

FOPE

1H21 confirms positive trend seen in first two months, increase in revenues and margins

Revenues and margins return to pre-Covid levels in spite of still challenging market conditions. FOPE, a leading player in the high-end jewellery sector, just released preliminary 1H21 results which confirmed the positive trend recorded in the first two months of the year. The results show that a recovery is well underway with a return to pre-Covid levels despite still challenging market conditions. More in detail, sales came in at Euro 14.6 m, up by 44% vs. 1H20 and 6% below 2019 levels (Euro 10.2 m and Euro 15.5 m). The good results were driven by a progressive reopening in key European markets (Germany and UK) and a somewhat unexpected rebound in the US luxury market¹ in the first half of the year. On the other hand, markets depending on tourism, which in FY19 counted for c. 15% of total sales (Caribbean, art cities in Italy and Spain), have continued to struggle. Management also underlined good performance of the new collections released at the beginning of the year. EBITDA stood at Euro 2.4 m vs. Euro 0.7 m in 1H20 (Euro 3.2 m in 1H19) with an EBITDA margin of 16.4% (6.9% in 1H20 and 20.6% in 1H19) reflecting resumed investments in marketing and advertising activities. EBIT amounted to Euro 1.6 m (Euro -0.2 m in 1H20 and Euro 2.4 m in 1H19) while Net Profit came in at Euro 1.0 m vs. Euro -0.1 m in 1H20 and Euro 1.9 in 1H19. Net Debt at the end of the period considered was of Euro 2.0 m, down from Euro 2.4 at year-end 2020 after a dividend payment made in May of c. Euro 0.8 m (Euro 0.15 p.s., pay-our ratio of 42%). Working capital remained largely in line with 2020 year-end (Euro 12.4 m vs. Euro 12.4 m in FY20) despite higher sales volumes. Net Equity was of Euro 20.6 m

Focus on geographical expansion in key markets and product development. Amid the pandemic and thanks to a solid balance sheet, Management has continued to invest in geographical expansion and product development and has over the last six months continued to open new shops including c. 20 in the US, a flagship store in Kuala Lumpur, and a showroom in Dubai. Management stressed that although focus remains on key markets, the Company continues to develop other geographical markets and has over the last months seen particularly encouraging results in Japan. In terms of product development, the Company continued to launch new collections featuring designs aimed to keep in mind also a younger clientele. In addition, a new line of jewellery was recently presented to the sales network which will open up the FOPE brand proposal to include the male public (cufflinks, bracelets).

Positive Outlook Confirmed. Given the above our outlook for FOPE remains positive. We believe that the second half of the year can benefit from the resuming of the trade fair activities which in the industry represent an a very important sales moment (Las Vegas and Vicenza coming up in 2H), and hopefully also from a recovery in revenues from tourist driven locations. Management highlighted that it looks optimistically at 2021 and, although not providing any guidance for FY21, confirmed positive closing forecasts for the year.

Estimate revision and Valuation update. Following the positive 1H21 results, we have slightly raised our avg. FY21-22 EPS estimates by +6%. Our revised FY21 estimates are now pointing to revenues of Euro 32 m (vs. Euro 30 m before) and EBITDA of Euro 5.1 m (vs. Euro 4.7 m previously). We also added 2023 to our explicit forecast period. Based on our updated estimates and peers' multiples re-rating since our last update, we set a new target price of 15.55 Euro p.s. (Euro 11.42 p.s. previously), providing for a 22% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis. At our target price the stock would be trading at FY21/22 EV/EBITDA multiples of 16.6/11.2x, vs. current 13.6/9.1x and vs. peers' 16.5/14.2x.

Sector: Fashion & Luxury

Target Price (Euro)	15.55 (11.42 pr)
Market Price (Euro)	12.80
Market Cap (Euro m)	68.4
EV (Euro m)	70.4
As of August 4 th , 2021	

Share Data

Market	AIM Italia
Bloomberg /Reuters	FPE.MI/FPE:IM
ISIN	IT0005203424
N. of Shares	5,345,996
Free Float	18.09%
CEO	Diego Nardin

Industry Comparison

	FOPE	Sector AIM	Peers	AIM Italia
Rev FY20 (Eu m)	26	24	9,880	39
FY20-22E CAGR	24%	18%	21%	22%
EBITDA FY20	16%	8%	28%	14%
ND/EBITDA	0.6x	1.3x	1.2x	0.5x
Mkt Cap (Eu m)	68	38	69,021	59
Free Float	18%	24%	55%	32%
ADTT YTD (Eu k)	48	78	37,791	122
EV/EBITDA FY21	13.6x	16.4x	16.5x	21.2x
P/E FY21	29.6x	25.3x	39.8x	31.6x

Key Financials

	20A	21E	22E	23E
Sales	26.3	32.0	39.0	43.7
YoY %	-25%	+22%	+22%	+12%
EBITDA	4.1	5.1	7.6	8.8
EBITDA %	16%	16%	20%	20%
EBIT	2.5	3.4	5.9	7.1
EBIT %	10%	11%	15%	16%
Net Income	1.9	2.3	4.1	5.0
Net Debt / (Cash)	2.6	1.2	0.5	(1.1)

Performance

	1M	3M	6M
Absolute	+33.3	+46.3	+91.2
Relative (FTSE AIM Italia)	+29.1	+28.8	+21.1
52-week High/Low (Eu)	12.80	/	6.10

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