

VICENZA

FOPE

DAL 1929

FY22: higher-than-expected profitability, bright prospects for FY23

Sector: Fashion & Luxury

Target Price 41.01 (36.19 pr.)

Market Cap (€ m) **184**

EV (€ m) **182**

Market Price (€) **34**

As of April 24th, 2023

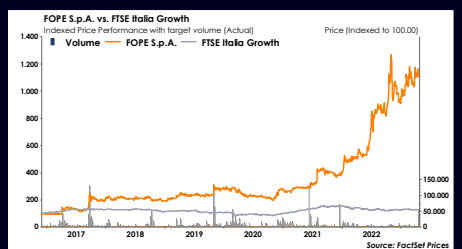
Share Data

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	22A	23E	24E
Sales	40.3	62.2	69.6	78.0
YoY %	+55%	54%	12%	12%
EBITDA	8.8	15.8	16.4	18.7
EBITDA %	21.8%	25.5%	23.5%	24.0%
EBIT	6.8	13.9	14.4	17.0
EBIT %	16.8%	22.4%	20.7%	21.8%
Net Income	5.0	10.8	10.4	12.3
Net Debt	(1.9)	(1.5)	(4.1)	(8.9)
Net Equity	25.8	33.6	39.6	47.6

Performance

	1M	3M	1Y
Absolute	+9%	+17%	+106%
Relative (FTSE Italia Growth)	+10%	+21%	+127%
52-week High/Low (Eu)	38.6	/	15.3



YoY top-line growth of +54%, EBITDA margin at 25.5%: Following the release of Fope's full financial statements and the investor presentation held on March 30th, we updated our estimates and target price. The Company, which confirmed the preliminary sales results already announced in January of Euro 62.2 m (+54% YoY) and commented in our last report (January 24th), reported FY22 profitability well above our expectations and prior year. More in detail, EBITDA came in at Euro 15.8 m, +80% YoY (Euro 8.8 m in FY21 and +8% vs. our estimates (Euro 14.6 m) posting an EBITDA margin of 25.5%, vs. 22.5% as of our estimates and 21.8% as of last year. The strong profitability was driven mainly by operating leverage, efficient cost Management and timely increase in price list from Q3. Net Profit was of Euro 10.8 m, +115% YoY (Euro 5.0 m) following the increased profitability and one-off Covid-19 related tax credit. On the balance sheet, Net Cash stood at Euro 1.5 m, down from Euro 1.9 m in FY21 (Euro 0.9 m as of our estimates) after very strong OpCF (Euro 6.7 m) offset by investments (Euro 2.6 m) mainly related to production equipment and commercial investments and the dividend payment of Euro 2.4 m.

Well positioned to benefit from expected market growth, new flagship store in Tokyo. Management did not provide guidance for FY23 but highlighted its positive outlook for business in FY23 with an increase in sales volumes, confirmed also by the results achieved in the first three months of the year. Given the above and considering the growth expectations for the luxury jewelry segment over the next years, coupled with strong rebound in worldwide tourist activities we confirm our positive outlook for the Company. With the opening, expected in June, of a flagship store in Tokyo, Fope confirmed continuous development of the Japanese market and significantly strengthens its international standing and position in the world's third biggest luxury market. Finally, we appreciate the appealing dividend distribution: on the back of the strong net results the Company increased the rewards for its shareholders and approved a DPS of Euro 0.8, +78% YoY (pay-out ratio of 42% and 2.5% dividend yield).

Finetuned of estimates and target price. Given the above and following the higher-than expected profitability in FY22 we finetuned our profitability expectations for FY23-24 now assuming and EBITDA margin of 23.5% in FY23 and 24.0% in FY24 vs. 22.5% for both years previously. We left our other assumptions largely unchanged only slightly adjusting for to factor in actual FY22 results on the balance sheet. Overall, we made an average increase in Sales, EBITDA and Net Income of +0%, +6% and +9% respectively. Based on our updated estimates we trimmed our TP now at Euro 41.01 p.s. (Euro 36.19 p.s. previously). Our valuation, obtained by weighting equally the DCF and the multiple comparison analysis, provides for a potential upside of c. 21%. At our target price the stock would be trading at P/E 23-24 of 21.2x and 17.9x respectively vs. peers at 25.6x and 23.9x and current 17.6x and 14.9x.

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