

FOPE

FY20 results well above estimates and guidance

Higher than expected 2H20 revenues. FOPE, a leading player in the high-end jewellery sector, just released preliminary results which outperformed both our estimates and Management's guidance. Reported FY20 revenues came in at Euro 26 m, + 6% vs. our estimates (Euro 24.5 m) and +4% vs. guidance of Euro 25 m. Compared to prior year, revenues showed a contraction by -25.7% (Euro 35 m) entirely caused by Covid-19 related Governmental restrictions and protracted lockdowns which heavily impacted the personal luxury goods market which according to Bain&Company fell by -35% and -27% in Europe and the US respectively. However, with revenues in 2H20 of Euro 15.8 m, -19% yoy and -9% vs. our estimates (Euro 14.3 m) FOPE showed a strong recovery compared to the first six months of the year (-34% in 1H20). Management highlighted that if excluding revenues from tourist driven locations (Caribbean, art cities in Italy, and Spain), the yoy decline was reduced to only 11%, thanks to good results with key clients, confirming the importance of the brand for these clients.

Profitability beats our estimates and Company guidance FY20 EBITDA stood at Euro 4.0 m vs. Euro 6.8 m in FY19 and Euro 2.4 m as of our estimates. FY20 EBITDA margin was of 15% sowing an important recovery vs. 7% recorded in 1H20 and again, overperforming our estimates (9.5%) and guidance (12-13%). The result implies an EBITDA margin in 2H20 of 21%, thanks to very careful cost management and increased volumes, the latter being the main profitability driver for the Company. Industrial margin remained in line with previous years. EBIT was of Euro 2.3 m and Net Income stood at 1.7 m compared to Euro 0.3 m as of our estimates and Euro 4.9 m in FY19.

Solid balance sheet allowing for investments and dividend. The solid balance sheet has allowed Management to proceed with the planned investments including its first flagship boutique in Asia (Kuala Lumpur) and 7 new shop-in-shops, and to distribute a dividend in December 2020. Net debt was of Euro 2.4 m (Euro 0.1 m in FY19) after the dividend payment of approx. Euro 2.4m (Euro 0.45 p.s., dividend yield of just over 6%).

Strong focus on innovation, design, and brand awareness. Management confirmed strategic guidelines based on a strong focus on product innovation&design, increased brand awareness and geographical expansion. FY21 will see the opening of a showroom in Dubai and continuous investments in openings of shop in shops and technology.

Positive current trading. On the back of the above and considering FY20 results, which confirmed that the Company is able to generate positive results also in very difficult market conditions, we confirm our positive outlook for FOPE. Although there are still uncertainties regarding the general recovery of the economy and the personal luxury sector, the structural trend that supports FOPE's equity story has not changed. Management highlighted that it looks optimistically at 2021 thanks to positive results in the first two months of the year. Management did not give any guidance for FY20 but stated that it expects revenues in FY21 above those of FY20.

Estimate revision and Valuation update. We have slightly adjusted our FY21 estimates to consider the longer than expected duration of the pandemic impacts. We now assume a +15% in FY21 whereas we confirm revenues of Euro 38.0 m in FY22. Updating our DCF and multiples models to include updated multiples, ERP and risk-free rate we obtained a new TP of Euro 11.42 ps. (Euro 11.37 p.s. previously), providing for a 33% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis.

Key Figures (Euro m)	Sales	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2019A	35.0	12%	6.8	19.4%	5.4	15.5%	4.8	0.1
2020E	26.0	-26%	4.0	15.2%	2.3	9.0%	1.6	2.5
2021E	30.0	+15%	4.7	15.5%	3.1	10.3%	2.1	1.1
2022E	38.0	+27%	7.7	20.1%	5.9	15.6%	4.1	1.3

Sector: Fashion & Luxury

Target Price (Eu)	11.42 (11.37 pr)
Market Price (Eu)	8.60
Market Cap (Eu m)	46
EV (Euro m)	48
<i>(as of 12th March 2021)</i>	

Share Data

Market	AIM ITALIA
Bloomberg/Reuters	FPE.MI/FPE IM
ISIN	IT0005203424
N. of Shares	5,294,071
Free Float	17.29%
CEO	Diego Nardin

Aim Positioning

FY 2019	Company	F&L	AIM Italia
VoP (Eu m)	35	32	40
Yoy	12%	2%	18%
EBITDA %	19%	2%	14%
ND/EBITDA (x)	0.0	0.6	2.2

Market Data	Company	F&L	AIM Italia
Mkt Cap um	46	26	48
Perf. IPO	194%	-6%	12%
Free Float	17%	26%	31%
ADTT YTD Euk	7	27	116
Perf YTD	4%	1%	8%

Credit Risk Profile

	FOPE	Italian PMII Av
Wiserfunding Bond Rating Equivalent	B+	B+

Performance

	1M	3M	1Y
Absolute	8.9%	7.2%	1.2%
Relative	6.5%	-7.1%	-24.1%
52-week H/L (Eu)	9.00	6.10	

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Luisa Primi – l.primi@irtop.com
 T +39 02 89056957

