

VICENZA

FOPE

DAL 1929

FY23: revenues spot-on expectations, higher than expected margins

Sector: Fashion & Luxury

Target Price **40.18 (39.17 pr.)**

Market Cap (€ m) **145.79**

EV (€ m) **145.82**

Market Price (€) **27.00**

As March 29<sup>th</sup>, 2024

Share Data

Market	Euronext Growth Milan
Reuters/Bloomberg	FOPE.MI/FPE:IM
ISIN	IT0005203424
N. of Shares	5,399,608
Free Float	11.30%
Main Shareholder	Diego Nardin

Financials	23A	24E	25E	26E
<b>Sales</b>	66.77	74.11	83.75	96.31
YoY %	7.4%	11.0%	13.0%	15.0%
<b>EBITDA</b>	16.95	18.01	20.52	24.08
EBITDA %	25.4%	24.3%	24.5%	25.0%
<b>EBIT</b>	14.66	15.47	17.73	21.04
EBIT %	22.0%	20.9%	21.2%	21.8%
<b>Net Income</b>	10.08	10.65	12.30	14.71
<b>Net Debt</b>	0.03	(3.10)	(6.82)	(11.23)
<b>Net Equity</b>	40.05	46.11	53.56	62.67

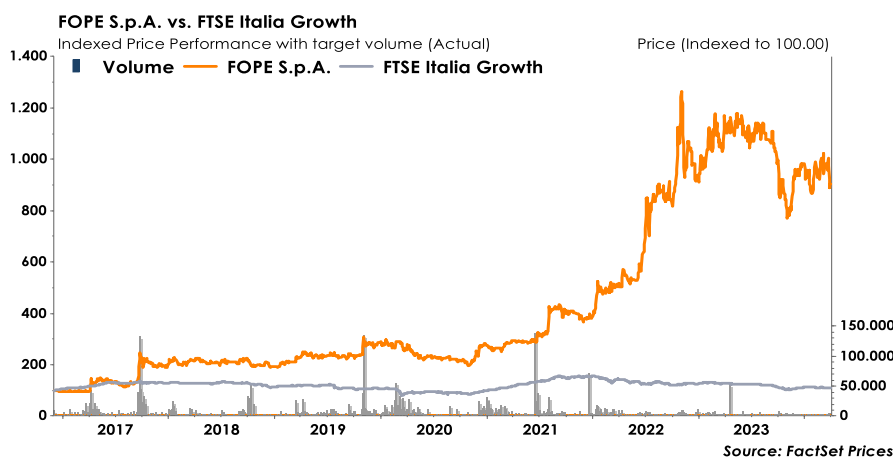
Performance

	1M	3M	1Y
Absolute	(7.5%)	(8.2%)	(18.7%)
Relative (FTSE Italia Growth)	(6.6%)	(6.0%)	(5.9%)
52-week High/Low (Eu)	36.40	/	22.80

**YoY Top-line growth of +7%, EBITDA margin at 25.4%.** Fope, a historic Italian jewelry company and a leader in the fine jewelry market, presented a solid set of FY23 results with sales of Euro 66.8 m, up 7.4% YoY (Euro 62.2 m in 2022), in line with our expectations (Euro 66.5 m). Growth, driven by an increase in volumes (last price list increase in July 2022), was recorded both in international and Italian markets, the latter being positively impacted by the high number of foreign tourists in Italy. EBITDA stood at Euro 17.0 m, +7.1% YoY with an EBITDA margin of 25.4% vs. 25.5% in FY22, and above our expectations for the full year (23.5%). The increase was accomplished despite the rise in expenses attributed to marketing and communication activities, as well as the higher personnel costs due to new hirings. EBIT amounted to Euro 14.7 million, up from Euro 13.9 m in 2022. EBIT margin was 22.0% compared to 22.4% in 2022 owing to the increase in the depreciation of both technological and commercial investments. Net Profit came in at Euro 10.1 m vs. Euro 10.8 m in FY22 which enjoyed special tax benefits, with a reduction of Euro 1.25 m in taxes calculated. On the balance sheet, Net Debt stood at Euro 0.03 m, compared to a cash position of Euro 1.5 m at year-end 2022 after some WC absorption, with the increase in trade receivables and raw material stocks, and investments. As in 1H23, Fope continued to invest in the opening of new SiS (shop-in-shops, primarily in Tokyo and Kuala Lumpur) and the IT system (SAP).

**Positive outlook confirmed in global luxury markets, investments in strengthening of the presence on foreign markets.** Management did not provide guidance for FY24 but expects growth in sales and a positive economic result in a still very complicated political and economic environment. The establishment of the new company Fope Japan G.K, in Tokyo to distribute the Company's products on the Japanese market, and the opening of new Boutiques in strategic luxury markets (Tokyo and Kula Lumpur) confirms Management's intention to continue a strategic path aiming at further strengthen its presence in foreign markets with high growth potential and, at the same time, enhance its value proposition and brand awareness. Finally, regarding sustainability, the Group obtained an 'A' ESG rating from the Cerved Rating Agency for its high capacity to manage ESG risks and opportunities, based on Sustainability Report 2022.

**New estimates and target price.** Based on the above, we have slightly adjusted our revenue estimates for FY24-25 and our forecasts for profitability margins for FY24. We now expect an EBITDA margin of 24.3% in FY24 (24.0% previously), but an EBIT margin of 20.9% (21.7%) as a direct consequence of the planned investments of approximately Euro 2.5 m to fulfill the strategic targets described (previously expected Euro 2.0 m). Finally, we added FY26 to our explicit forecast period. Based on our updated estimates and peers' multiple re-rating, we updated our target price to Euro 40.18 p.s. (Euro 39.17 p.s. previously), with a potential upside of 49%. At our target price, the stock would be trading at FY24-25 EV/EBITDA multiples of 12.1x and 10.6x respectively.



Research Department of

**IRTOP CONSULTING**

Luca Previtali

[l.previtali@irtop.com](mailto:l.previtali@irtop.com)

### KEY FINANCIALS

Profit&Loss Statement	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Sales	34.96	26.00	40.31	62.16	66.77	74.11	83.75	96.31
EBITDA	6.78	3.95	8.79	15.83	16.95	18.01	20.52	24.08
EBIT	5.43	2.34	6.78	13.91	14.66	15.47	17.73	21.04
Financial Income (charges)	(0.48)	(0.26)	0.05	(0.75)	(0.88)	(0.88)	(0.88)	(0.88)
Pre-tax profit (loss)	4.95	2.08	6.83	13.16	13.78	14.59	16.85	20.16
Taxes	(0.10)	(0.41)	(1.80)	(2.33)	(3.71)	(3.94)	(4.55)	(5.44)
Net profit (loss) Group	4.85	1.67	5.03	10.83	10.08	10.65	12.30	14.71

### Balance Sheet

Fixed assets	12.65	13.75	12.80	14.15	14.76	14.72	14.43	13.89
NWC	11.18	12.10	13.92	20.72	27.96	30.93	34.95	40.19
M/L Funds	(2.96)	(2.86)	(2.76)	(2.74)	(2.64)	(2.64)	(2.64)	(2.64)
Net Capital Employed	20.86	22.99	23.97	32.14	40.08	43.01	46.74	51.44
Net Debt/(Cash)	0.09	2.42	(1.88)	(1.50)	0.03	(3.10)	(6.82)	(11.23)
Net Equity	20.77	20.57	25.84	33.64	40.05	46.11	53.56	62.67

### Cash Flow

Net Profit	4.85	1.67	5.03	10.83	10.08	10.65	12.30	14.71
Non Cash Items	1.55	1.50	1.81	1.90	2.20	2.54	2.79	3.04
Change in NWC	(1.63)	(0.92)	(1.82)	(6.80)	(7.24)	(2.97)	(4.02)	(5.24)
Cash Flow from Operations	4.76	2.26	5.01	5.93	5.03	10.22	11.07	12.51
Capex	(4.69)	(2.71)	(0.96)	(3.27)	(2.90)	(2.50)	(2.50)	(2.50)
Operating Free Cash Flow	0.07	(0.45)	4.05	2.66	2.13	7.72	8.57	10.01
Dividend	(1.77)	(2.38)	(0.80)	(2.43)	(4.32)	(4.59)	(4.85)	(5.60)
Change in Equity	1.72	0.51	1.03	(0.60)	0.66	0.00	0.00	0.00
Change in Net debt	0.02	(2.32)	4.29	(0.37)	(1.53)	3.13	3.72	4.41

### Per Share Data

<b>Current Price</b>	<b>27.00</b>							
Total shares (mn)	5.40							
EPS	0.90	0.31	0.93	2.01	1.87	1.97	2.28	2.73
DPS	0.33	0.44	0.15	0.45	0.80	0.85	0.90	1.04
FCF	0.00	(0.43)	0.79	(0.07)	(0.28)	0.58	0.69	0.82
Pay out ratio	49.1%	47.6%	48.3%	39.9%	45.6%	45.6%	45.6%	45.6%

### Ratios

EBITDA margin	19.4%	15.2%	21.8%	25.5%	25.4%	24.3%	24.5%	25.0%
EBIT margin	15.5%	9.0%	16.8%	22.4%	22.0%	20.9%	21.2%	21.8%
Net Debt/Equity (Gearing)	0.4%	11.7%	n.m.	n.m.	0.1%	n.m.	n.m.	n.m.
Net Debt/EBITDA	0.01	0.61	n.m.	n.m.	0.00	n.m.	n.m.	n.m.
Interest cover EBIT	11.26	8.98	(137.54)	18.46	16.67	17.59	20.16	23.92
ROE	23.3%	8.1%	19.5%	32.2%	25.2%	23.1%	23.0%	23.5%

### Growth Rates

Revenues	11.9%	(25.6%)	55.0%	54.2%	7.4%	11.0%	13.0%	15.0%
EBITDA	11.3%	(41.8%)	122.7%	80.2%	7.1%	6.2%	13.9%	17.3%
EBIT	9.5%	(57.0%)	190.1%	105.2%	5.4%	5.5%	14.6%	18.7%
Net Profit	44.9%	(65.5%)	200.9%	115.4%	(7.0%)	5.7%	15.5%	19.6%

Source: Group Consolidated Data & PMI Capital Research Estimates

**Estimate revision – Euro m**

Income Statement	2022A	2023A	2024E Old	2024E New	2025E Old	2025E New	2026E
<b>Sales</b>	<b>62.16</b>	<b>66.77</b>	<b>74.49</b>	<b>74.11</b>	<b>83.43</b>	<b>83.75</b>	<b>96.31</b>
yoy	54.2%	7.4%	12.0%	11.0%	12.0%	13.0%	15.0%
<b>EBITDA</b>	<b>15.83</b>	<b>16.95</b>	<b>17.88</b>	<b>18.01</b>	<b>20.44</b>	<b>20.52</b>	<b>24.08</b>
EBITDA margin	25.5%	25.4%	24.0%	24.3%	24.5%	24.5%	25.0%
<b>EBIT</b>	<b>13.91</b>	<b>14.66</b>	<b>16.18</b>	<b>15.47</b>	<b>18.74</b>	<b>17.73</b>	<b>21.04</b>
EBIT margin	22.4%	22.0%	21.7%	20.9%	22.5%	21.2%	21.8%
<b>Net Profit</b>	<b>10.83</b>	<b>10.08</b>	<b>11.74</b>	<b>10.65</b>	<b>13.61</b>	<b>12.30</b>	<b>14.71</b>
Net Profit margin	17.4%	15.1%	15.8%	14.4%	16.3%	14.7%	15.3%
<b>EPS</b>	<b>2.01</b>	<b>1.87</b>	<b>2.17</b>	<b>1.97</b>	<b>2.52</b>	<b>2.28</b>	<b>2.73</b>

Balance Sheet	2022A	2023A	2024E Old	2024E New	2025E Old	2025E New	2026E
Net Working Capital	20.72	27.96	31.04	30.93	34.76	34.95	40.19
Fixed net assets	14.15	14.76	14.21	14.72	14.51	14.43	13.89
Funds	(2.74)	(2.64)	(2.74)	(2.64)	(2.74)	(2.64)	(2.64)
<b>Net Capital Employed</b>	<b>32.14</b>	<b>40.08</b>	<b>42.51</b>	<b>43.01</b>	<b>46.54</b>	<b>46.74</b>	<b>51.44</b>
Net Debt (Cash)	(1.50)	0.03	(4.12)	(3.10)	(8.78)	(6.82)	(11.23)
Total Equity	33.64	40.05	46.64	46.11	55.31	53.56	62.67
<b>Sources</b>	<b>32.14</b>	<b>40.08</b>	<b>42.51</b>	<b>43.01</b>	<b>46.54</b>	<b>46.74</b>	<b>51.44</b>

Source: Group Data and PMI Capital Research Estimates

## VALUATION

### Valuation Summary

Method	Weight	Price (Euro)	Equity Value (Euro m)
Multiple Comparison (FY 23 - 25 EV/EBITDA and P/E)	50%	41.95	226.49
DCF (WACC 8.53% and g 1.5%)	50%	38.42	207.46
<b>Target Price</b>	<b>100%</b>	<b>40.18</b>	<b>216.97</b>

### DCF model

DCF Valuation	
Euro m	
WACC	8.53%
Sum of PV 2024 -28 FCFs	46.36
Discounted terminal value	161.32
<b>Enterprise Value</b>	<b>207.68</b>
Net Debt (FY23)	0.03
Minorities (1H23)	0.19
<b>Equity Value</b>	<b>207.46</b>
N. of outstanding shares (m)	5.40
<b>Fair Value p.s. (Euro)</b>	<b>38.42</b>

### Multiples Comparison

Companies	Market Cap	Price	Sales	Sales	EBITDA	NI	2023A-2025E CAGR	
				YoY	%	%	Sales	EBITDA
				2023E	23/22	2023E		
Tod's	1,423.02	43.00	1,129.85	12.1%	22.7%	4.4%	5.1%	6.4%
Ferragamo	1,902.26	11.27	1,155.66	(7.7%)	21.6%	2.2%	3.3%	6.7%
Prada	18,769.10	7.34	4,726.41	12.5%	37.0%	14.2%	8.3%	9.0%
Moncler	19,011.08	69.18	2,984.22	14.7%	40.3%	20.5%	8.7%	8.8%
LVMH	418,017.82	833.70	86,153.00	8.8%	32.9%	17.6%	6.3%	6.5%
Kering	45,215.20	366.35	19,566.00	(3.9%)	32.9%	15.6%	3.9%	3.0%
Burberry	5,087.54	14.19	3,463.29	(2.8%)	26.4%	9.7%	3.5%	3.9%
Richemont	75,987.75	141.35	20,644.49	3.5%	30.2%	17.1%	5.9%	7.8%
<b>Average</b>	<b>73,176.72</b>	<b>185.80</b>	<b>17,477.86</b>	<b>4.6%</b>	<b>30.5%</b>	<b>12.7%</b>	<b>5.6%</b>	<b>6.5%</b>
<b>FOPE</b>	<b>145.79</b>	<b>27.00</b>	<b>66.77</b>	<b>7.4%</b>	<b>25.4%</b>	<b>15.1%</b>	<b>12.0%</b>	<b>10.0%</b>

Source: FactSet data as of March 29<sup>th</sup>, 2024 and PMI Capital estimates for FOPE

Companies	EV/EBITDA			P/E		
	23E	24E	25E	23E	24E	25E
Tod's	6.72	7.59	7.01	28.97	26.86	22.35
Ferragamo	n.a.	n.a.	n.a.	74.15	61.93	36.31
Prada	8.75	10.86	9.98	27.68	25.16	22.33
Moncler	12.82	14.63	13.37	30.49	28.63	25.50
LVMH	13.97	15.09	13.87	27.49	25.72	23.29
Kering	9.86	9.77	8.72	14.65	16.18	14.13
Burberry	7.04	6.96	6.51	15.65	15.12	13.26
Richemont	n.a.	n.a.	n.a.	22.28	19.92	18.00
<b>Average</b>	<b>9.86</b>	<b>10.81</b>	<b>9.91</b>	<b>30.17</b>	<b>27.44</b>	<b>21.90</b>
<b>FOPE</b>	<b>8.60</b>	<b>8.10</b>	<b>7.11</b>	<b>14.47</b>	<b>13.69</b>	<b>11.86</b>
Premium/Discount to Peers	(12.8%)	(25.1%)	(28.3%)	(52.0%)	(50.1%)	(45.9%)

Source: FactSet data as of March 29<sup>th</sup>, 2024 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), Franchi Umberto Marmi (FUM-IT), GIBUS (GBUS-IT), Gismondi 1754 (GIS-IT), Illa (ILLA-IT), Jonix (JNX-IT), Pozzi Milano (POZ-IT), Racing Force Group (RFG-IT), Radici (RAD-IT), Porto Aviation Group(PAG-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.

Key Financials 2022 (Euro m)	Consumer Durables			XS0072
	FOPE	EGM Sector	Peers Avg	FTSE Italia Growth
Revenues	62.16	36.50	16,514.58	49.51
EBITDA	15.83	7.17	5,563.97	7.86
EBITDA %	25.5%	19.6%	33.7%	15.9%
EBIT	13.91	4.6	4,274.97	4.20
EBIT %	22.4%	12.6%	25.9%	8.5%
Earnings	10.83	3.04	2,934.02	2.38
Earnings %	17.4%	8.3%	17.8%	4.8%
Net Debt	(1.50)	7.52	563.54	5.75
ND/EBITDA	(0.09)	1.05	0.10	0.73
<i>FY21-23 Revenues CAGR</i>	28.7%	6.9%	13.1%	24.1%
<i>FY22-24 Revenues CAGR</i>	9.2%	6.0%	5.1%	12.2%
<i>FY21-23 Earnings CAGR</i>	41.5%	1.6%	11.5%	102.5%
<i>FY22-24 Earnings CAGR</i>	(0.8%)	(4.8%)	3.1%	33.2%
<b>Market Data</b>				
Market Cap	145.79	38.10	73,194.26	38.8
EV	145.82	44.94	113,570.25	43.6
Free Float	11.30%	25.2%	55.4%	32.9%
ADTT YTD (Eu k)	31.98	22.77	80,926.32	58.08
<b>Market Multiples</b>				
EV/Sales 2023	2.18	1.57	3.27	2.10
EV/Sales 2024	1.97	1.34	3.58	1.40
EV/Sales 2025	1.74	1.06	3.31	1.06
EV/EBITDA 2023	8.60	9.50	9.86	10.77
EV/EBITDA 2024	8.10	11.15	10.81	6.71
EV/EBITDA 2025	7.11	9.49	9.91	5.32
EV/EBIT 2023	9.95	15.28	15.58	13.20
EV/EBIT 2024	9.43	14.05	17.18	11.59
EV/EBIT 2025	8.23	8.86	15.20	8.33
P/E 2023	14.47	32.63	30.17	23.16
P/E 2024	13.69	29.81	27.44	28.91
P/E 2025	11.86	13.49	21.90	14.27
Earnings Yield	6.9%	3.1%	3.3%	4.3%
<b>Stock Performance</b>				
1D	0.0%	0.0%	0.0%	0.0%
1W	(10.0%)	(2.7%)	2.1%	(0.7%)
1M	(7.5%)	(3.2%)	(2.3%)	(1.0%)
3M	(8.2%)	(26.3%)	12.2%	(2.3%)
6M	(9.4%)	(31.5%)	9.2%	(2.6%)
YTD	26.8%	(48.9%)	10.4%	1.0%
1Y	(18.7%)	(44.6%)	(10.8%)	(13.6%)

Source: PMI Capital Research and FactSet data as of March 29<sup>th</sup>, 2024

## FOPE IN BRIEF

### Company Profile

FOPE is a historic Italian jewellery company established in Vicenza in 1929 and a leader in the fine jewellery market. FOPE pursues strategic growth by leveraging 4 competitive advantages: product quality, the perfect combination of Made-in-Italy craftsmanship and technology, recognizable design, and long-standing customer relationships, also thanks to outstanding after-sales service. The whole production cycle, from prototyping to the shipping of finished jewels, takes place inside the headquarters in Vicenza. With over 90% of revenues realized outside Italy, the Company operates globally through a well-established and selected network of over 700 stores worldwide (with a direct presence in the US, UK, German, and Japanese markets through the subsidiaries FOPE USA Inc., FOPE Jewellery Limited, FOPE Deutschland GmbH, and FOPE Japan G.K. respectively). The business model focuses on maintaining direct business relationships with about 600 multi-brand jewellery retailers (either independent or part of groups) that specialize in luxury products such as fine jewellery and watches. FOPE's investments in R&D have led to an extremely high level of standardization and automation, with proprietary technology that allows optimizing processes and times to deliver products of world-class quality. With Euro 66.8 million in revenues in 2023, c. 75 employees, and a strong international presence with the new opening of exclusive mono-brand stores, in Tokyo Ginza and the prestigious Seibu mall in Kuala Lumpur.

### 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 (USA - UK - Germany) and in new strategic areas
- value proposition (loyalty programmes for best retailers)
- brand awareness

### Sustainability Philosophy

- ESG Rating of 'A' From Cerved Rating Agency
- Sustainability report since 2017
- Carbon footprint project:
  - Carbon neutrality in FY22
  - Certified emission (RINA)
  - CO2 load compensation with project Treedom

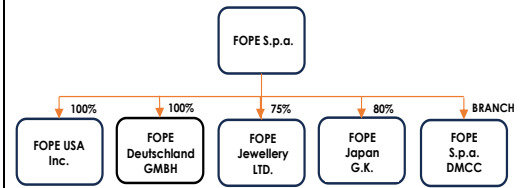
### Ownership

Shareholder	n. of shares	%
Ines Cazzola	1,864,756	34.5%
Umberto Cazzola *	1,227,386	22.7%
Heirs Giulia Cazzola **	637,370	11.8%
Diego Nardin	297,160	5.5%
Vitaliano Borromeo	346,800	6.4%
P4P International S.p.A.	415,000	7.7%
Free Float	611,136	11.3%
<b>Total</b>	<b>5,399,608</b>	<b>100.0%</b>

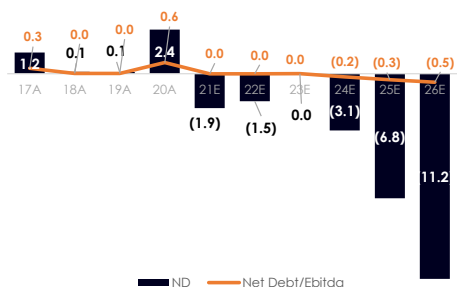
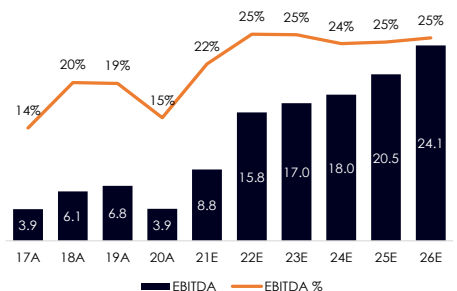
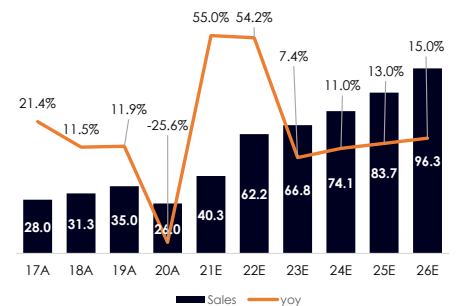
\* an additional 637,730 common shares in usufruct with the vote rights granted by the heirs of Giulia Cazzola.

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

### Group Structure



### Key Financials



**FOPE ON EURONEXT GROWTH MILAN**

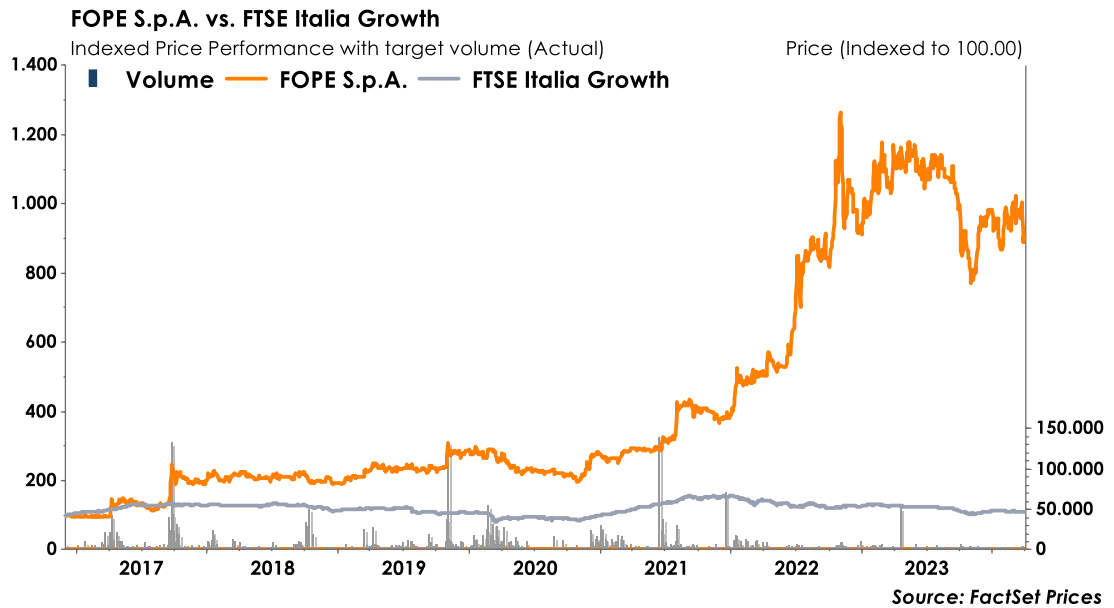
**IPO**

Date: November 30<sup>th</sup>, 2016  
 Capital raised: Euro 2.21 m Equity (+ Euro 1.20 m Convertible Bond)  
 Price: Euro 2.90  
 Capitalization: Euro 13.3 m

**SHARES** (as of March 29<sup>th</sup>, 2024)

Code: FPE  
 Bloomberg: FPE:IM  
 Reuters: FOPE.MI  
 ISIN: IT0005203424  
 Shares: 5,399,608  
 Price: Euro 27.00  
 Performance from IPO: +831%  
 Capitalisation: Euro 145.79 m  
 Free Float: 11.3%  
 EGA: Integrae SIM  
 Specialist: Integrae SIM

**STOCK PERFORMANCE**



DISCLAIMER

UPDATES



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Date	Target Price	Market Price	Validity Time
April 2 <sup>nd</sup> , 2024	40.18	39.17	12 months
October 3 <sup>rd</sup> , 2023	39.17	29.80	12 months
April 26 <sup>th</sup> , 2023	41.01	34.00	12 months
January 24 <sup>th</sup> , 2023	36.19	29.00	12 months
September 27 <sup>th</sup> , 2022	29.38	25.20	12 months
March 9 <sup>th</sup> , 2022	18.79	14.70	12 months
January 28 <sup>th</sup> , 2022	18.11	15.00	12 months
August 4 <sup>th</sup> , 2021	15.55	12.80	12 months
March 15 <sup>th</sup> , 2021	11.42	8.60	12 months
September 24 <sup>th</sup> , 2020	11.37	6.70	12 months
September 25 <sup>th</sup> 2019	12.28	7.45	12 months
March 19 <sup>th</sup> 2019	12.26	7.30	12 months
September 19 <sup>th</sup> 2018	9.05	7.00	12 months
March 28 <sup>th</sup> 2018	8.85	6.80	12 months
September 21 <sup>st</sup> 2017	6.05	5.00	12 months
July 18 <sup>th</sup> 2017	5.40	3.83	12 months

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Luca Previtali (Analyst)

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