

UPDATE

EQUITY RESEARCH

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FOPE

Euronext Growth Milan | Luxury Jewelry | Italy

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Rating

BUY

unchanged

Target Price

€ 40,50

prev. € 41,50

Risk



Medium

Upside potential

47,8%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 27,40
Target price	€ 40,50
Upside/(Downside) potential	47,8%
Ticker	FPE IM
Market Cap (€/mln)	€ 147,95
EV (€/mln)	€ 147,98
Free Float	11,30%
Share Outstanding	5.399.608
52-week high	€ 36,40
52-week low	€ 22,80
Average daily volumes (3 months)	535

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Sales	66,77	72,80	81,55	91,35
EBITDA	16,95	18,60	20,95	23,65
EBIT	14,66	15,90	17,95	20,45
Net Income	10,08	11,25	12,75	14,55
NFP	0,03	(2,07)	(7,11)	(12,30)
EBITDA margin	25,4%	25,5%	25,7%	25,9%
EBIT margin	22,0%	21,8%	22,0%	22,4%
Net Profit margin	15,1%	15,5%	15,6%	15,9%

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Stock performance	1M	3M	6M	1Y
Absolute	-8,7%	-6,8%	-6,8%	-14,4%
to FTSE Italia Growth	-7,1%	-5,1%	-5,0%	-1,3%
to Euronext STAR Milan	-12,3%	-8,1%	-23,6%	-15,1%
to FTSE All-Share	-15,1%	-20,7%	-30,0%	-44,3%
to EUROSTOXX	-12,8%	-19,4%	-29,0%	-36,3%
to MSCI World Index	-12,2%	-16,3%	-26,7%	-42,5%

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	12,9x	11,8x	10,4x	9,2x
EV/EBIT	14,9x	13,8x	12,2x	10,7x
P/E	21,7x	19,4x	17,2x	15,0x

FY23A Results

Revenues amounted to € 66.77 million, compared to € 62.16 million recorded at the end of 2022. EBITDA, equal to € 16.95 million, recorded an increase from € 15.83 million in the previous year (up 7.1%). The EBITDA margin, equal to 25.4%, was in line with the 2022 margin (25.5%). EBIT came in at € 14.66 million, up from € 13.91 million in the previous year. Net Income amounted to € 10.08 million (€ 10.83 million in FY22A). The NFP, equal to € 0.03 million of debt, saw a slight decline compared to FY22A (cash positive by € 1.50 million), and was better than our expectation of € 1.54 million of debt.

Estimates Update

Given the results published in the annual report for FY23A, we have adjusted our estimates for both the current year and the following few years. In particular, we now estimate a FY24E revenue value of € 72.80 million, and a EBITDA of € 18.60 million, corresponding to a margin of 25.5%. In the following years, we expect the value of revenues to increase up to € 91.35 million (CAGR 23A-26E: 11.0%) in FY26E, with EBITDA equal to € 23.65 million (corresponding to a margin of 25.9%), up from € 16.95 million in FY23A (corresponding to an EBITDA margin of 25.4%). On the balance sheet level, we estimate a cash positive NFP of € 12.30 million for FY26E.

Valuation Update

We conducted our valuation of the equity value of FOPE based on the DCF method and multiples of a sample of comparable companies. The DCF method (including, for prudential purposes, a specific risk of 1.0% in the calculation of the WACC) returned an equity value of € 218.0 million. Using market multiples, we calculated the equity value of FOPE to be € 219.3 million (including a 25% discount). The results give an average equity value of approximately € 218.7 million. The target price is € 40.50, with a BUY rating, and MEDIUM risk.

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	62,16	66,77	72,80	81,55	91,35
Other Revenues	0,59	0,87	0,50	0,50	0,50
Value of Production	62,75	67,64	73,30	82,05	91,85
COGS	26,59	27,18	29,20	32,55	36,40
Services	14,97	16,67	19,00	21,30	23,80
Employees	4,58	5,72	5,80	6,50	7,20
Other Operating Expenses	0,78	1,11	0,70	0,75	0,80
EBITDA	15,83	16,95	18,60	20,95	23,65
<i>EBITDA Margin</i>	<i>25,5%</i>	<i>25,4%</i>	<i>25,5%</i>	<i>25,7%</i>	<i>25,9%</i>
D&A	1,92	2,29	2,70	3,00	3,20
EBIT	13,91	14,66	15,90	17,95	20,45
<i>EBIT Margin</i>	<i>22,2%</i>	<i>21,7%</i>	<i>21,7%</i>	<i>21,9%</i>	<i>22,3%</i>
Financial Management	(0,75)	(0,88)	(0,50)	(0,50)	(0,50)
EBT	13,16	13,78	15,40	17,45	19,95
Taxes	2,33	3,71	4,15	4,70	5,40
Net Income	10,83	10,08	11,25	12,75	14,55
CONSOLIDATED BALANCE SHEET (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Fixed Asset	14,15	14,76	14,60	14,10	13,40
Account receivable	12,36	14,38	16,50	18,45	20,70
Inventories	13,92	15,72	17,00	19,05	21,30
Account payable	4,69	4,11	3,90	5,00	5,65
Operating Working Capital	21,60	25,98	29,60	32,50	36,35
Other Receivable	3,10	3,35	3,80	4,20	4,70
Derivatives	0,13	0,70	1,10	1,10	1,10
Other Payable	4,10	2,07	2,15	2,50	2,80
Net Working Capital	20,72	27,96	32,35	35,30	39,35
Severance Indemnities & Provision	2,74	2,64	2,75	3,10	3,45
NET INVESTED CAPITAL	32,14	40,08	44,20	46,30	49,30
Share Capital	5,40	5,40	5,40	5,40	5,40
Reserves and Retained Profits	17,41	24,58	29,63	35,26	41,65
Net Profit	10,83	10,08	11,25	12,75	14,55
Equity	33,64	40,05	46,27	53,41	61,60
Cash and Cash Equivalent	11,52	11,26	14,07	20,11	26,30
Short-Term Financial debt	5,02	5,90	6,00	6,50	7,00
ML Term Financial Debt	5,00	5,39	6,00	6,50	7,00
Net Financial Position	(1,50)	0,03	(2,07)	(7,11)	(12,30)
TOTAL SOURCES	32,14	40,08	44,20	46,30	49,30

CONSOLIDATED CASH FLOW (€/mln)	FY23A	FY24E	FY25E	FY26E
EBIT	14,66	15,90	17,95	20,45
Taxes	3,71	4,15	4,70	5,40
NOPAT	10,95	11,75	13,25	15,05
D&A	2,29	2,70	3,00	3,20
Change in NWC	(7,24)	(4,39)	(2,95)	(4,05)
Change in receivable	(2,01)	(2,12)	(1,95)	(2,25)
Change in inventories	(1,80)	(1,28)	(2,05)	(2,25)
Change in payable	(0,58)	(0,21)	1,10	0,65
Change in others	(2,85)	(0,77)	(0,05)	(0,20)
Change in provisions	(0,09)	0,11	0,35	0,35
OPERATING CASH FLOW	5,91	10,17	13,65	14,55
Capex	(2,90)	(2,54)	(2,50)	(2,50)
FREE CASH FLOW	3,01	7,63	11,15	12,05
Financial Management	(0,88)	(0,50)	(0,50)	(0,50)
Change in Financial debt	1,26	0,72	1,00	1,00
Change in equity	(3,66)	(5,03)	(5,61)	(6,36)
FREE CASH FLOW TO EQUITY	(0,27)	2,82	6,04	6,19

Source: FOPE and Integrae SIM estimates

Company Overview

FOPE is a historic Italian goldsmith company, founded in Vicenza in 1929, and a leading player in the high-end jewellery sector. The Group pursues its strategic development, based on the growth and consolidation of the brand on the international luxury market, by leveraging 4 competitive advantages: 1) excellent product quality; 2) a perfect synthesis of ‘Made in Italy’ craftsmanship and technology; 3) recognizable design; and 3) consolidated relationships with its clients.

FOPE operates globally through its consolidated network of over 700 shops, in approximately 50 countries. The business model involves direct commercial relationships with multi-brand jewelers (independent or belonging to groups) specializing in luxury products, such as watches and high-end jewellery, with no intermediary distributors but rather partnerships guaranteeing customer/jeweler loyalty, reliability, and excellent after-sale services.

FOPE jewellery products range from timeless classics, featuring FOPE’s iconic Novecento mesh chain, up to its more recent Flex’it lines, which include original bracelets made flexible thanks to a patented system of tiny gold springs, hidden between the links: collections marked by elegance, great comfort, and portability. FOPE has obtained voluntary Traceability & Fashion (TF) certification, and is a certified member of the Responsible Jewellery Council (RJC).

FY23A Results

TABLE 2 – ACTUAL VS ESTIMATES FY23A

€/mln	Sales	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY23A	66,77	16,95	25,4%	14,66	10,08	0,03
FY23E	68,50	17,50	25,4%	15,25	11,10	1,54
Change	-2,5%	-3,1%	0,0%	-3,9%	-9,2%	n/a

Source: Integrae SIM

Through a press release the Company, commenting on the annual results, stated: “We have a very positive opinion on the financial results for the year 2023, which highlight a growth in the volume of revenues, and good margin and capital solidity indices. The sales results are in line with the forecasts elaborated at the beginning of 2023, which took into account a complex economic situation at an international level, confirmed by indicators that showed slowdowns, particularly in the second half of the year. The hedging policy on gold needs neutralized the fluctuations in gold prices, and the primary sales margin did not suffer any deviations from the forecast values. The EBITDA margin was confirmed at a value of 25.4%, despite the significant increase, with respect to the previous year, in expenses incurred for communications and marketing activities. Similarly to economic aspects, financial flows were optimized and the net financial position is equal to zero, despite having made all the investments planned for the year. We look positively towards the development of the business in 2024, with improved sales expectations despite the continuing uncertainties deriving from the economic context at an international level. I believe that the positive estimates are supported by the uniqueness of the FOPE offer, and the first positive indications and feedback from our dealership partners regarding the appreciation of the new collections and the potential development of our collaborations”.

Revenues amounted to € 66.77 million, compared to a value of € 62.16 million recorded at the end of 2022, and the € 68.50 million estimated in our previous report. The growth compared to 2022 was recorded both internationally and domestically, with the latter standing out for excellent sales performances, generated both by the Venice boutique and by various dealerships across Italy, especially due to the presence of foreign tourists.

EBITDA reached € 16.95 million, up 7.1% from € 15.83 million in the previous year, and in line with our expectation of € 17.50 million. The EBITDA margin, equal to 25.4%, was also in line with the 2022 margin (25.5%), and with our estimate of 25.4%. The Group managed to achieve an excellent margin, despite the significant increase, with respect to the previous year, in expenses incurred for communications and marketing activities. These results are particularly noteworthy if we consider the uncertainty of the economic context at an international level, which has led to significant sector slowdowns, especially in the second half of 2023.

EBIT, after depreciation and amortization of € 2.29 million, stands at € 14.66 million (€ 13.91 million in 2022), compared to our estimate of € 15.25 million. The EBIT margin achieved 21.7%, compared to 22.2% of FY22A and our estimate of 22.1%, mainly due to the increase in the

depreciation of technological and commercial investments. Net Income stands at € 10.08 million (€ 10.83 million in FY22A), compared to our previous estimate of € 11.10 million. It is worth noting that the Group, as of December 31, 2022, benefited from a tax saving from the so-called “Decreto Rilancio”, which allowed for a reduction of approximately € 1.25 million of the computed taxes.

The NFP, equal to € 0.03 million of debt, showed a marginal decline compared to FY22A (cash positive for € 1.50 million), but was slightly better than our expectation of € 1.54 million of debt. The NFP data is even more significant if we consider that the Group has been able to optimize financial flows while simultaneously supporting all planned investments for 2023.

FY24E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATE FY24E-26E

€/mln	FY24E	FY25E	FY26E
Sales			
New	72,80	81,55	91,35
Old	78,40	87,80	n/a
Change	-7,1%	-7,1%	n/a
EBITDA			
New	18,60	20,95	23,65
Old	20,60	23,50	n/a
Change	-9,7%	-10,9%	n/a
EBITDA %			
New	0,26	0,26	0,26
Old	0,26	0,27	n/a
Change	-0,6%	-0,9%	n/a
EBIT			
New	15,90	17,95	20,45
Old	17,85	20,40	n/a
Change	-10,9%	-12,0%	n/a
Net Income			
New	11,25	12,75	14,55
Old	12,85	14,75	n/a
Change	-12,5%	-13,6%	n/a
NFP			
New	(2,07)	(7,11)	(12,30)
Old	(2,07)	(7,07)	n/a
Change	n/a	n/a	n/a

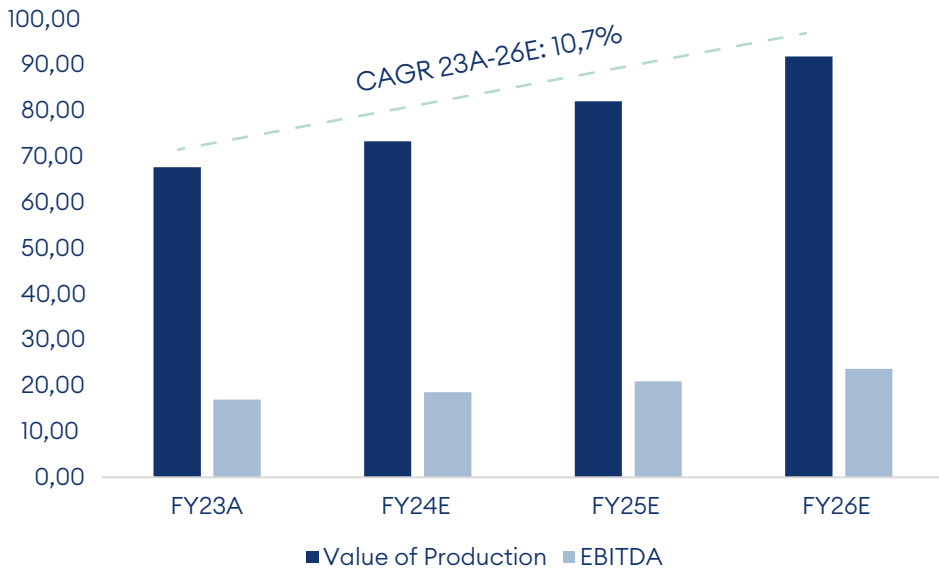
Source: Integrae SIM

In light of the results published in the annual report for FY23A, and considering the slowdowns affecting the Group's reference sector (especially in Germany and the United Kingdom), we have adjusted our estimates for both the current year and the following years.

In particular, we now estimate a FY24E revenue value of € 72.80 million, and an EBITDA of € 18.60 million, corresponding to a margin of 25.5%. The margin is in line with the FY23A data (25.4%), as we outlook that the Group will further boost marketing investments in order to support growth. In the following years, we expect the value of revenues to reach € 91.35 million (CAGR 23A-26E: 11.0%) in FY26E, with EBITDA equal to € 23.65 million (corresponding to a margin of 25.9%), up compared to € 16.95 million in FY23A (corresponding to an EBITDA margin of 25.4%).

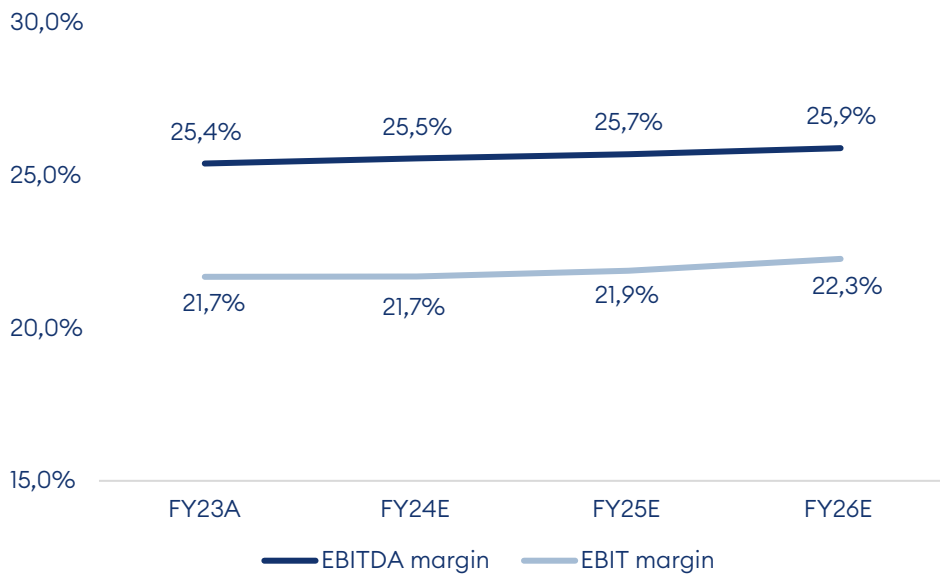
On the balance sheet, we estimate a cash positive NFP of € 12.30 million for FY26E.

CHART 1 - VOP AND EBITDA FY23A-26E



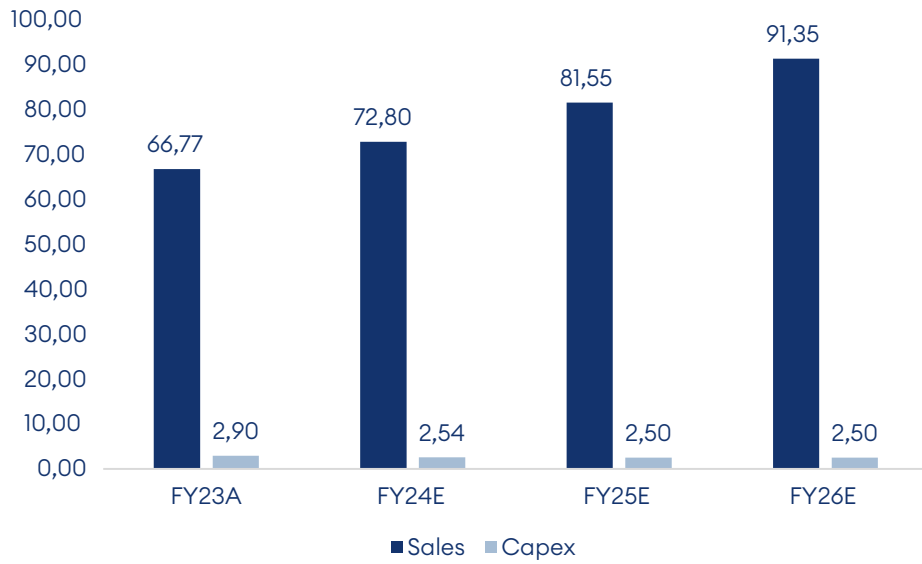
Source: Integrae SIM

CHART 2 - MARGIN FY23A-26E



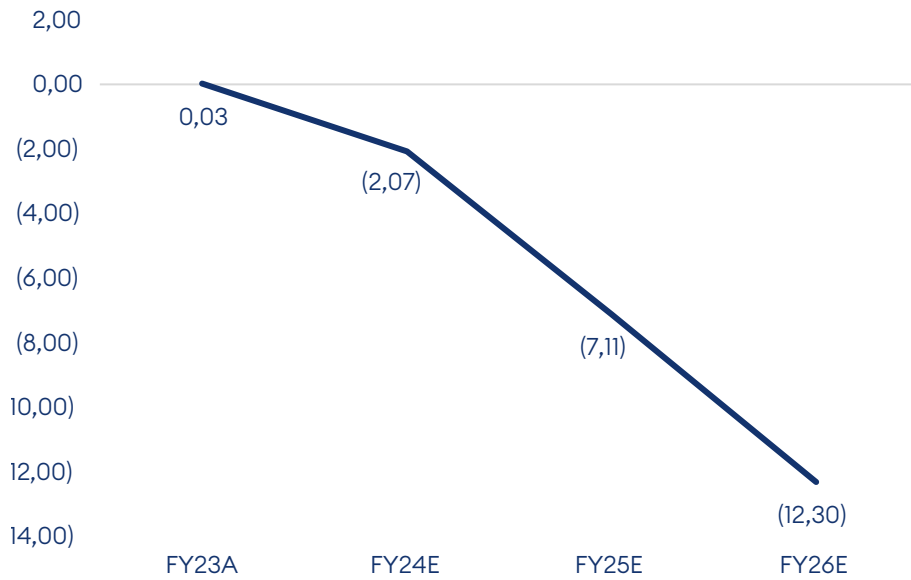
Source: Integrae SIM

CHART 3 – CAPEX FY23A-26E



Source: Integrae SIM

CHART 4 – NFP FY23A-26E



Source: Integrae SIM

Valuation

We conducted our valuation of the equity value of FOPE on the basis of the DCF method and multiples of a sample of comparable companies.

DCF Method

TABLE 4 – WACC

WACC				9,79%
D/E 25,00%	Risk Free Rate 3,20%	β Adjusted 1,0	α (specific risk) 1,00%	
K_d 3,00%	Market Premium 7,81%	β Relevered 1,1	K_e 11,69%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 1.0%. The result is therefore a WACC of 9.79%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	51,6	24%
TV actualized DCF	166,4	76%
Enterprise Value	218,1	100%
NFP (FY23A)	0,0	
Equity Value	218,0	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as reference, the result is an **equity value of € 218.0 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	WACC							
		8,3%	8,8%	9,3%	9,8%	10,3%	10,8%	11,3%
Growth Rate (g)	3,0%	332,3	302,0	276,5	254,8	236,1	219,8	205,5
	2,5%	308,3	282,2	260,0	240,9	224,2	209,6	196,7
	2,0%	288,0	265,3	245,7	228,7	213,8	200,5	188,7
	1,5%	270,8	250,8	233,3	218,0	204,5	192,4	181,6
	1,0%	255,9	238,1	222,4	208,6	196,2	185,2	175,2
	0,5%	242,9	226,9	212,7	200,1	188,8	178,6	169,4
	0,0%	231,5	217,0	204,1	192,5	182,1	172,6	164,1

Source: Integrae SIM

Market multiples

Our panel is made up of companies operating in the same sector as FOPE, but with higher capitalizations. These companies are the same used to calculate Beta for the *DCF method*. The panel is made up of:

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA			EV/EBIT			P/E		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Compagnie Financière Richemont SA	12,5 x	11,7 x	10,9 x	16,5 x	15,0 x	14,1 x	19,3 x	17,5 x	14,7 x
Kering SA	9,1 x	8,3 x	7,6 x	12,7 x	11,4 x	10,2 x	14,9 x	13,1 x	11,5 x
LVMH Moët Hennessy Louis Vuitton SE	14,5 x	13,2 x	12,2 x	18,0 x	16,3 x	15,6 x	25,1 x	21,1 x	20,0 x
Hermès International SCA	33,6 x	30,8 x	27,7 x	39,3 x	34,8 x	31,3 x	52,8 x	47,2 x	42,4 x
Brunello Cucinelli SpA	18,2 x	17,1 x	15,4 x	32,6 x	29,1 x	26,1 x	52,9 x	46,2 x	41,4 x
Peer median	14,5 x	13,2 x	12,2 x	18,0 x	16,3 x	15,6 x	25,1 x	21,1 x	20,0 x

Source: *Infinancials*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY24E	FY25E	FY26E
Enterprise Value (EV)			
EV/EBITDA	269,70	276,54	288,53
EV/EBIT	286,20	292,59	318,48
P/E	282,38	269,03	291,00
Enterprise Value post 25% discount			
EV/EBITDA	202,28	207,41	216,40
EV/EBIT	214,65	219,44	238,86
P/E	211,78	201,77	218,25
Equity Value			
EV/EBITDA	204,35	214,52	228,70
EV/EBIT	216,72	226,55	251,16
P/E	211,78	201,77	218,25
Average	210,95	214,28	232,70

Source: *Integrae SIM*

The *equity value* of FOPE was calculated using EV/EBITDA, EV/EBIT and P/E market multiples. After applying a discount of 25.0%, the result was **an equity value of € 219.3 million**.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	218,7
Equity Value DCF (€/mln)	218,0
Equity Value multiples (€/mln)	219,3
Target Price (€)	40,50

Source: Integrae SIM

The results give an average equity value of approximately € 218.7 million. **The target price is therefore € 40.50 (prev. € 41.50). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	12,9x	11,8x	10,4x	9,2x
EV/EBIT	14,9x	13,8x	12,2x	10,7x
P/E	21,7x	19,4x	17,2x	15,x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	8,7x	8,x	7,1x	6,3x
EV/EBIT	10,1x	9,3x	8,2x	7,2x
P/E	14,7x	13,2x	11,6x	10,2x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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The table below, shows INTEGRAE SIM's recommendation, target price and risk issued during the last 12 months:

Date	Price	Recommendation	Target Price	Risk	Comment
03/04/2023	33,20	Buy	41,50	Medium	Update
06/10/2023	25,80	Buy	41,50	Medium	Update
19/01/2024	27,00	Buy	41,50	Medium	Breaking News
02/02/2024	27,60	Buy	41,50	Medium	Breaking News

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Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the expected total return (ETR – absolute performance in the 12 months following the publication of the analysis, including the ordinary dividend paid by the company), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the expected total return may temporarily fall outside the proposed range

Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR \geq 7.5%	ETR \geq 10%	ETR \geq 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRÆE SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integræe SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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- It operates or has operated in the past 12 months as the entity responsible for carrying out the activities of Euronext Growth Advisor of the FOPE SpA;
- It plays, or has played in the last 12 months, role of specialist financial instruments issued by FOPE SpA;
- In the IPO phase, Integræe SIM played the role of global coordinator.