30%
Moncler	Italy	12.209	44,6	1.824	27%	40%	22%	30%	33%
LVMH	US	277.667	550,1	64.215	44%	29%	19%	28%	37%
Kering	France	66.736	535,2	17.645	35%	35%	19%	23%	26%
Burberry	France	7.418	18,7	3.392	29%	30%	13%	18%	17%
Richemont	Switzerland	52.044	99,7	18.509	41%	23%	14%	24%	37%
Average		53.872		13.868	34%	26%	12%	23%	43%
FOPE	ITA	79	14,7	40	55%	22%	12%	32%	51%

Source: FactSet data as of March 8th, 2022

Companies	EV/EBITDA			P/E		
	21E	22E	23E	21E	22E	23E
Tod's	14,3	9,1	7,8	n.a.	n.a.	31,6
Ferragamo	14,0	8,9	8,4	38,9	31,7	25,2
Prada	15,8	10,4	9,3	42,9	28,9	22,1
Moncler	20,0	12,0	10,7	29,1	23,9	21,1
LVMH	18,2	12,3	11,3	23,0	20,7	18,7
Kering	14,8	10,0	9,2	19,8	17,0	15,2
Burberry	8,1	7,4	6,9	16,9	15,1	13,8
Richemont	11,1	9,9	9,3	21,1	18,1	16,3
Average	14,5	10,0	9,1	27,4	22,2	20,5
FOPE	8,8	8,3	7,5	15,8	15,3	13,4
Premium/Discount to Peers	-39%	-17%	-18%	-42%	-31%	-35%

Source: FactSet data as of March 8th, 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

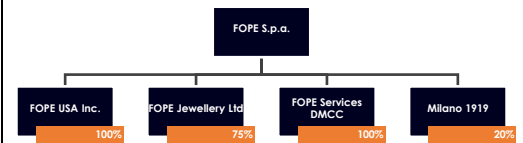
Ownership

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%
Totale	5.399.608	100,0%

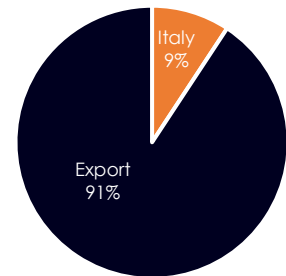
* an additional 637,370 common shares in usufruct with the vote rights granted by the heirs of Giulia Cazzola.

** of which 637,370 as bare ownership.

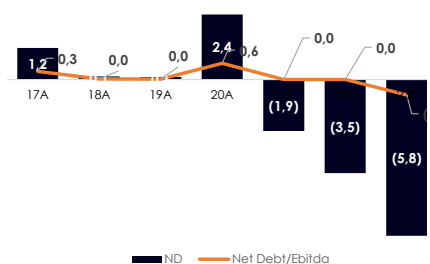
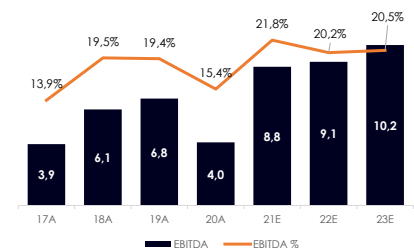
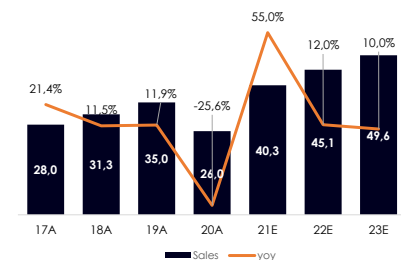
Group Structure



Revenue Breakdown



Key Financials



FOPE ON 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

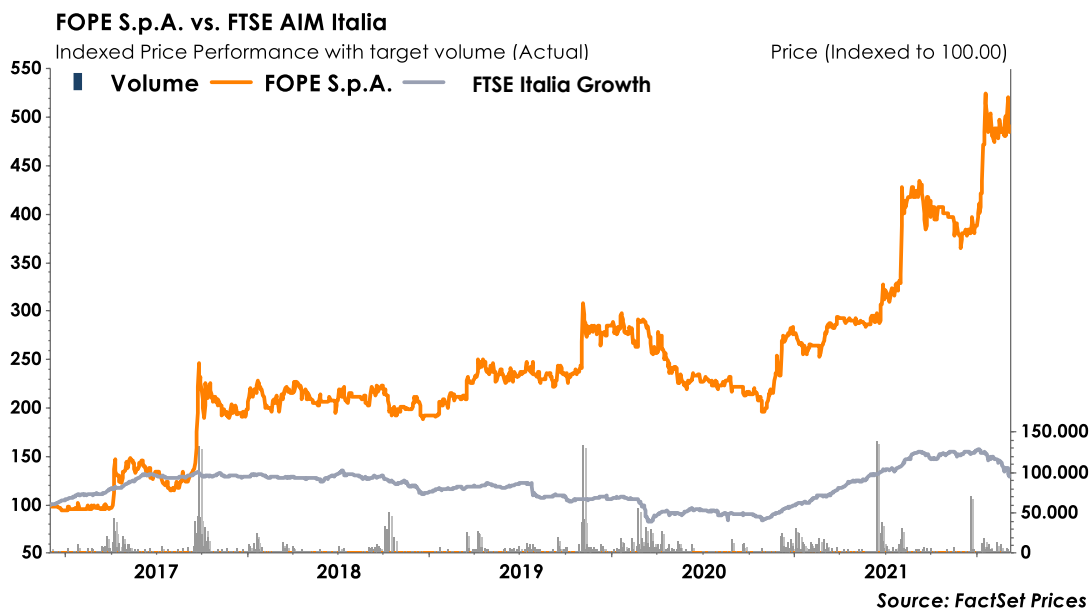
FOPE CONVERTIBLE 4.5% 2016 – 2021

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 March 8th, 2022)

Code: FPE
 Bloomberg: FPE IM
 Reuters: FPE.MI
 ISIN: IT0005203424
 Shares: 5,399,608
 Price: 14.70 Euro
 Performance from IPO: +469%
 Capitalisation: 79 Euro m
 Free Float: 13.10%
 NomAd: Integrae SIM
 Specialist: Integrae SIM

PERFORMANCE



DISCLAIMER

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Date	Target Price	Market Price	Validity Time
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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