

VICENZA

FOPE

DAL 1929

1H23: yet another solid set of results

Sector: Fashion & Luxury

Strong top-line growth (+25% YoY), EBITDA margin at 26%. Fope announced a solid set of 1H23 results with sales of Euro 34.7 m, up 25% YoY driven by increase in volumes across all regions and benefitting from a strong order portfolio at the end of FY22. EBITDA came in at Euro 9.1 m, +37% YoY and with an EBITDA margin of 26.2% vs. 24.0% in 1H22 and 25.5% for the full year 2022, and above our expectations for the full year (23.5%). The increase was mainly to be attributed to operating leverage more than offsetting an increase in personnel costs by +32% reflecting some new hiring and salary adjustments and higher marketing spending in line with Management strategy to support international expansion. Net Profit came in at Euro 5.6 m, +19% YoY (Euro 4.7 m in 1H22 m), after D&As of c. Euro 1.0 m (Euro 0.9 m in 1H22). On the balance sheet, Net Debt stood at Euro 5.0 m, up from a cash position of Euro 1.5 m at year-end 2022 after some WC absorption (Euro 5.8 m) mainly due to a volume related increase in trade receivables, an increase in inventory of raw materials (gold and diamonds), investments of c. Euro 1.3 m mainly related to production equipment, opening of new SiS (shop in shops), IT system (the Group is currently implementing SAP), and dividend payments of Euro 4.3 m.

Expansion in global luxury markets, investments in brand awareness and sustainability to support mid-term growth. According to the BainAltagamma research, the general outlook for the global Personal Luxury Goods market, which saw an excellent first half of 2023, looks reasonably optimistic for the rest of the year. Growth is expected to normalize after the post covid euphoria in 2022 and expected at mid-to-high single digit level. Management did not provide guidance for FY23 but expressed confidence on a positive result for the full year, confirmed also by current trading. In our opinion, Fope's unceasing focus on brand expansion in luxury markets with high growth potential (opening of its third flag ship store in Tokyo in June and important partnerships in Dubai and Kuala Lumpur last year) coupled with a strategy aiming at important reinvestments in marketing to increase brand awareness, and sustainability should support growth in the mid-term. Finally, we highlight that at the end of April Management announced the approval of a Euro 5.0 capital increase to raise resources to implement the Company's long-term-strategy and increase the limited free float. Regarding sustainability, the Group recently released its sustainability report which highlighted the achievement of carbon neutrality in FY22. Given all the above we reiterate our positive outlook on the stock.

New estimates and target price. We made some adjustments to our estimates to factor in the general economic slowdown and consumer caution particularly in some of the Group's key markets (UK and Germany). We now expect FY23 sales of Euro 67 m (Euro 70 m pr.). We forecast EBITA margin in the second half of the year somewhat below 1H23 following the lower sales volumes and an acceleration in marketing expenses, resulting in an EBITDA margin for the full year of c. 23.5%. We recall that Fope typically hedge gold price 12-18 months in advance, which, if necessary, gives Management plenty of time to program price list adjustments leaving gross profit largely unchanged. We maintained our assumptions for sales growth rate and profitability margins in FY24 while adding FY25 to our explicit forecast. Overall, we made average change in Sales, EBITDA and EPS of -4%, -4% and -5% respectively. Running our DCF and multiple based valuation model on our estimates and up-to-date market data including a -16% derating of peers' multiples, we finetuned our target price now at Euro 39.17 p.s. (Euro 41.01 p.s. pr.) providing for a potential upside of c. 31%. At our target price the stock would be trading at P/E 23-24 of 21.4x and 18x respectively vs. peers at 25.0x and 19.7x and current 16.3x and 13.7x.

Target Price **39.17 (41.01 pr.)**

Market Cap (€ m) **161**

EV (€ m) **166**

Market Price (€) **29.80**

As of October 2nd, 2023

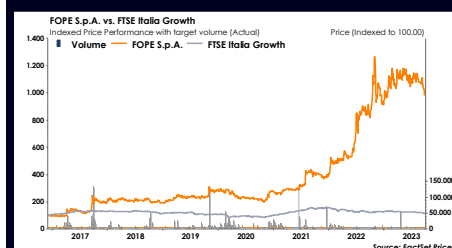
Share Data

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	22A	23E	24E	25E
Sales	62.2	66.5	74.5	83.4
YoY %	54%	7%	12%	12%
EBITDA	15.8	15.6	17.9	20.4
EBITDA %	25.5%	23.5%	24.0%	24.5%
EBIT	13.9	13.7	16.2	18.7
EBIT %	22.4%	20.5%	21.7%	22.5%
Net Income	10.8	9.9	11.7	13.6
Net Debt	(1.5)	(0.2)	(4.1)	(8.8)
Net Equity	33.6	39.1	46.6	55.3

Performance

	1M	3M	1Y
Absolute	-7%	-7%	+19%
Relative (FTSE Italia Growth)	+1%	+3%	+28%
52-week High/Low (Eu)	38.6	/	24.0



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KEY FINANCIALS

Profit&Loss Statement	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Sales	35,0	26,0	40,3	62,2	66,5	74,5	83,4
EBITDA	6,8	3,9	8,8	15,8	15,6	17,9	20,4
EBIT	5,4	2,3	6,8	13,9	13,7	16,2	18,7
Financial Income (charges)	(0,5)	(0,3)	0,0	(0,8)	(0,1)	(0,1)	(0,1)
Pre-tax profit (loss)	5,0	2,1	6,8	13,2	13,6	16,1	18,6
Taxes	(0,1)	(0,4)	(1,80)	(2,3)	(3,7)	(4,3)	(5,0)
Net profit (loss) Group	4,8	1,7	5,0	10,8	9,9	11,7	13,6

Balance Sheet							
Fixed assets	12,6	13,7	12,8	14,2	13,9	14,2	14,5
NWC	11,2	12,1	13,9	20,7	27,7	31,0	34,8
M/L Funds	(3,0)	(2,9)	(2,8)	(2,7)	(2,7)	(2,7)	(2,7)
Net Capital Employed	20,9	23,0	24,0	32,1	38,9	42,5	46,5
Net Debt/(Cash)	0,1	2,4	(1,9)	(1,5)	(0,2)	(4,1)	(8,8)
Net Equity	20,8	20,5	25,8	33,6	39,1	46,6	55,3

Cash Flow							
Net Profit	4,8	1,7	5,0	10,8	9,9	11,7	13,6
Non Cash Items	1,5	1,5	1,8	1,9	2,0	1,7	1,7
Change in NWC	(1,7)	(0,9)	(1,8)	(6,8)	(7,0)	(3,3)	(3,7)
Cash Flow from Operations	4,7	2,3	5,0	5,9	4,9	10,1	11,6
Capex	(4,7)	(2,7)	(1,0)	(3,3)	(1,7)	(2,0)	(2,0)
Operating Free Cash Flow	0,1	(0,4)	4,0	2,7	3,2	8,1	9,6
Dividend	(1,8)	(2,4)	(0,8)	(2,4)	(4,3)	(4,2)	(4,9)
Change in Equity	1,7	0,5	1,1	(0,5)	(0,2)	0,0	0,0
Change in Net debt	0,0	(2,3)	4,3	(0,3)	(1,3)	4,0	4,7

Per Share Data							
Current Price	29,80						
Total shares out (m)	5,4						
EPS	0,90	0,31	0,93	2,01	1,83	2,17	2,52
DPS	0,33	0,44	0,15	0,45	0,80	0,77	0,91
FCF	0,0	(0,4)	0,8	(0,1)	(0,2)	0,7	0,9
Pay out ratio	49%	47%	48%	40%	42%	49%	42%

Ratios							
EBITDA margin	19,4%	15,2%	21,8%	25,5%	23,5%	24,0%	24,5%
EBIT margin	15,5%	9,0%	16,8%	22,4%	20,5%	21,7%	22,5%
Net Debt/Equity	0,4%	11,8%	n.m.	n.m.	n.m.	n.m.	n.m.
Net Debt/EBITDA	0,0	0,6	n.m.	n.m.	n.m.	n.m.	n.m.
Interest cover EBIT	11,3	9,0	-138,4	18,5	136,6	161,8	187,4
ROE	23,3%	8,2%	19,5%	32,2%	25,3%	25,2%	24,6%

Growth Rates							
Revenues	12%	-26%	55%	54%	7%	12%	12%
EBITDA	11%	-42%	123%	80%	-1%	14%	14%
EBIT	9%	-57%	190%	105%	-2%	18%	16%
Net Profit	45%	-65%	200%	115%	-9%	19%	16%

Key financials

	1H23A	1H22A	1H21A	1H20A	2022A	2021A	2020A
Sales	34.7	27.7	14.6	10.2	62.2	40.3	26.0
yoy	+25%	+89%	44%	-34%	+54%	+55%	-26%
EBITDA	9.1	6.7	2.4	0.7	15.8	8.8	3.9
margin	26.2%	24.2%	16.4%	6.9%	25.5%	21.8%	15.6%
EBIT	8.1	5.7	1.6	(0.2)	13.9	6.8	2.3
margin	23.3%	20.6%	11.0%	n.m.	22.4%	16.9%	9.5%
Net Profit	5.6	4.7	1.0	(0.1)	10.8	5.0	1.7
Net Capital Employed	39.8	27.3	22.6	25.0	32.1	23.9	23.1
Net Debt (Cash)	5.0	(0.2)	2.0	4.2	(1.5)	(1.9)	2.6
Equity	34.8	27.5	20.6	20.9	33.6	25.8	20.5
Sources	39.8	27.3	22.6	25.0	32.1	23.9	23.1

Estimate revision – Euro m

Euro k	23E Old	23E New	Var. FY23E	24E Old	24E New	Var. FY24E	25E New
Revenues	69,6	66,5	-4%	78,0	74,5	-4%	83,4
yoy	12%	7%	-42%	12%	12%	0%	12%
EBITDA	16,4	15,6	-4%	18,7	17,9	-4%	20,4
margin	23,5%	23,5%	0%	24,0%	24,0%	0%	24,5%
EBIT	14,4	13,7	-5%	17,0	16,2	-5%	18,7
margin	20,7%	20,5%	-1%	21,8%	21,7%	0%	22,5%
Net Profit	10,4	9,9	-5%	12,3	11,7	-5%	13,6
yoy	-3,7%	-8,6%	133%	18,3%	12,5%	-32%	37,4%
EPS	1,93	1,83	-5%	2,29	2,17	-5%	2,52

Euro m	23E Old	23E New	Var. FY23E	24E Old	24E New	Var. FY24E	25E New
Net Working Capital	24,3	27,7	14%	27,2	31,0	14%	34,8
Fixed net assets	13,9	13,9	0%	14,2	14,2	0%	14,5
Funds	(2,7)	(2,7)	0%	(2,7)	(2,7)	0%	(2,7)
Net Capital Employed	35,5	38,9	10%	38,7	42,5	10%	46,5
Net Debt (Cash)	(4,1)	(0,2)	-96%	(8,9)	(4,1)	-53%	(8,8)
Equity	39,6	39,1	-1%	47,6	46,6	-2%	55,3
Sources	35,5	38,9	10%	38,7	42,5	10%	46,5

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%	37.65	203.3
DCF	50%	40.68	219.7
Target Price	100%	39.17	211.5

DCF model

DCF Valuation	
<i>Euro m</i>	
WACC	8.04%
Sum of PV 2023 -27 FCFs	45.8
Discounted terminal value	173.7
Enterprise Value	219.5
Net Debt (FY23E)	(0.2)
Equity Value	219.7
N. of outstanding shares (m)	5.4
Fair Value p.s.	40.68

Multiples Comparison

Companies	Country	Market Cap	Sales 2022E	Sales YoY 22/21	EBITDA % 2022E	NI % 2022E	2021A-2023E CAGR	
							Sales	EBITDA
Tod's	Italy	1.124	1.008	14%	21%	2%	10%	14%
Ferragamo	Italy	2.081	1.252	10%	24%	6%	1%	-2%
Prada	HK	14.347	4.201	25%	36%	11%	10%	11%
Moncler	Italy	14.918	2.603	43%	40%	23%	13%	14%
LVMH	US	358.914	79.184	23%	33%	18%	9%	11%
Kering	France	53.264	20.351	15%	35%	18%	4%	4%
Burberry	France	8.048	3.509	5%	31%	15%	6%	3%
Richemont	Switzerland	60.216	19.664	3%	32%	4%	7%	7%
Average		64.114	16.472	17%	31%	12%	8%	8%
FOPE	ITA	161	62	54%	25%	17%	9%	6%

Source: FactSet data as of October 2nd, 2023 and PMI Capital estimates for FOPE

Companies	EV/EBITDA			P/E		
	22A	23E	24E	22A	23E	24E
Tod's	7,5	6,9	6,3	48,9	24,0	18,4
Ferragamo	n.a.	n.a.	n.a.	29,6	62,1	35,9
Prada	9,9	9,4	8,6	30,2	21,9	19,4
Moncler	12,7	12,3	11,0	25,4	23,7	21,1
LVMH	14,2	13,4	12,3	25,5	21,9	20,2
Kering	9,4	8,7	8,1	14,1	14,5	13,2
Burberry	10,7	8,0	7,5	15,5	16,2	14,4
Richemont	13,6	13,4	12,5	16,9	16,0	14,8
Average	11,1	10,3	9,5	25,8	25,0	19,7
FOPE	10,1	10,2	8,9	14,9	16,3	13,7
Premium/Discount to Peers	-10%	-1%	-6%	-42%	-35%	-30%

Source: FactSet data as of October 2nd, 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), GIBUS (GIBUS-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	FOPE	Consumer Durables EGM	Peers Avg	FTSE Italia Growth
Key Financials FY22				
Revenues	62,2	37,9	16.515	37,1
EBITDA	15,5	4,8	5.564	6,2
EBITDA %	24,9%	12,7%	33,7%	16,7%
EBIT	13,9	3,5	4.275	2,7
EBIT %	22,3%	9,1%	25,9%	7,4%
Earnings	10,8	2,1	2.934	1,7
Earnings %	17,4%	5,4%	17,8%	4,5%
Net Debt	(1,5)	7,7	259	3,9
ND/EBITDA	(0,1)	1,6	0,0	0,6
FY21-23 Revenues CAGR	28%	18%	14%	26%
FY22-24 Revenues CAGR	9%	18%	8%	17%
FY21-23 Earnings CAGR	41%	16%	18%	57%
FY22-24 Earnings CAGR	4%	21%	10%	49%
Market Data				
Market Cap	161	51	64.114	39
EV	166	53	70.067	44
Free Float	13%	26%	54%	34%
ADTT YTD (Eu k)	242	31	82.538	46
Market Multiples				
EV/Sales 2022	2,7	1,0	3,3	1,6
EV/Sales 2023	2,5	0,9	3,3	1,3
EV/Sales 2024	18,9	0,7	3,1	1,3
EV/EBITDA 2022	10,1	8,1	11,1	17,2
EV/EBITDA 2023	10,2	7,2	10,3	9,6
EV/EBITDA 2024	8,9	6,7	9,5	6,5
EV/EBIT 2022	11,9	14,1	17,7	27,9
EV/EBIT 2023	12,1	10,0	15,1	13,6
EV/EBIT 2024	10,2	8,2	13,5	15,3
P/E 2022	14,9	39,8	25,8	35,1
P/E 2023	16,3	16,1	25,0	21,8
P/E 2024	13,7	12,8	19,7	19,7
Earnings Yield	6,5%	2,5%	3,9%	2,9%
Stock Performance				
1D	0,0%	2,3%	-1%	-1,1%
1W	-3,2%	-2,2%	-5%	-3,3%
1M	-6,9%	-14,8%	-12%	-7,4%
3M	-6,9%	-25,1%	-16%	-9,3%
6M	-10,2%	-28,9%	-20%	-12,3%
YTD	26,8%	-35,0%	-2%	1,0%
1Y	19,2%	-20,9%	7%	-6,7%

Source: PMI Capital Research and FactSet data as of October 2ⁿ, 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 Ltd, 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:
 - Carbon neutrality in FY22
 - Certified emission (RINA)
 - CO2 load compensation with project Treadom

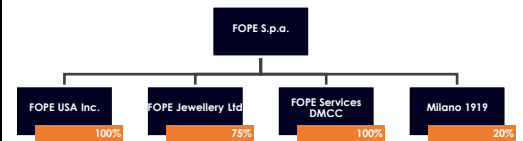
Ownership

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%

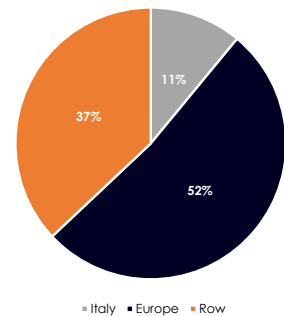
* an additional 637,370 common shares in usufruct with the vote rights granted by the heirs of Giulia Cazzola.

** of which 637,370 as bare ownership.

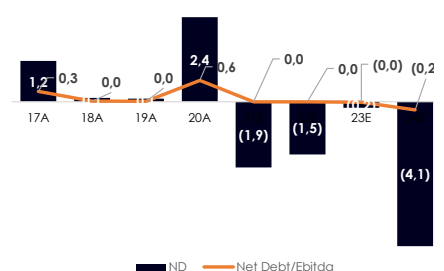
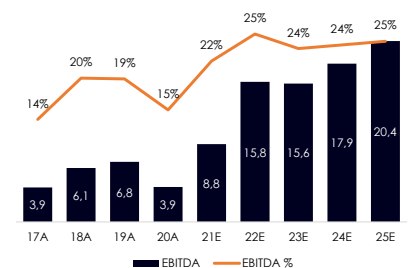
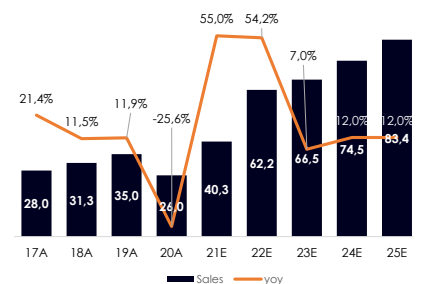
Group Structure



Revenue Breakdown



Key Financials



FOPE ON EURONEXT GROWTH MILAN

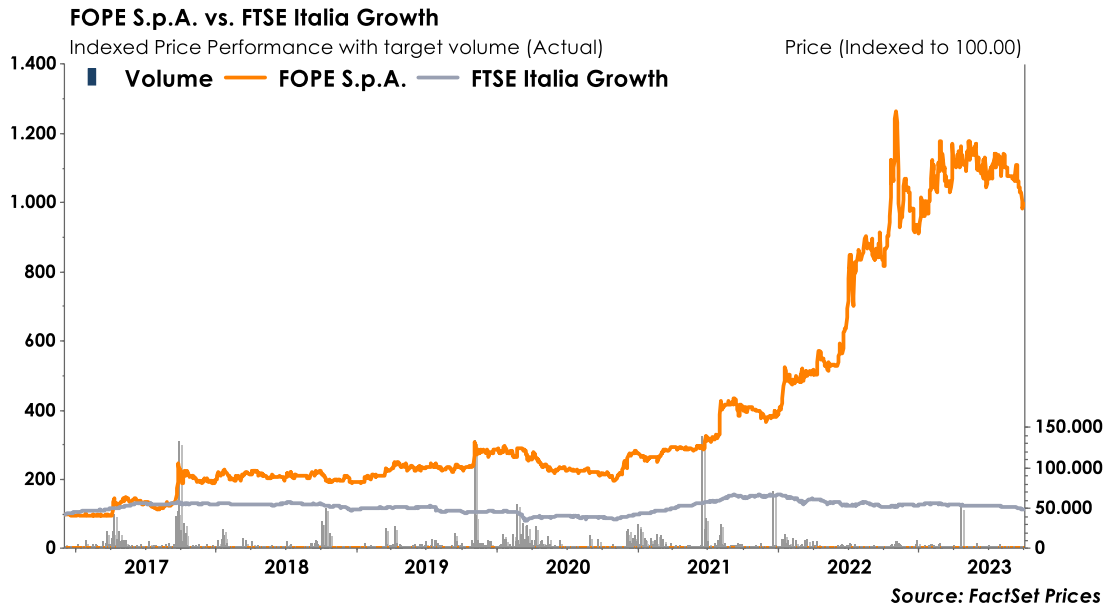
IPO

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 October 2nd, 2023)

Code: FPE
 Bloomberg: FPE IM
 Reuters: FPE.MI
 ISIN: IT0005203424
 Shares: 5,399,608
 Price: 29.80 Euro
 Performance from IPO: +928%
 Capitalisation: 161 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 April 26th, 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
October 3 rd , 2023	39.17	29.80	12 months
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)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them, who was involved in producing the Research.

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