

## Luxury

IR TOP RESEARCH  
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## FOPE

### A rare opportunity in the Italian hard luxury market

Target Price (Eu)	5.40
Market Price (Eu)	3.83
Capitalisation (Eu m)	18
Enterprise Value (Eu m)	20
<i>(as of 17 July 2017)</i>	

#### COMPANY DESCRIPTION

FOPE, founded in 1929 in Vicenza, produces high end jewellery with its own brand. The company is known for its characteristic design and has patented the "roll on" elastic gold mesh chain (Flex'it). The core business includes all the phases of productive cycle: from in house creation (concept, design realization of prototype) to in house production (final assembly) and delivery. It is a global company with around 80% of sales abroad. Germany, UK and USA are the most important markets with 20% of sales each.

#### MARKET AND STRATEGY

Luxury jewellery market was worth about 16 Eu b in 2016 and is expected to grow by 5% in 2017. Main sources of demand are: "made in", demand of branded products versus non branded products, tourism and emerging markets.

FOPE will consolidate its position on international markets through:

- focus on the main markets (America - UK - Germany)
- value proposition (best customer loyalty)
- brand awareness

#### AIM POSITIONING

Compared to average AIM "Fashion & Luxury" Sector, FOPE shows:

- higher Sales growth rates and higher EBITDA margin
- higher NFP/EBITDA ratio, but with lower level of indebtedness in absolute term
- lower capitalisation and liquidity

Performance from IPO is positive and above average.

#### 2016 FY RESULTS

Sales grew by 10.3% to 23.1 Eu m; 80% abroad (USA +15.4%, Germany +12%, UK +9.7%).

Italian market grew by +8%, ahead of expectations, due to a very good performance of the new monobrand shop in Venice.

Operating profitability came to 2.3 Eu m, up 15.7%.

NFP improved from 4.4 Eu m to 2.1 Eu m because of capital increase in IPO (2.2 Eu m).

The management is positive for 2017 and expects "an increase in sales and a positive economic result".

#### 2017-2019 ESTIMATES

Sales CAGR +10% based on:

- jewellery market growth of 5% (Bain/Altagamma estimates)
- specific marketing initiatives (Shop-in-Shop projects, important exhibitions and e-commerce)

EBITDA CAGR +15% based on increase in volumes

#### VALUATION

We set a 5.40 Eu p.s. target price, derived from a relative valuation using the EV/EBITDA multiple discounted by 27.5% to peers as of AIM Positioning (5.18 Eu p.s.) and a DCF model (5.62 Eu p.s., wacc 9.2%, g 2%).

#### AIM Positioning

2016 FY (Eu m)	Company	AIM Sector*	AIM Italia
Sales	23	37	37
Sales YoY	+10%	-4%	+17%
EBITDA Margin	10%	2%	16%
NFP (Cash)	2.1	3.7	8.7
NFP/EBITDA	0.9	0.1	3.2
Market Data (Eu m)	Company	AIM Sector*	AIM Italia
Capitalisation	18	30	49
Perf. from IPO	+32%	-1%	+0.1%
Free Float	17%	21%	29%
ADTT YTD (Eu)	17,945	35,993	104,978

Source: Osservatorio AIM Italia - \* Fashion & Luxury

#### Results & Estimates

Key Figures (Eu m)	15A	16A	17E	18E	19E
Sales	20.9	23.1	25.4	27.9	30.7
YoY growth	+15%	+10%	+10%	+10%	+10%
EBITDA	2.0	2.3	2.6	3.0	3.5
EBITDA%	9.4%	9.8%	10.3%	10.9%	11.4%
EBIT	1.4	1.6	1.8	2.1	2.6
EBIT%	6.8%	6.8%	7.1%	7.4%	8.4%
Net Profit	1.0	1.1	1.2	1.4	1.7
NFP (Cash)	4.4	2.1	2.5	2.9	2.5
EPS	0.22	0.23	0.26	0.30	0.37

Source: Company Data and IR Top Estimates

#### Peers Comparison

EV/EBITDA (x)	17E	18E	19E
FOPE	8.0	7.4	6.2
Luxury Peers	13.6	12.2	11.0
Discount/Premium to Luxury Peers	-41%	-39%	-44%

P/E (x)	17E	18E	19E
FOPE	14.8	13.3	11.9
Luxury Peers	25.5	22.9	20.8
Discount/Premium to Luxury Peers	-42%	-42%	-43%

Source: IR Top Estimates for FOPE and Factset data for comparables

#### Performance

	1M	3M	1Y
Absolute	-11.9%	-6.3%	n.a.
Relative (FTSE AIM Italia)	-10.6%	-14.8%	n.a.
52-week High/Low	4.70 / 2.98		

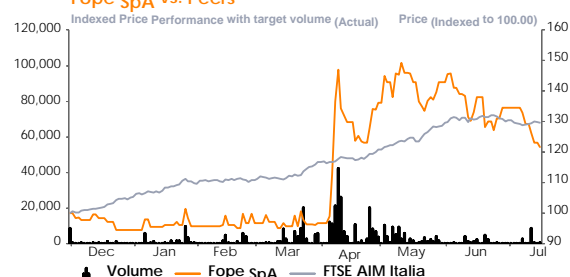
Source: Factset data

Please, read important disclaimer on the last page of this report.

#### SHARE DATA

Market	AIM Italia
Reuters/Bloomberg	FPE.MI/FPE IM
ISIN	IT0005203424
N. of Shares (m)	4.58
Free Float	17%
Main Shareholder	Cazzola Family (76.7%)
CEO	Diego Nardin

#### Fope SpA vs. Peers



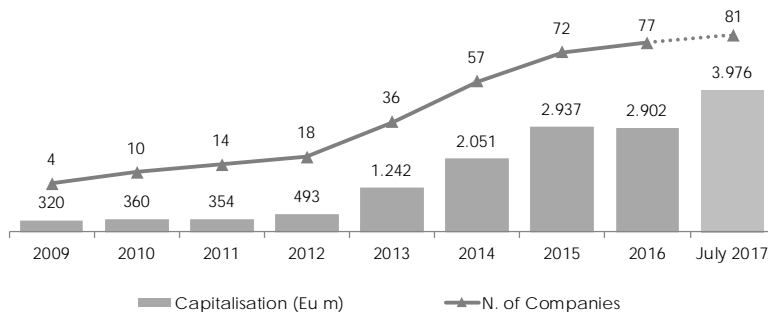
**AIM ITALIA**

**Dimension**

81 companies  
4.0 Eu b of capitalisation

AIM Italia, the equity capital market for small growing companies, has grown significantly since 2013: as of 17 July, 2017 the listed companies are 81 for a total capitalisation of 4.0 Eu b.

AIM Italia: 2009-2017 market dimension trend



**Growth**

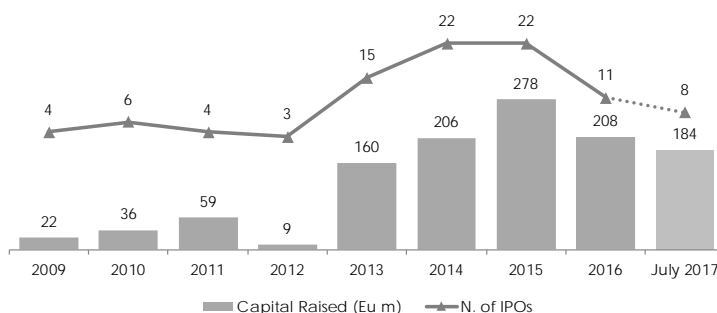
41 IPOs in 2015-17  
1.5 Eu b of capital raised since 2009

Since 2013 the number of IPO's and the amount raised increased considerably: in 2015 a peak was registered thanks to the listing of 22 new companies and 278 Eu m of capital raised.

AIM Italia is more dynamic than the main market (MTA): in 2015-2017, 41 companies listed on AIM Italia, 16 on MTA.

Since 2009, the total equity amount raised in IPO is 1.17 Eu b; including capital increases, warrant exercise and bond subscription, the capital raised is 1.5 Eu b.

AIM Italia: 2009-2017 market growth trend



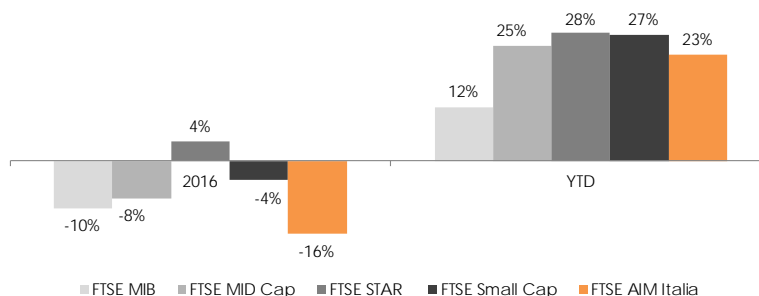
**Performance YTD**

FTSE AIM Italia +23% YTD

Improved liquidity after the introduction of PIR

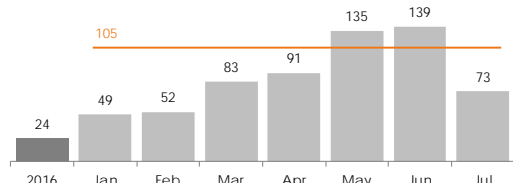
Thanks to the introduction of PIR (Piani Individuali di Risparmio, the Italian equivalent of UK Individual Savings Accounts), all the indices highlight positive trends: FTSE AIM Italia has grown by +23% so far in 2017.

FTSE Indices: 2016 vs. 2017 trend (post PIR)

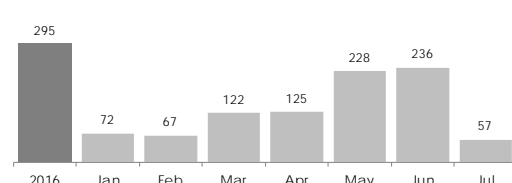


Improving market liquidity: Average Daily Traded Turnover (ADTT) constantly increased in 2017, with an average value of 105 Eu k (4.4x 24 Eu k in 2016). Total Traded Turnover (TTT) in 2017 amounted to 908 Eu m, 3.1x 295 Eu m in 2016.

Average Daily Traded Turnover (Eu k)



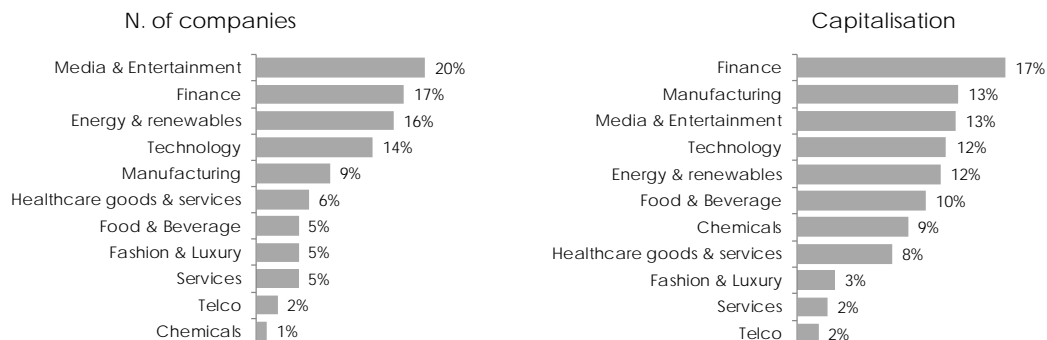
Total Traded Turnover (Eu m)



## AIM ITALIA BY SECTOR

The most important sectors in terms of number of companies are: Media & Entertainment (20%), Finance (17%) and Energy & Renewables (16%); main sectors in terms of capitalisation are Finance (17% of total capitalisation), Manufacturing (13%) and Media & Entertainment (13%).

## AIM Italia: breakdown by Sector

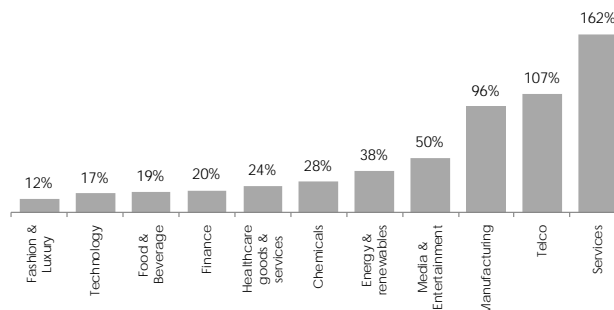


Media & Entertainment is the main sector in terms of n. of companies (20%).

Best YTD performance: Services (+162%)

Services is the sector with the best YTD performance (+162%), followed by Telco (+107%), Manufacturing (+96%).

## AIM Italia: average YTD share price performance



Best yoy 2016 Sales growth: Technology (+31%)

Food & Beverage had the highest level of Sales (238 Eu m), followed by Healthcare goods & services (98 Eu m). The best growth yoy was realized by Technology (+31%). Energy & Renewables was the sector that registered the highest level of Indebtedness (27.6 Eu m).

## AIM Italia: average 2016 Financial data

Sector	Sales (Eu m)	yoy	EBITDA %	NFP (Cash) (Eu m)
Chemistry	5	-40%	16%	-3.3
Energy & Renewables	38	21%	22%	27.6
Fashion & Luxury	37	-4%	2%	3.7
Food & Beverage	238	4%	10%	18.6
Healthcare goods & services	98	28%	16%	18.8
Manufacturing	67	6%	9%	-5.8
Media & Entertainment	23	20%	12%	6.5
Services	13	21%	7%	0.3
Technology	18	31%	17%	3.1
Telco	25	16%	30%	9.9
<b>AIM Italia</b>	<b>37</b>	<b>17%</b>	<b>16%</b>	<b>8.7</b>

Average EV/EBITDA multiple: 13.1x

Excluding Chemistry (represented by 1 company), the first sector in terms of average capitalisation is Food & Beverage (102 Eu m), followed by Manufacturing (73 Eu m). In terms of EV/EBITDA multiples Services shows the highest value (21.8x) followed by Manufacturing (16.9x).

## AIM Italia: average market data

Sector	N. of companies	Capitalisation (Eu m)	Free Float	ADIT YTD (Eu)	EV/EBITDA 2016
Chemistry	1	355	37%	620,119	n.m.
Energy & Renewables	13	35	21%	53,739	15.9
Fashion & Luxury	4	30	21%	35,993	7.1
Finance	14	47	46%	49,480	n.m.
Food & Beverage	4	102	45%	201,779	9.0
Healthcare goods & services	5	61	26%	81,537	7.9
Manufacturing	7	73	21%	270,978	16.9
Media & Entertainment	16	32	23%	80,907	10.7
Services	4	25	21%	168,465	21.8
Technology	11	43	30%	78,566	16.2
Telco	2	34	26%	121,489	16.0
<b>AIM Italia</b>	<b>81</b>	<b>49</b>	<b>29%</b>	<b>104,978</b>	<b>13.1</b>

EV as of 17 July 2016

## AIM POSITIONING

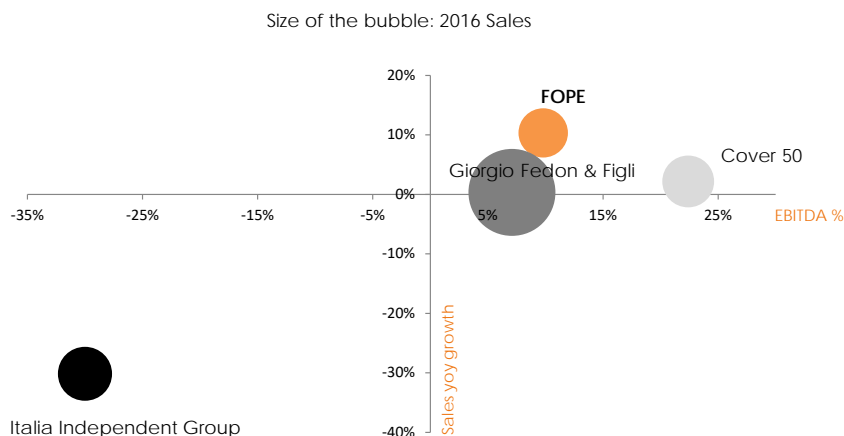
A rare opportunity in the Italian hard luxury market

FOPE is the only listed company in the Luxury sector. Founded in 1929 in Vicenza, it produces high end jewellery with its own brand.

Compared to average AIM Italia "Fashion & Luxury" Sector, FOPE shows:

- higher Sales growth rates
- higher EBITDA margin
- lower level of Indebtedness

### AIM Italia "Fashion & Luxury" Sector



2016 Data (Eu m)	Sales	yoy	EBITDA%	NFP (Cash)	EV/EBITDA	NFP/EBITDA
Cover 50	25	+2%	22%	-11.7	6.2	-1.9
FOPE	23	+10%	10%	2.1	8.7	0.9
Giorgio Fedon & Figli	72	0%	7%	6.1	6.5	1.2
Italia Independent Group	28	-30%	-30%	18.0	n.m.	n.m.
<b>Fashion &amp; Luxury</b>	<b>37</b>	<b>-4%</b>	<b>2%</b>	<b>3.7</b>	<b>7.1</b>	<b>0.1</b>
<b>AIM Italia</b>	<b>37</b>	<b>+17%</b>	<b>16%</b>	<b>8.7</b>		<b>3.2</b>

Source: Osservatorio AIM Italia, EV as of 17 July 2017

FOPE is trading at premium in terms of EV/EBITDA compared to average AIM Italia "Fashion & Luxury" Sector.

Compared to average AIM Italia "Fashion & Luxury" Sector, FOPE shows:

- lower capitalisation
- lower free float
- lower average daily traded turnover (ADTT)

Performance from IPO is positive and above average.

Company	Capitalisation (Eu m)	Free Float	Perf. from IPO	ADTT YTD (Eu)
Cover 50	50	26%	-39%	65,952
FOPE	18	17%	+32%	17,945
Giorgio Fedon & Figli	27	21%	+83%	20,031
Italia Independent Group	27	19%	-81%	40,046
<b>Fashion &amp; Luxury</b>	<b>30</b>	<b>21%</b>	<b>-1%</b>	<b>35,993</b>
<b>AIM Italia</b>	<b>49</b>	<b>29%</b>	<b>+0.1%</b>	<b>104,978</b>

Source: Osservatorio AIM Italia

## LUXURY MARKET

Luxury jewellery market is about 16 Eu b in 2016 and it is expected to grow 5% in 2017

### GLOBAL TREND

Global luxury market was 1.08 Eu t in 2016 (+5% yoy).

Personal luxury market was 249 Eu b in 2016:

- +6% CAGR in the last 20 years (1995-2015)
- +4% expected CAGR for 2017-2020 (Bain/Altagamma)

Hard luxury market (watch and jewellery) was 52 Eu b in 2016.

Luxury jewellery market was about 16 Eu b in 2016 and it is expected to grow 5% in 2017 (Bain/Altagamma)

## MAIN SOURCES OF DEMAND

- **MADE IN:** large demand of quality, originality, uniqueness; but also authentication of origin and processing.
- **DEMAND OF BRANDED PRODUCTS VERSUS NON BRANDED PRODUCTS:** the branded segment that is boosting jewellery store sales represents 23% of total jewellery sales with target of 30%-40% (in 2020);
  - bags whose price is above 500 Eu: 95% are branded
  - Jewellery priced above 2,500 Eu: only 15% is branded.
- **TOURISM:** ICAO (*International Civil Aviation Organization*) estimates international passenger traffic to grow by 4.6% per annum in the next 20 years (estimates of July 2015). Even in the difficult 2016 the growth has been positive and around 6%. Tourism spending accounts for about 40% of total luxury consumptions.
- **EMERGING MARKETS:** even if China is slowing, there are other countries very interesting: in particular India (although still at an early stage), which is expected to account for 23% of growth in upper/middle class household until 2025, but also Latin America, Africa (Nigeria, Angola), Middle East, South East Asian Countries (Indonesia, Malaysia, Thailand, Philippines).

## COMPETITIVE MARKET

The global jewellery luxury market is highly concentrated and is dominated by 4 players: Tiffany, Cartier, Van Cleef & Arpels and Bulgari.

In Italy, instead, it is highly fragmented: there are around 10,000 companies that employ 40,000 people and it is characterized by a strong concentration in specialized productive districts: Arezzo, Vicenza and Alessandria/Valenza.

In the last years the major luxury companies entered in the jewellery sector to extend their products offering through acquisitions:

- LVMH bought Bulgari in 2011: price paid 4 Eu b for revenues of 1.1Eu b and EBITDA of 170 Eu m.
- Kering bought Pomellato in 2013: price paid 350 Eu m for revenues of 146 Eu m and EBITDA of 21.8 Eu m.
- Gangtai bought an 85% stake in Buccellati in 2016: price was not disclosed.

## GROUP PROFILE

The main features are  
**INNOVATION** and  
**DISTRIBUTION**

FOPE operates with 4 main product lines: the most important one is FLEX'IT that represents 70% of sales. It is a collection fully flexible and without clasps, thanks to tiny gold springs in their intricate construction covered by international patent.

Prices of products run between 1,500 and 30,000 Eu.

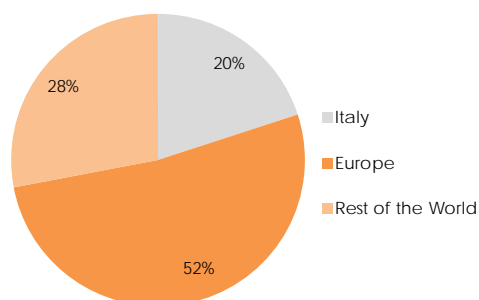
The core business includes all the phases of the productive cycle: from in house creation (concept, design realization of prototype) to in house production (final assembly) and delivery.

It is a global company with about 80% of sales abroad. Italy, Germany, UK and USA are the most important markets with 20% of sales each.

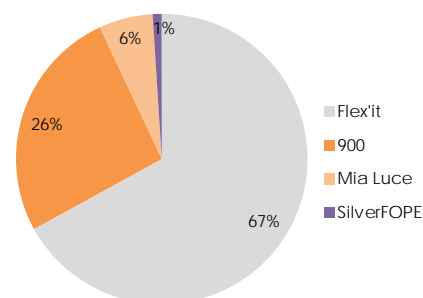
The company has 37 employees.

FOPE is a registered Innovative SME (Law 24 March 2015 N.33, so called Investment Compact).

2016 Sales by Market



2016 Sales by Product



The main features of FOPE are INNOVATION and DISTRIBUTION.

#### INNOVATION

##### Product

- in the eighties introduction of Maglia Tubolare Novecento
- in the nineties introduction of Maglia Elastica Flex'it, for which it got an International patent (2007)

##### Process

- Speed in production – Production for the sale not for warehouse – Pull processing
- Peaks of production managed through a highly standardized and automated process

#### DISTRIBUTION

FOPE operates in more than 50 countries in the world through several channels:

- Direct sale to multibrand jewellery stores (around 600) – without distributors higher customer loyalty – mid -high end of market: in Europe sale through agents, in US direct sale
- Participation to exhibitions – opportunity for branding and collecting orders (Basilea, Vicenza, Hong Kong, Las Vegas)
- Monobrand Boutique: shop in Piazza San Marco in Venice opened at the end of 2015
- E-commerce: in the launch phase

## RESULTS AND ESTIMATES

### Strong set of 2016 Results

#### 2016 RESULTS

FOPE released a strong set of results: Sales grew by 10.3% to 23.1 Eu m (of which 80% abroad) thanks to a good performance in the US (+15.4%), Germany (+12%) and UK (+9.7%). Revenues in the Italian market grew by +8%, ahead of expectations, thanks to a very good performance of the new monobrand shop in Venice.

EBITDA came to 2.3 Eu m, up by 9.8%. EBIT grew less because of amortization. Net Income stood at 1.1 Eu m up by 7.9%. NFP improved from 4.4 Eu m to 2.1 Eu m because of capital increase.

#### BUSINESS UPDATE

Taking into account the first months of 2017, the management is positive for 2017 and expects “an increase in sales and a positive economic result”.

On February FOPE bought a minority stake in Milano 1919 that owns the brand Antonini. On March FOPE introduced LadyFOPE, a new creation, an exclusive Swiss made watch that combines a quartz movement and the Flex'it bracelet: no clasp needed, just comfort and style.

#### ESTIMATES

For 2017-2019 we believe that:

- 1) FOPE can grow Sales at a CAGR of +10% given:
  - Research houses (Bain/Altagamma) estimate an increase of sales in the jewellery luxury sector by 5% for the next years;
  - Consolidating market presence on international markets through:
    - ✓ focus on main markets (America - UK – Germany)
    - ✓ value proposition (best customer loyalty)
    - ✓ brand awareness
    - ✓ important investments in marketing
  - Key success factors in support of strategic lines:
    - ✓ Product (excellence in quality, design and innovation; strong brand recognition; made in Italy)
    - ✓ Partnership with jewellery stores (support for the end customer satisfaction; engagement of the dealer in marketing initiatives; sales team training)
- 2) FOPE can grow EBITDA at a CAGR of +15% thanks to higher volume.

#### MAIN FINANCIAL INDICATORS

Eu m	15A	16A	17E	18E	19E	
Sales	20.9	23.1	25.4	27.9	30.7	
	yoy	+15%	+10%	+10%	+10%	
EBITDA	2.0	2.3	2.6	3.0	3.5	
	margin	9.4%	9.8%	10.3%	10.9%	11.4%
D&A	0.6	0.7	0.8	0.9	1.0	
EBIT	1.4	1.6	1.8	2.1	2.6	
	margin	6.8%	6.8%	7.1%	7.4%	8.4%
Net financial charges	0.1	0.1	0.1	0.1	0.1	
Pre tax profit	1.3	1.5	1.7	2.0	2.5	
Net Profit	1.0	1.1	1.2	1.4	1.7	
	yoy	+3%	+8%	+11.5%	+13.6%	+25.0%
EPS	0.22	0.23	0.26	0.30	0.37	

Source: Company Data and IR Top Estimates

2017-2019: FOPE can grow Sales at a CAGR of +10% and EBITDA at a CAGR of +15%

Eu m	15A	16A	17E	18E	19E
Net Working Capital (NWC)	8.1	8.9	10.0	11.3	12.6
Fixed net assets	4.5	5.0	5.5	6.0	6.0
Funds	-2.5	-2.1	-2.2	-2.2	-2.3
<b>Net Capital Employed</b>	<b>10.1</b>	<b>11.8</b>	<b>13.3</b>	<b>15.1</b>	<b>16.4</b>
<b>Net Financial Position (Cash)</b>	<b>4.4</b>	<b>2.1</b>	<b>2.5</b>	<b>2.9</b>	<b>2.5</b>
NFP/EBITDA	2.2	0.9	0.9	0.9	0.7
<b>Equity</b>	<b>5.7</b>	<b>9.6</b>	<b>10.8</b>	<b>12.2</b>	<b>13.9</b>
<b>Sources</b>	<b>10.1</b>	<b>11.8</b>	<b>13.3</b>	<b>15.1</b>	<b>16.4</b>
<b>Change in NWC</b>	<b>-2.2</b>	<b>-0.8</b>	<b>-1.1</b>	<b>-1.4</b>	<b>-1.3</b>
<b>Capex</b>	<b>-1.5</b>	<b>-1.2</b>	<b>-1.3</b>	<b>-1.4</b>	<b>-1.1</b>

Source: Company Data and IR Top Estimates

## OPPORTUNITIES

### Possible target of M&A

Historic company with **high know-how both in process and products**: FOPE always has been careful in developing new products, some of them covered with patents, and it has been careful to combine technology with crafted quality.

It is in a sector that **grows above GDP**: the luxury market is expected to grow next years thanks to several factors: "Made in", demand of branded products versus non branded products, tourism, growth in emerging markets.

#### Interesting and specific growth efforts:

- retain customers
- open new monobrand shops
- new corners (Shop in Shop projects)
- participation to exhibitions
- e-commerce

**Possible target of M&A**: in the last years the big luxury companies, in order to increase their product ranges, made acquisitions in the jewellery industry that offers superior growth rates compared with the sector (multiple paid above 2x sales). Besides, the sector is highly fragmented and consolidation cannot be excluded.

## MAIN RISKS

### Low liquidity of the stock

**Macro economic situation and trends in the luxury market**: the economic and financial performance of FOPE is affected by trends in consumption in the countries where it is present. Any substantial change in factors such as Gdp, consumer and business confidence, unemployment rate and interest rate can affect the behaviour of consumers. Also the luxury market depends on these factors.

**Fluctuations of commodity**: the main commodity used in the production of jewellery is gold: FOPE in order to mitigate the fluctuations uses a hedging policy.

**Operating environment**: product cycle, interruption of production, negative trends of stores, etc.

**Indebtedness**: FOPE is in a phase of investment and the indicator Net Debt/EBITDA must be monitored.

**Low liquidity of the stock**: below average AIM Italia Market.

## OWNERSHIP

FOPE is owned by Cazzola's family (lockup until November 2019)

FOPE is owned by Cazzola family (76.7%) – 36 months lockup (until November 2019):

- Umberto Cazzola is the President
- Ines Cazzola is the Vice President
- Giulia Cazzola is in charge of marketing department.

Mr. Diego Nardin, company CEO since 2008 – own a 6.7% stake of the company -.

The share capital subscribed and paid up is 4,583,500 Eu, made up by n. 4,583,500 ordinary shares.

Shareholder	n. of shares	%
Ines Cazzola	1,757,200	38.34%
Umberto Cazzola*	438,600	9.57%
Giulia Cazzola**	1,318,600	28.77%
Diego Nardin	305,600	6.67%
Esperia Servizi Fiduciari S.p.A.	276,000	6.02%
Market	487,500	10.64%
<b>Total</b>	<b>4,583,500</b>	<b>100.00%</b>

\* an additional 1.318.600 shares in usufruct  
\*\* shares held in bare ownership.

**GOVERNANCE**

7 board members, 2 Independent

List vote: 5%

The Board of Directors has 7 members, 2 of them are Independent.

**Diego Nardin – CEO:** Graduated in Economics and Business, before the appointment in FOPE, he was a Management Consultant in the Strategy & Finance area for major consulting companies (Deloitte Italia, Coreconsulting Group). Collaboration with FOPE began in 2005 with strategic consultant position, later he was nominated as administrator and since 2008 delegations has been conferred to him and he was appointed as CEO.

**VALUATION**

Our valuation yields a Target Price of 5.40 Eu per share

We value FOPE through 2 different approaches, equally weighted:

- market multiples comparison
- Discounted Cash Flow (DCF) model.

**AIM POSITIONING DISCOUNT/PREMIUM**

When using market multiples to determine the fair value of an AIM Italia listed company, we apply a discount on the average peer multiple based on an algorithm that measures the positioning of the company compared to the AIM Italia market as a whole, and to the relevant AIM Sector .

In partnership with “Osservatorio AIM” (IR Top proprietary database) all companies listed on AIM Italia have been analysed over 4 dimensions:

1. Market Data (capitalisation, liquidity, free float)
2. Financials (growth and profitability)
3. Sustainability (ESG)
4. Transparency (strategic plan)

The Market Data establishes a base that runs from 20% to 30%. According to a scoring system the other 3 dimensions (Financials, Sustainability and Transparency) determine an additional discount/premium in a range of +/- 5%.

Applying the algorithm on FOPE we consider fair a discount of 27.5% to Luxury Peers based on:

- Market Data discount of 30%
- A premium of 2.5% as a sum of the scoring for Financials, Sustainability and Transparency.

The below figure summarizes FOPE's relative positioning for the items considered.

FOPE AIM Positioning	AIM Sector		AIM Italia		YES	NO
	<AVG	>AVG	<AVG	>AVG		
<b>Market Data</b>						
Capitalisation	X		X			
Liquidity (ADTT YTD)	X		X			
Free Float	X		X			
<b>Financials</b>						
YoY Sales Growth		X				
EBITDA Margin		X				
Dividend Policy						X
<b>Sustainability (ESG)</b>						
Independent Directors					X	
List vote					X	
Relevant Environmental Data						X
Relevant Social Data						X
<b>Transparency</b>						
Strategic Plan						X

Source: Osservatorio AIM Italia

**MULTIPLES**

Consensus estimates are not available for most companies listed on AIM Italia and the relevant AIM Sector (AIM Fashion&Luxury) that would represent a fair peer group can therefore not be applied.

We have therefore used a peer group consisting of Luxury companies as a larger sample:

- *Italian:* Tod's, Salvatore Ferragamo, Prada, Moncler, Brunello Cucinelli
- *foreign:* LVMH, Tiffany, Kering, Burberry, Hermes, Richemont.



As FOPE currently is in an investment phase we have considered EV/EBITDA as the most important tool to evaluate the company.

EV/EBITDA (x)	17E	18E	19E
FOPE	8.0	7.4	6.2
Tod's	10.6	9.7	8.8
Salvatore Ferragamo	12.8	11.2	9.8
Prada	11.0	9.7	8.9
Moncler	13.2	11.5	10.1
Brunello Cucinelli	19.1	17.2	15.4
Tiffany	11.4	10.7	10.1
LVMH	11.8	10.8	9.8
Kering	14.3	12.5	11.1
Burberry	10.7	9.5	8.6
Hermes	21.6	19.5	17.7
Richemont	13.5	12.0	10.8
<b>Luxury Peers AVG</b>	<b>13.6</b>	<b>12.2</b>	<b>11.0</b>
<b>Discount/Premium to Luxury Peers</b>	<b>-41%</b>	<b>-39%</b>	<b>-44%</b>

Source: IR Top Estimates for FOPE and Factset data for comparables

Applying a 27.5% discount (as determined above) on average 2017 multiples gives a fair value of 5.18 Eu per share.

#### DCF

Main assumptions are:

- Perpetual growth: 2%
- Risk Free interest rate: 2%
- WACC: 9.2%

Sum of PV 2017-2023 FCF	6.0
Terminal Value	21.9
<b>Total Enterprise Value</b>	<b>27.9</b>
Net Financial Position (Cash)	2.1
<b>Total Equity Value</b>	<b>25.7</b>
Number of shares outstanding	4.6
<b>Fair Value per share</b>	<b>5.62</b>

Source: Company Data and IR Top Estimates

Our DCF valuation yields a target price of 5.62 Eu per share.

#### VALUATION SUMMARY

Weighting the 2 approaches equally we set a target price of 5.40 Eu, implying an upside of 41%.

Method	Price (Eu)
DCF	5.62
Multiple analysis	5.18
<b>Target Price</b>	<b>5.40</b>

## FOPE ON AIM

+32% from IPO

## IPO

Date: 30 November 2016  
 Capital raised: 2.2 Eu m Equity (+1.2 Eu m Convertible Bond)  
 Price: 2.90 Eu  
 Capitalisation: 13.3 Eu m  
 NomAd: Integrae SIM  
 Specialist: Integrae SIM

## WARRANT FOPE 2016-2019 (as of 17 July 2017)

Code: WFPE19  
 ISIN: IT0005203432  
 Price: 1.40 Eu  
 Outstanding Warrants: 4,523,500  
 Exercise ratio: 1:10 (shares:warrants)  
 1<sup>st</sup> Exercise Period: 15-30 Nov 2017 – Strike Price:  $P_1 = P_{IPO} (1+10\%) = 3.19$  Eu  
 2<sup>nd</sup> Exercise Period: 15-30 Nov 2018 – Strike Price:  $P_2 = P_1 (1+10\%) = 3.51$  Eu  
 3<sup>rd</sup> Exercise Period: 15-29 Nov 2019 – Strike Price:  $P_3 = P_2 (1+10\%) = 3.86$  Eu

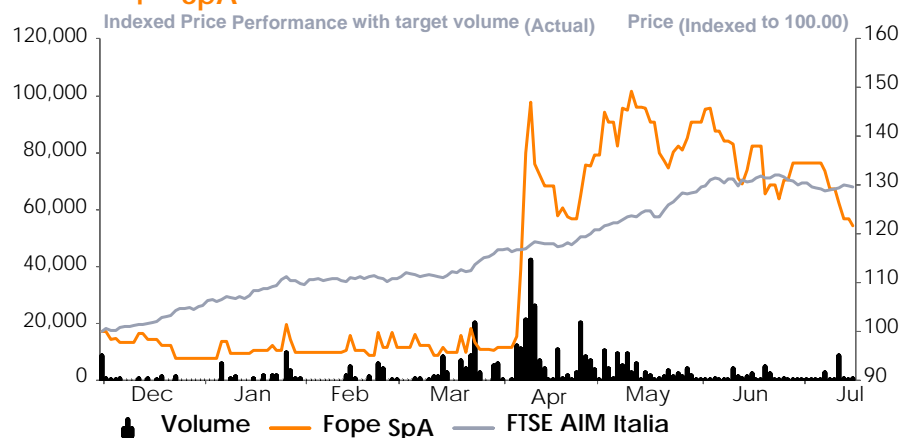
## FOPE CONVERTIBLE 4.5% 2016-2021

Code: FPE21  
 ISIN: IT0005203671  
 N. issued bonds: 1,200  
 Nominal value of each bond: 100 Eu  
 Issued Value: 1.2 Eu m

## SHARES (as of 17 July 2017)

Code: FPE  
 Bloomberg: FPE IM  
 Reuters: FPE.MI  
 ISIN: IT0005203424  
 Shares: 4,583,500  
 Price: 3.834 Eu  
 Performance from IPO: +32%  
 Capitalisation: 18 Eu m

## Fope SpA vs. Peers



Source: FactSet Prices

Share price was quite flat until the beginning of April this year, when management met the financial community discussing both the recently approved FY 2016 results and the positive start of 2017.

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Moreover, IR Top used a proprietary model, “AIM Positioning rating”, which incorporates a number of variables selected by IR Top based on research of “Osservatorio AIM Italia”, managed by IR Top and focused on research about performance of Companies listed on AIM Italia.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

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