

VICENZA

FOPE

DAL 1929

FY22: higher-than-expected profitability, bright prospects for FY23

Sector: Fashion & Luxury

Target Price 41.01 (36.19 pr.)

Market Cap (€ m) **184**

EV (€ m) **182**

Market Price (€) **34**

As of April 24th, 2023

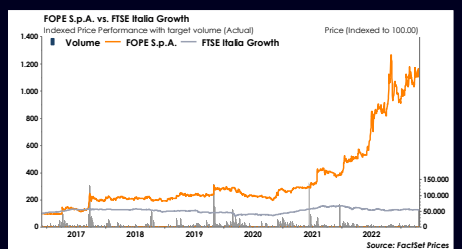
Share Data

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	22A	23E	24E
Sales	40.3	62.2	69.6	78.0
YoY %	+55%	54%	12%	12%
EBITDA	8.8	15.8	16.4	18.7
EBITDA %	21.8%	25.5%	23.5%	24.0%
EBIT	6.8	13.9	14.4	17.0
EBIT %	16.8%	22.4%	20.7%	21.8%
Net Income	5.0	10.8	10.4	12.3
Net Debt	(1.9)	(1.5)	(4.1)	(8.9)
Net Equity	25.8	33.6	39.6	47.6

Performance

	1M	3M	1Y
Absolute	+9%	+17%	+106%
Relative (FTSE Italia Growth)	+10%	+21%	+127%
52-week High/Low (Eu)	38.6	/	15.3



YoY top-line growth of +54%, EBITDA margin at 25.5%: Following the release of Fope's full financial statements and the investor presentation held on March 30th, we updated our estimates and target price. The Company, which confirmed the preliminary sales results already announced in January of Euro 62.2 m (+54% YoY) and commented in our last report (January 24th), reported FY22 profitability well above our expectations and prior year. More in detail, EBITDA came in at Euro 15.8 m, +80% YoY (Euro 8.8 m in FY21 and +8% vs. our estimates (Euro 14.6 m) posting an EBITDA margin of 25.5%, vs. 22.5% as of our estimates and 21.8% as of last year. The strong profitability was driven mainly by operating leverage, efficient cost Management and timely increase in price list from Q3. Net Profit was of Euro 10.8 m, +115% YoY (Euro 5.0 m) following the increased profitability and one-off Covid-19 related tax credit. On the balance sheet, Net Cash stood at Euro 1.5 m, down from Euro 1.9 m in FY21 (Euro 0.9 m as of our estimates) after very strong OpCF (Euro 6.7 m) offset by investments (Euro 2.6 m) mainly related to production equipment and commercial investments and the dividend payment of Euro 2.4 m.

Well positioned to benefit from expected market growth, new flagship store in Tokyo. Management did not provide guidance for FY23 but highlighted its positive outlook for business in FY23 with an increase in sales volumes, confirmed also by the results achieved in the first three months of the year. Given the above and considering the growth expectations for the luxury jewelry segment over the next years, coupled with strong rebound in worldwide tourist activities we confirm our positive outlook for the Company. With the opening, expected in June, of a flagship store in Tokyo, Fope confirmed continuous development of the Japanese market and significantly strengthens its international standing and position in the world's third biggest luxury market. Finally, we appreciate the appealing dividend distribution: on the back of the strong net results the Company increased the rewards for its shareholders and approved a DPS of Euro 0.8, +78% YoY (pay-out ratio of 42% and 2.5% dividend yield).

Finetuned of estimates and target price. Given the above and following the higher-than expected profitability in FY22 we finetuned our profitability expectations for FY23-24 now assuming and EBITDA margin of 23.5% in FY23 and 24.0% in FY24 vs. 22.5% for both years previously. We left our other assumptions largely unchanged only slightly adjusting for to factor in actual FY22 results on the balance sheet. Overall, we made an average increase in Sales, EBITDA and Net Income of +0%, +6% and +9% respectively. Based on our updated estimates we trimmed our TP now at Euro 41.01 p.s. (Euro 36.19 p.s. previously). Our valuation, obtained by weighting equally the DCF and the multiple comparison analysis, provides for a potential upside of c. 21%. At our target price the stock would be trading at P/E 23-24 of 21.2x and 17.9x respectively vs. peers at 25.6x and 23.9x and current 17.6x and 14.9x.

Luisa Primi
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KEY FINANCIALS

Profit&Loss Statement	2017A	2018A	2019A	2020A	2021A	2022A	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	15,8	16,4	18,7
EBIT	3,1	5,0	5,4	2,3	6,8	13,9	14,4	17,0
Financial Income (charges)	0,1	(0,2)	(0,5)	(0,3)	0,0	(0,8)	(0,1)	(0,1)
Pre-tax profit (loss)	3,2	4,7	5,0	2,1	6,8	13,2	14,3	16,9
Taxes	(0,8)	(1,4)	(0,1)	(0,4)	(1,80)	(2,3)	(3,9)	(4,6)
Net profit (loss) Group	2,3	3,3	4,8	1,7	5,0	10,8	10,4	12,3

Balance Sheet								
Fixed assets	6,9	9,3	12,6	13,7	12,8	14,2	13,9	14,2
NWC	8,9	9,5	11,2	12,1	13,9	20,7	24,3	27,2
M/L Funds	(2,7)	(2,8)	(3,0)	(2,9)	(2,8)	(2,7)	(2,7)	(2,7)
Net Capital Employed	13,1	16,1	20,9	23,0	24,0	32,1	35,5	38,7
Net Debt/(Cash)	1,2	0,1	0,1	2,4	(1,9)	(1,5)	(4,1)	(8,9)
Net Equity	11,9	16,0	20,8	20,5	25,8	33,6	39,6	47,6

Cash Flow								
Net Profit	2,3	3,3	4,8	1,7	5,0	10,8	10,4	12,3
Non Cash Items	1,4	1,2	1,5	1,5	1,8	1,9	2,0	1,7
Change in NWC	(0,0)	(0,7)	(1,7)	(0,9)	(1,8)	(6,8)	(3,6)	(2,9)
Cash Flow from Operations	3,7	3,9	4,7	2,3	5,0	5,9	8,8	11,1
Capex	(2,7)	(3,5)	(4,7)	(2,7)	(1,0)	(3,3)	(1,7)	(2,0)
Operating Free Cash Flow	1,0	0,3	0,1	(0,4)	4,0	2,7	7,1	9,1
Dividend	0,0	(0,6)	(1,8)	(2,4)	(0,8)	(2,4)	(4,3)	(4,4)
Change in Equity	(0,0)	1,3	1,7	0,5	1,1	(0,5)	(0,2)	0,0
Change in Net debt	1,0	1,1	0,0	(2,3)	4,3	(0,3)	2,6	4,7

Per Share Data								
Current Price		34,00						
Total shares out (mn)		5,4						
EPS	0,43	0,62	0,90	0,31	0,93	2,01	1,93	2,29
DPS	0,00	0,11	0,33	0,44	0,15	0,45	0,80	0,81
FCF	0,2	0,2	0,0	(0,4)	0,8	(0,1)	0,5	0,9
Pay out ratio	25%	53%	49%	47%	48%	40%	42%	42%

Ratios								
EBITDA margin	13,9%	19,5%	19,4%	15,2%	21,8%	25,5%	23,5%	24,0%
EBIT margin	11,0%	15,9%	15,5%	9,0%	16,8%	22,4%	20,7%	21,8%
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	18,5	143,9	170,1
ROE	19,6%	20,9%	23,3%	8,2%	19,5%	32,2%	26,4%	26,0%

Growth Rates								
Revenues	21%	12%	12%	-26%	55%	54%	12%	12%
EBITDA	72%	56%	11%	-42%	123%	80%	3%	14%
EBIT	96%	61%	9%	-57%	190%	105%	3%	18%
Net Profit	117%	43%	45%	-65%	200%	115%	-4%	18%

Estimate revision – Euro m

Euro k	22E Old	22Act	23E Old	23E New	24E Old	24E New
Revenues	62,2	62,2	69,6	69,6	78,0	78,0
yoy	54%	54%	12%	12%	12%	12%
EBITDA	14,6	15,8	15,7	16,4	17,5	18,7
margin	23,5%	25,5%	22,5%	23,5%	22,5%	24,0%
EBIT	12,5	13,9	13,7	14,4	15,8	17,0
margin	20,2%	22,4%	19,7%	20,7%	20,3%	21,8%
Net Profit	9,6	10,8	9,9	10,4	11,5	12,3
yoy	91%	115,3%	3,1%	-3,7%	36,5%	24,4%
EPS	1,78	2,01	1,84	1,93	2,13	2,29

Euro m	22E Old	22Act	23E Old	23E New	24E Old	24E New
Net Working Capital (NWC)	22,4	20,7	25,1	24,3	28,2	27,2
Fixed net assets	12,8	14,2	12,9	13,9	13,2	14,2
Funds	(2,5)	(2,7)	(2,5)	(2,7)	(2,5)	(2,7)
Net Capital Employed	32,8	32,1	35,5	35,5	38,8	38,7
Net Debt (Cash)	(0,2)	(1,5)	(2,8)	(4,1)	(6,2)	(8,9)
Equity	33,0	33,6	38,3	39,6	45,0	47,6
Sources	32,8	32,1	35,5	35,5	38,8	38,7

Source: Group Data and PMI Capital Research Estimates

VALUATION

Valuation Summary

Method	Weight	Price (Euro)	Equity Value (Euro m)
Multiple Comparison (FY 23-24 EV/EBITDA and P/E)	50%	45.24	244
DCF	50%	36.78	199
Target Price	100%	41.01	221

DCF model

DCF Valuation	
Euro m	
Perpetual growth rate	1.5%
WACC	8.27%
Sum of PV 2023 -27 FCFs	49.9 25%
Discounted terminal value	147.2 75%
Enterprise Value	197.1 100%
Net Cash (FY22A)	1.5
Equity Value	198.6
N. of outstanding shares (m)	5.4
Fair Value p.s.	36.78

Multiples Comparison

Companies	Country	Market Cap	Sales 2022E	Sales YoY 22/21	EBITDA % 2022E	NI % 2022E	2021A-2023E CAGR	
							Sales	EBITDA
Tod's	Italy	1.272	1.008	14%	21%	2%	11%	20%
Ferragamo	Italy	2.734	1.252	10%	24%	6%	8%	-6%
Prada	HK	17.675	4.201	25%	36%	11%	17%	21%
Moncler	Italy	18.587	2.603	43%	40%	23%	28%	21%
LVMH	US	452.848	79.184	23%	33%	18%	17%	15%
Kering	France	72.557	20.351	15%	35%	18%	10%	8%
Burberry	France	11.257	3.509	5%	31%	15%	7%	10%
Richemont	Switzerland	80.810	19.664	3%	32%	4%	5%	15%
Average		82.217	16.472	17%	31%	12%	13%	13%
FOPE	ITA	184	62	54%	25%	17%	31%	36%

Source: FactSet data as of April 24th, 2023 and PMI Capital estimates for FOPE

Companies	EV/EBITDA			P/E		
	22A	23E	24E	22A	23E	24E
Tod's	7,5	7,9	7,1	55,4	33,4	23,2
Ferragamo	10,1	11,3	9,4	38,7	n.a.	38,1
Prada	9,8	11,3	10,7	39,2	28,2	24,4
Moncler	12,7	15,1	13,4	31,7	29,7	26,3
LVMH	14,2	16,4	15,0	32,2	27,4	24,7
Kering	9,4	10,7	9,8	20,0	18,2	16,3
Burberry	11,3	10,6	9,9	22,0	20,2	18,3
Richemont	13,4	13,0	12,0	24,0	22,0	20,3
Average	11,1	12,1	10,9	32,9	25,6	23,9
FOPE	11,5	11,1	9,7	16,9	17,6	14,9
Premium/Discount to Peers	4%	-8%	-11%	-48%	-31%	-38%

Source: FactSet data as of April 24th, 2023, and PMI Capital 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.

25/04/2023	FPE-IT	Consumer Durables		XS0072
	FOPE	EGM Sector	Peers Avg	FTSE Italia Growth
Key Financials FY22				
Revenues	62,2	38,9	16.468	38,9
EBITDA	15,8	6,7	5.536	6,2
EBITDA %	25,4%	17,3%	33,6%	16,0%
EBIT	13,9	5,5	4.246	2,8
EBIT %	22,3%	14,0%	25,8%	7,3%
Earnings	10,8	3,5	2.559	1,8
Earnings %	17,4%	9,0%	15,5%	4,7%
Net Debt	-1,5	8,2	354	3,7
ND/EBITDA	-0,1	1,2	0,1	0,6
FY21-23 Revenues CAGR	31%	15%	13%	35%
FY22-24 Revenues CAGR	12%	13%	9%	15%
FY21-23 Earnings CAGR	44%	19%	19%	66%
FY22-24 Earnings CAGR	7%	6%	19%	38%
Market Data				
Market Cap	183,6	54,9	81.317	56,6
EV	182,1	58,4	67.566	59,4
Free Float	13%	20,6%	22,8%	37,0%
ADTT YTD (Eu k)	62	28	26.058	58
Market Multiples				
EV/Sales 2022	2,9	1,5	3,5	1,5
EV/Sales 2023	2,6	1,4	3,8	1,2
EV/Sales 2024	2,3	1,2	3,5	1,2
EV/EBITDA 2022	11,5	10,3	11,1	12,4
EV/EBITDA 2023	11,1	11,1	12,1	11,5
EV/EBITDA 2024	9,7	7,1	10,9	7,0
EV/EBIT 2022	13,1	19,3	18,7	25,7
EV/EBIT 2023	12,6	13,5	20,9	14,7
EV/EBIT 2024	10,7	9,7	17,2	21,7
P/E 2022	17,0	48,7	32,9	35,0
P/E 2023	17,7	20,9	25,4	19,8
P/E 2024	14,9	15,5	23,9	19,4
Earnings Yield	5,9%	2,1%	3,0%	2,9%
Stock Performance				
1D	0,0%	0,2%	-1%	-0,3%
1W	-1,2%	1,4%	0%	-1,1%
1M	9,0%	1,8%	7%	-0,6%
3M	17,2%	-10,8%	11%	-3,3%
6M	3,0%	5,2%	31%	1,7%
YTD	23,2%	-13,2%	26%	0,3%
1Y	106,1%	-26,7%	31%	-9,0%

Source: PMI Capital Research and FactSet data as of April 24th, 2023

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, 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

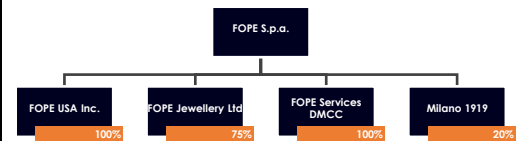
Ownership

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%
Totale	5.399.608	100,0%

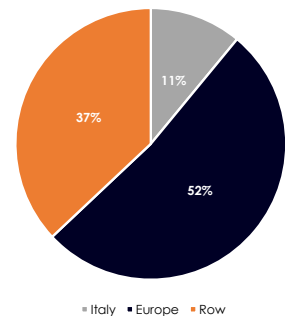
* an additional 637,370 common shares in usufruct with the vote rights granted by the heirs of Giulia Cazzola.

** of which 637,370 as bare ownership.

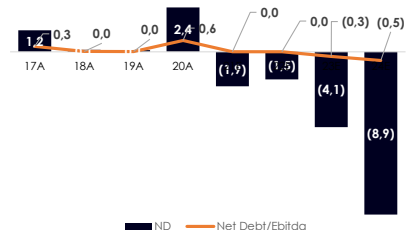
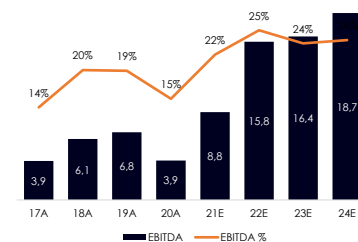
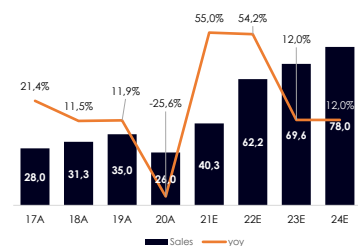
Group Structure



Revenue Breakdown



Key Financials



FOPE ON EURONEXT GROWTH MILAN

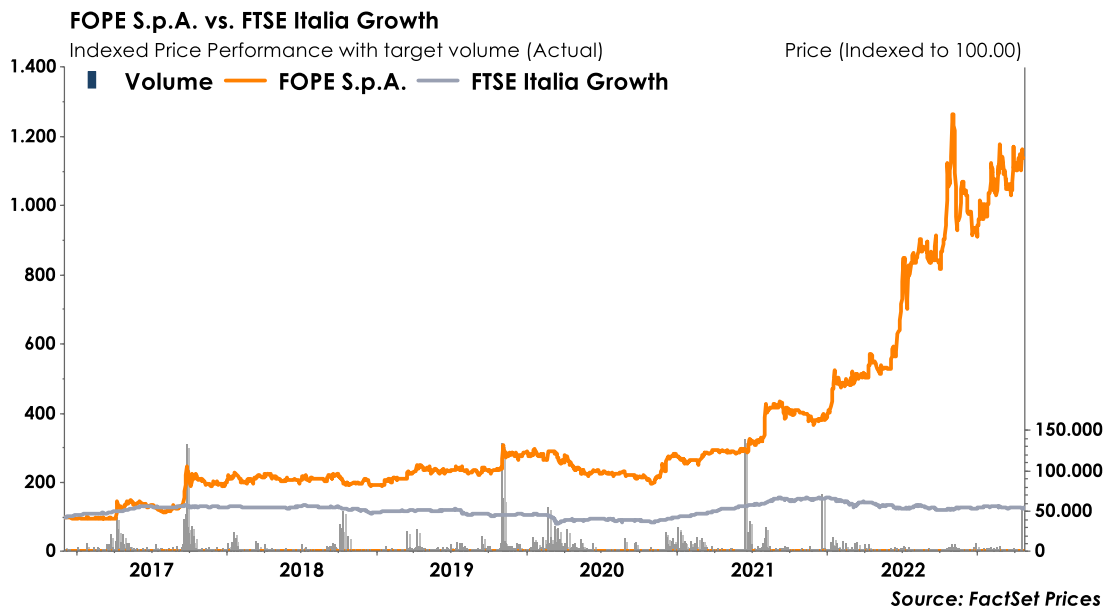
IPO

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 April 24th, 2023)

Code: FPE
 Bloomberg: FPE IM
 Reuters: FPE.MI
 ISIN: IT0005203424
 Shares: 5,399,608
 Price: 34.00 Euro
 Performance from IPO: +900%
 Capitalisation: 184 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 January 24th, 2023. 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
April 26 th , 2023	41.01	34.00	12 months
January 24 th , 2023	36.19	29.00	12 months
September 27 th , 2022	29.38	25.20	12 months
March 9 th , 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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