

UPDATE

EQUITY RESEARCH

FOPE

ISIM INTEGRÆ

Euronext Growth Milan | Luxury Jewelry | Italy

Production 04/10/2024, h. 06:30 pm

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Rating
BUY

unchanged

Target Price
€ 39,00

prev. € 40,50

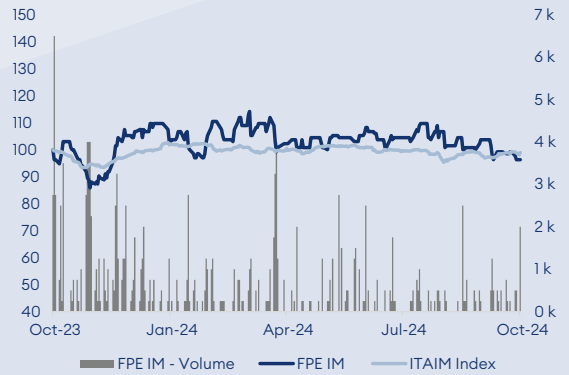


Risk

Medium

Upside potential
51,2%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 25,80
Target price	€ 39,00
Upside/(Downside) potential	51,2%
Ticker	FPE IM
Market Cap (€/mln)	€ 139,31
EV (€/mln)	€ 139,34
Free Float	11,30%
Share Outstanding	5.399.608
52-week high	€ 31,00
52-week low	€ 22,80
Average daily volumes (3 months)	299

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Sales	66,77	70,00	81,55	91,35
EBITDA	16,95	15,60	19,45	22,35
EBIT	14,66	13,00	16,55	19,25
Net Income	10,08	9,05	11,65	13,55
NFP	0,03	2,38	(5,66)	(9,95)
EBITDA margin	25,4%	22,3%	23,9%	24,5%
EBIT margin	22,0%	18,6%	20,3%	21,1%
Net Profit margin	15,1%	12,9%	14,3%	14,8%

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Stock performance	1M	3M	6M	1Y
Absolute	-7,2%	-7,9%	-5,8%	-3,7%
to FTSE Italia Growth	-8,5%	-7,1%	-4,3%	-2,7%
to Euronext STAR Milan	-7,5%	-3,0%	-1,7%	-15,4%
to FTSE All-Share	-7,0%	-6,2%	-3,3%	-25,8%
to EUROSTOXX	-9,4%	-7,2%	-3,6%	-24,6%
to MSCI World Index	-10,8%	-10,8%	-14,5%	-33,7%

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	8,2x	8,9x	7,2x	6,2x
EV/EBIT	9,5x	10,7x	8,4x	7,2x
P/E	13,8x	15,4x	12,0x	10,3x

1H24A Results

Revenue as of June 30, 2024, stands at € 29.64 million, compared to € 34.68 million recorded in 1H23A. EBITDA, amounting to € 3.70 million, shows a decline compared to the € 9.08 million in 1H23A. The EBITDA margin, at 12.4%, also decreased compared to the margin in the first half of 2023 (25.9%). EBIT stands at € 2.44 million (€ 8.09 million in 1H23A). Net Income is € 1.59 million, compared to € 5.57 million in the first half of 2023. From a balance sheet perspective, the Net Financial Position (NFP) shifts from € 0.03 million in FY23A to a debt value of € 4.31 million at the end of the first half of 2024.

Estimates Update

Given the results published in the semi-annual report for FY23A, we have partially adjusted our estimates for both the current year and the following few years. In particular, we now estimate a FY24E revenue value of € 70.00 million, and a EBITDA of € 15.60 million, corresponding to a margin of 22.3%. 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 € 22.35 million (corresponding to a margin of 24.5%), 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 € 9.95 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 € 226.2 million. Using market multiples, we calculated the equity value of FOPE to be € 195.0 million (including a 25% discount). The results give an average equity value of approximately € 210.6 million. The target price is € 39.00, 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	70,00	81,55	91,35
Other Revenues	0,59	0,87	0,50	0,50	0,50
Value of Production	62,75	67,64	70,50	82,05	91,85
COGS	26,59	27,18	28,50	32,60	36,40
Services	14,97	16,67	18,50	21,30	23,80
Employees	4,58	5,72	6,80	7,60	8,20
Other Operating Expenses	0,78	1,11	1,10	1,10	1,10
EBITDA	15,83	16,95	15,60	19,45	22,35
<i>EBITDA Margin</i>	<i>25,5%</i>	<i>25,4%</i>	<i>22,3%</i>	<i>23,9%</i>	<i>24,5%</i>
D&A	1,92	2,29	2,60	2,90	3,10
EBIT	13,91	14,66	13,00	16,55	19,25
<i>EBIT Margin</i>	<i>22,2%</i>	<i>21,7%</i>	<i>18,4%</i>	<i>20,2%</i>	<i>21,0%</i>
Financial Management	(0,75)	(0,88)	(0,40)	(0,40)	(0,40)
EBT	13,16	13,78	12,60	16,15	18,85
Taxes	2,33	3,71	3,55	4,50	5,30
Net Income	10,83	10,08	9,05	11,65	13,55
CONSOLIDATED BALANCE SHEET (€/mln)					
Fixed Asset	14,15	14,76	14,65	14,25	13,65
Account receivable	12,36	14,38	19,50	18,45	20,70
Inventories	13,92	15,72	18,00	19,05	21,30
Account payable	4,69	4,11	4,40	5,00	5,65
Operating Working Capital	21,60	25,98	33,10	32,50	36,35
Other Receivable	3,10	3,35	3,80	4,20	4,70
Derivatives	0,13	0,70	2,00	2,00	2,00
Other Payable	4,10	2,07	3,50	3,70	3,90
Net Working Capital	20,72	27,96	35,40	35,00	39,15
Severance Indemnities & Provision	2,74	2,64	3,60	3,70	3,80
NET INVESTED CAPITAL	32,14	40,08	46,45	45,55	49,00
Share Capital	5,40	5,40	5,40	5,40	5,40
Reserves and Retained Profits	17,41	24,58	29,63	34,16	40,00
Net Profit	10,83	10,08	9,05	11,65	13,55
Equity	33,64	40,05	44,07	51,21	58,95
Cash and Cash Equivalent	11,52	11,26	9,62	18,66	23,95
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	2,38	(5,66)	(9,95)
TOTAL SOURCES	32,14	40,08	46,45	45,55	49,00

CONSOLIDATED CASH FLOW (€/mln)	FY23A	FY24E	FY25E	FY26E
EBIT	14,66	13,00	16,55	19,25
Taxes	3,71	3,55	4,50	5,30
NOPAT	10,95	9,45	12,05	13,95
D&A	2,29	2,60	2,90	3,10
Change in NWC	(7,24)	(7,44)	0,40	(4,15)
Change in receivable	(2,01)	(5,12)	1,05	(2,25)
Change in inventories	(1,80)	(2,28)	(1,05)	(2,25)
Change in payable	(0,58)	0,29	0,60	0,65
Change in others	(2,85)	(0,32)	(0,20)	(0,30)
Change in provisions	(0,09)	0,96	0,10	0,10
OPERATING CASH FLOW	5,91	5,57	15,45	13,00
Capex	(2,90)	(2,49)	(2,50)	(2,50)
FREE CASH FLOW	3,01	3,08	12,95	10,50
Financial Management	(0,88)	(0,40)	(0,40)	(0,40)
Change in Financial debt	1,26	0,72	1,00	1,00
Change in equity	(3,66)	(5,03)	(4,52)	(5,81)
FREE CASH FLOW TO EQUITY	(0,27)	(1,63)	9,03	5,29

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).

1H24A Results

TABLE 2 – 1H23A VS 1H24A

€/mln	Sales	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H24A	29,64	3,70	12,4%	2,44	1,59	4,31
1H23A	34,68	9,08	25,9%	8,09	5,57	0,03*
Change	-14,5%	-59,3%	-13,6%	-69,8%	-71,5%	n/a

*NFP as of 31/12/2023

Source: Integrae SIM

In a press release, the Company, commenting on the semi-annual results, stated: *“The contraction in first-half revenue is attributable to a slowdown, recorded in the early months of 2024, in production and the fulfillment of the order backlog resulting from year-end and acquired in the following months. The volume contraction had a direct impact, generating lower operating margins relative to the coverage of structural costs, especially due to the inclusion of new professionals intended to support future growth, as well as marketing investments that exceeded the previous half-year’s results. FOPE collections are produced entirely in-house, and actions are underway to improve the delivery capacity of production processes, allowing us to meet the scheduled timelines for fulfilling the order backlog. The Net Commercial Position as of September 27, 2024, confirms the Group’s growth trajectory, amounting to € 69.4 million, an increase of 17% compared to the previous year. The growth engine is undoubtedly the American market, particularly the USA, which recorded order growth exceeding 30%, with significant increases also in Southeast Asian countries. The financial hedging policy on gold requirements, active for the needs of the entire year, has neutralized fluctuations in gold prices that have characterized the precious metals market. In line with market presence strategies and alongside the mono-brand boutiques, 17 new Shop-in-Shop locations have been opened to date, with more planned to open by year-end.”*

Revenue as of June 30, 2024, stands at € 29.64 million, compared to € 34.68 million recorded in 1H23A. This decrease is primarily due to a slowdown in production and order fulfillment in the early months of 2024. Nevertheless, the Net Commercial Position (defined as Revenue + confirmed order backlog) as of June 30, 2024, reached € 49.60 million, marking an 11.0% growth compared to the same period last year. The new collections launched in 2024 have achieved highly positive results, while the “timeless” collections, which have been on the market for several years, continue to be well-received. Sales, distributed through a network of dealers, mono-brand boutiques in Venice, London, Kuala Lumpur, and Tokyo, and the proprietary e-commerce site, remain predominantly international, accounting for 83.0% of total sales, consistent with the previous year.

FOPE collections are produced entirely in-house, and efforts are underway to improve delivery capacity, ensuring that the scheduled timelines for fulfilling the order backlog are met. As of September 27, 2024, the Net Commercial Position reached € 69.40 million, a 17.0% growth compared to the previous year. Growth is primarily driven by the American market,

particularly the United States, which saw order increases exceeding 30.0%. Significant growth was also observed in Southeast Asian markets, while Europe and Italy showed positive results, albeit at a slower pace.

EBITDA, amounting to € 3.70 million, shows a decline compared to € 9.08 million in 1H23A. The EBITDA margin, at 12.4%, also decreased compared to the margin in the first half of 2023 (25.9%). This drop is due not only to the decline in sales but also to significant marketing and communication activities carried out during the first half of the year and the hiring of new personnel to support production, commercial, and marketing activities.

EBIT, after depreciation and impairment amounting to € 1.26 million, stands at € 2.44 million (€ 8.09 million in 1H23A), corresponding to an EBIT margin of 8.2% (compared to 23.1% on June 30, 2023). Net Income amounts to € 1.59 million, compared to € 5.57 million in the first half of 2023.

From a balance sheet perspective, the NFP shifted from € 0.03 million in FY23A to a debt value of € 4.31 million at the end of the first half of 2024. This negative change is attributable, in addition to the revenue decline, to the increase in gold and diamond inventory to support commercial activities and ensure the delivery of scheduled orders, as well as the growth in receivables from customers.

FY24E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATE FY24E-26E

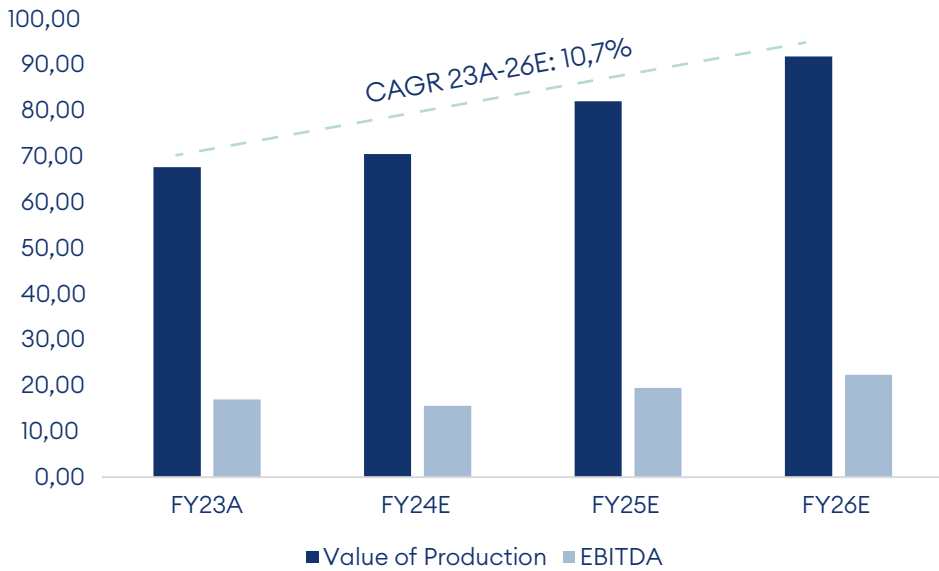
€/mln	FY24E	FY25E	FY26E
Sales			
New	70,00	81,55	91,35
Old	72,80	81,55	91,35
Change	-3,8%	0,0%	0,0%
EBITDA			
New	15,60	19,45	22,35
Old	18,60	20,95	23,65
Change	-16,1%	-7,2%	-5,5%
EBITDA %			
New	22,3%	23,9%	24,5%
Old	25,5%	25,7%	25,9%
Change	-3,3%	-1,8%	-1,4%
EBIT			
New	13,00	16,55	19,25
Old	15,90	17,95	20,45
Change	-18,2%	-7,8%	-5,9%
Net Income			
New	9,05	11,65	13,55
Old	11,25	12,75	14,55
Change	-19,6%	-8,6%	-6,9%
NFP			
New	2,38	(5,66)	(9,95)
Old	(2,07)	(7,11)	(12,30)
Change	n/a	n/a	n/a

Source: Integrae SIM

In light of the results published in the semi-annual report for 1H24A, we are adjusting our estimates for the current year and the coming years. We are confident that the Group, thanks to the actions it is taking to improve its production delivery processes, will be able to fulfill its order backlog on schedule. We are revising down our EBITDA forecast due to increased marketing investments and the addition of new personnel during the first six months of 2024, aimed at supporting the Group's future growth.

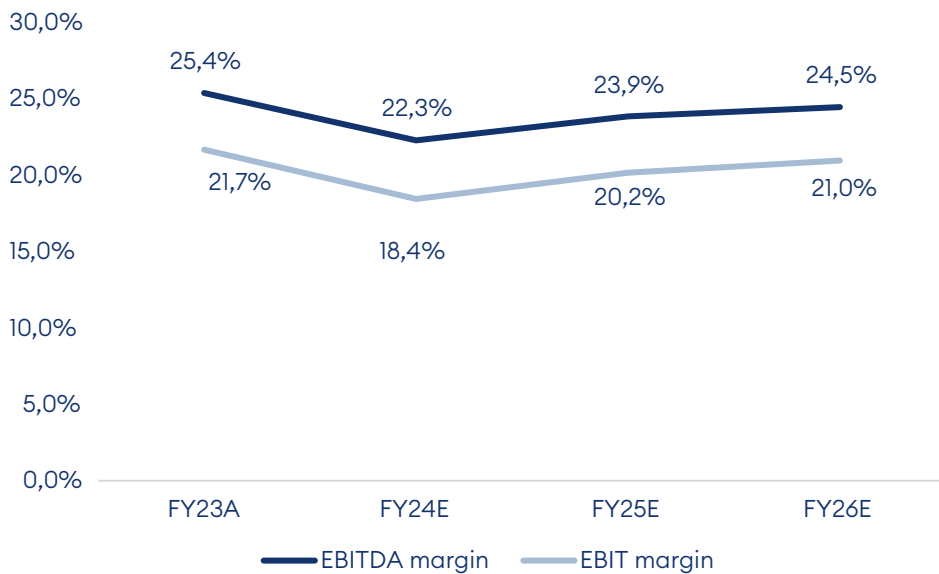
Specifically, we estimate FY24E revenue at € 70.00 million and EBITDA at € 15.60 million, corresponding to a 22.5% margin. For the following years, we expect revenue to increase to € 91.35 million (CAGR 23A-26E: 11.0%) by FY26E, with EBITDA reaching € 22.35 million (corresponding to a 24.5% margin), up from € 16.95 million in FY23A (corresponding to an EBITDA margin of 25.4%). From a balance sheet perspective, we estimate a positive NFP of € 9.95 million by FY26E.

CHART 1 - VOP AND EBITDA FY23A-26E



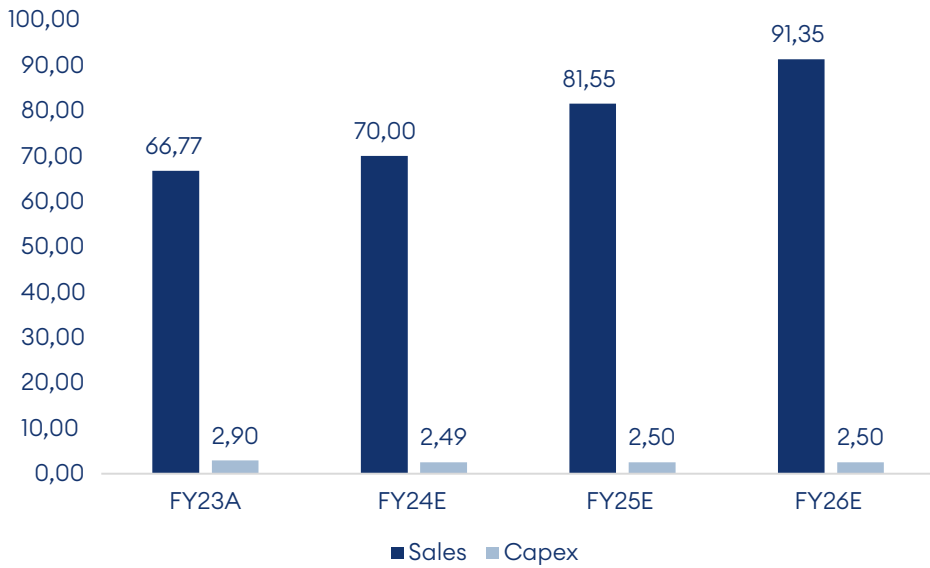
Source: Integrae SIM

CHART 2 - MARGIN FY23A-26E



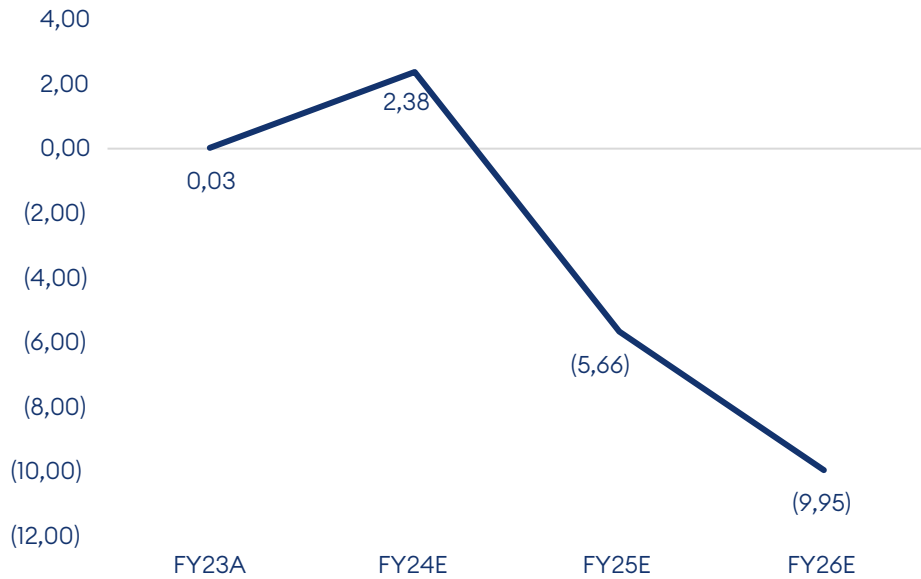
Source: Integrae SIM

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				8,51%
D/E 25,00%	Risk Free Rate 2,74%	β Adjusted 0,9	α (specific risk) 1,00%	
K_d 3,00%	Market Premium 6,80%	β Relevered 1,1	K_e 10,10%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 1.0%. The result is therefore a WACC of 8.51%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	48,1	21%
TV actualized DCF	178,1	79%
Enterprise Value	226,2	100%
NFP (FY23A)	0,0	
Equity Value	226,2	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as reference, the result is an **equity value of € 226.2 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		7,0%	7,5%	8,0%	8,5%	9,0%	9,5%	10,0%
	3,0%	379,7	336,9	302,6	274,6	251,3	231,5	214,6
	2,5%	343,1	308,2	279,6	255,8	235,6	218,4	203,4
	2,0%	313,9	284,7	260,4	239,8	222,2	207,0	193,6
	1,5%	289,9	265,1	244,1	226,2	210,6	197,0	185,0
	1,0%	269,9	248,5	230,2	214,3	200,4	188,2	177,3
	0,5%	253,0	234,3	218,1	203,9	191,4	180,3	170,4
	0,0%	238,6	222,0	207,5	194,8	183,4	173,3	164,2

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	11,6 x	10,5 x	16,3 x	14,7 x	13,3 x	21,0 x	19,2 x	17,2 x
Kering SA	9,9 x	8,9 x	8,2 x	15,8 x	14,2 x	12,1 x	17,8 x	15,6 x	12,9 x
LVMH Moët Hennessy Louis Vuitton SE	14,5 x	13,2 x	12,2 x	18,0 x	16,7 x	15,5 x	24,8 x	21,0 x	20,0 x
Hermès International SCA	33,5 x	30,8 x	27,7 x	36,0 x	32,3 x	28,7 x	52,0 x	46,2 x	41,8 x
Brunello Cucinelli SpA	19,6 x	17,6 x	16,5 x	33,4 x	29,8 x	26,7 x	51,2 x	44,4 x	39,2 x
Peer median	14,5 x	13,2 x	12,2 x	18,0 x	16,7 x	15,5 x	24,8 x	21,0 x	20,0 x

Source: *Infinancials*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY24E	FY25E	FY26E
Enterprise Value (EV)			
EV/EBITDA	226,20	256,74	272,67
EV/EBIT	234,00	276,39	298,38
P/E	224,44	244,65	271,00
Enterprise Value post 25% discount			
EV/EBITDA	169,65	192,56	204,50
EV/EBIT	175,50	207,29	223,78
P/E	168,33	183,49	203,25
Equity Value			
EV/EBITDA	167,27	198,21	214,45
EV/EBIT	173,12	212,95	233,73
P/E	168,33	183,49	203,25
Average	169,58	198,22	217,14

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 € 195.0 million**.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	210,6
Equity Value DCF (€/mln)	226,2
Equity Value multiples (€/mln)	195,0
Target Price (€)	39,00

Source: Integrae SIM

The results give an average equity value of approximately € 210.6 million. **The target price is therefore € 39.00 (prev. € 40.50). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	12,4x	13,5x	10,8x	9,4x
EV/EBIT	14,4x	16,2x	12,7x	10,9x
P/E	20,9x	23,3x	18,1x	15,5x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	8,2x	8,9x	7,2x	6,2x
EV/EBIT	9,5x	10,7x	8,4x	7,2x
P/E	13,8x	15,4x	12,0x	10,3x

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
19/01/2024	27,00	Buy	41,50	Medium	Breaking News
02/02/2024	27,60	Buy	41,50	Medium	Breaking News
03/04/2024	27,40	Buy	40,50	Medium	Update
05/08/2024	28,60	Buy	40,50	Medium	Breaking News

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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		

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