

Another record year underway: revenues and profitability above expectations in 1H22

Sector: Fashion & Luxury

Top-line up by 89% YoY, EBITDA at 24% above FY21 (22%) despite increase in gold price.

1H22 outperformed our expectations as the positive trend already registered in 2H21 was confirmed with volumes far beyond pre-Covid levels. Sales came in at Euro 27.7 m, posting an 89% increase vs. 1H21 (+78% vs. 1H19). According to Management, export markets showed the highest growth rates thanks much to the contribution of tourist areas where consumer spending has recovered. EBITDA spiked at Euro 6.7 m, +179% YoY (Euro 2.4m in 1H21) as EBITDA margin of 24% overperformed prior year's (16% 1H21 and 22% FY21) thanks mainly to good operational leverage (higher sales volumes on fixed costs). Margins were not namely affected by the increase in gold prices during the period as Management, already at the beginning of the year, has put in place hedges. Finally, net income was of Euro 4.7 m, almost five times that of last year (Euro 1.0 m). FOPE closed 1H22 with a Net Cash position of Euro 0.2 m, down vs. year-end 2021 of Euro 1.9 m. We recall that the Company paid c. Euro 2.4 m in dividend at the beginning of May.

Positive outlook confirmed for FY22 and beyond. Despite significant macro-economic challenges, the personal luxury goods market proved resilient in 1H22 and experienced a significant performance driven mainly by the recovery in Europe and strong momentum in the US and China. Over the next six months growth is expected to remain strong and the mid-term the direction of the personal luxury goods market remains positive. After the remarkable performance over the last 18 months, which has confirmed the soundness of a strategy based on continuous investments in international markets, brand awareness and product development, FOPE looks very well-placed to continue to grow above market rates in a steadily growing industry. Management did not provide guidance for FY22 but expressed confidence about the current business environment and underlined that at the end of June 2022, the order portfolio was in line with previous months and, that "there are currently no signs that suggest significant changes in market trend over the next six months". Management also reaffirmed the commitment to continue to consolidate wholesale markets while considering opportunities to boutique openings in markets with high expected growth rates such as Japan and Malaysia.

Estimate revision and valuation update. Given all the above, we increased our expectations for FY22 now assuming sales of Euro 55 m and an EBITDA margin of 22.5% (20.2% pr.) While leaving our growth and margin assumptions largely unchanged for FY23 only slightly increasing margins following higher sales volumes in absolute terms. We also added FY24 to our explicit forecast and timed NWC assumptions. Overall, we made an average increase in Sales, EBITDA and Net Income of 23%, 35% and 56% respectively. Based on our updated estimates we set a new TP of 29.38 p.s. (Euro 18.79 p.s. previously) an increase of 56% vs. our last report despite a worsening interest rate scenario (WACC +90 bps) and peers' de-rating of c. -8%. Our valuation, obtained by weighting equally the DCF and the multiple comparison analysis, provides for a potential upside of c. 20%. At our target price the stock would be trading at P/E 22-23 of 18.0x and 18.8x respectively vs. peers at 28.3x and 24.0x.

Target Price 29.38 (18.79 pr.)

Market Cap (€ m) **136**

EV (€ m) **136**

Market Price (€) **25.20**

As of 26th September 2022

Share Data

Market	Euronext Growth Milan
Reuters/Bloomberg	FPE.MI/FPE:IM
ISIN	IT0005203424
N. of Shares	5,399,608
Free Float	13.10%
Main Shareholder	Diego Nardin

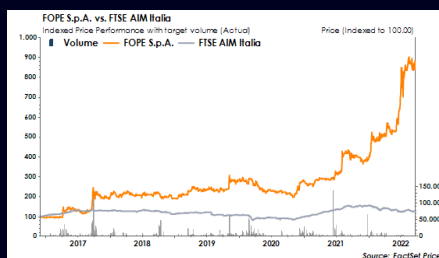
Financials	21A	22E	23E	24E
Sales	40.3	55.2	61.8	68.0
YoY %	55%	37%	12%	10%
EBITDA	8.8	12.4	13.6	15.0
EBITDA %	21.8%	22.5%	22.0%	22.0%
EBIT	6.8	10.5	11.6	13.3
EBIT %	16.8%	18.9%	18.8%	19.5%
Net Income	5.0	8.8	8.4	9.6
Net Debt	(1.9)	(0.7)	(2.3)	(5.1)
Net Equity	25.8	32.2	36.3	41.9

Sustainability

ESG Profile available

Performance

	1M	3M	1Y
Absolute %	-4%	+32%	+105%
Relative (FTSE Italia Growth)	+2%	+37%	+158%
52-week High/Low (Eu)	28.20	/	10.80



Luisa Primi

l.primi@irtop.com