

## FOPE

### Important revenue growth in 1H 2018

## Luxury

IR TOP RESEARCH

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#### PRELIMINARY 1H 2018 RESULTS

On July 3<sup>rd</sup> FOPE announced preliminary 1H 2018 revenues in a brief note according to which **revenues in the first half of 2018 reached 15.3 Eu m, up by +13.3%** vs. 13.5 Eu m registered in 1H 2017.

According to Management, **the result confirms budget expectations**, and was driven by positive performance both in export markets (in particular in USA and Europe) and in the domestic market where the Company has continued to consolidate its market position.

#### COMPANY DESCRIPTION AND STRATEGY

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.

FOPE will consolidate its position on international markets through:

- focus on the main markets (USA - UK - Germany)
- strengthening of value proposition in order to improve customer loyalty
- improvement of brand awareness

#### AIM POSITIONING 2017

We position FOPE within AIM Italia's “Fashion & Luxury” Sector which includes 4 companies: Cover 50, FOPE, Giorgio Fedon & Figli and Italia Independent Group. In 2017 these companies showed average revenues of 36 Eu m, an average yoy growth of 4% and EBITDA margin of 9%.

As of July 5<sup>th</sup> 2018, average capitalisation of the Sector was of 28 Eu m, with positive average performance from IPO of +5%.

Compared to the average AIM “Fashion & Luxury” Sector, FOPE shows:

- higher Sales growth rate (21% vs. 4%)
- higher EBITDA margin (14% vs. 9%)
- lower NFP/EBITDA ratio (0.3 vs. 0.6)
- lower level of indebtedness in absolute terms (1.2 Eu m vs. 5.9 Eu m)
- Higher capitalisation but lower liquidity

Performance from IPO is positive (+136%) and largely above average.

#### VALUATION

While waiting for complete 1H 2018 results, we confirm our previous estimates for the 2018-2020 period. Our target price remains unchanged at 8.85 Eu p.s., with a potential upside of 29%.

#### Target Price (Eu)

 (Unchanged) **8.85**

Market Price (Eu)

6.85

Capitalisation (Eu m)

33

Enterprise Value (Eu m)

35

 (as of July 5<sup>th</sup>, 2018)

#### AIM Positioning

FY 2017 (Eu m)	Company	AIM Sector*	AIM Italia
Revenues	28	36	42
Revenues YoY	+21%	+4%	+11%
EBITDA Margin	14%	9%	13%
Net Debt (Cash)	1.2	5.9	11.5
NFP/EBITDA	0.3	0.6	1.8
Market Data (Eu m)	Company	AIM Sector*	AIM Italia
Capitalisation	33	28	75
Perf. from IPO	+136%	+5%	7%
Free Float	17%	21%	42%
ADTT YTD (Eu)	18,362	21,552	107,641

Source: Osservatorio AIM Italia - \* Fashion &amp; Luxury

#### Results & Estimates

Key Figures (Eu m)	16A	17A	18E	19E	20E
Revenues	23.1	28.0	30.8	33.9	37.3
YoY growth	+10%	+21%	+10%	+10%	+10%
EBITDA	2.3	3.9	4.4	5.2	6.0
EBITDA%	9.8%	13.9%	14.2%	15.2%	16.2%
EBIT	1.6	3.1	2.9	3.5	4.2
EBIT%	6.8%	11.0%	9.4%	10.2%	11.3%
Net Profit	1.1	2.3	2.1	2.5	3.0
Net Debt (Cash)	2.1	1.2	2.6	1.3	(1.5)
EPS	0.23	0.49	0.44	0.52	0.63

Source: Company Data and IR Top Estimates

#### Peers Comparison

EV/EBITDA (x)	18E	19E	20E
FOPE	7.7	6.5	5.6
Luxury Peers	15.8	14.1	12.5
Discount/Premium to Luxury Peers	-51%	-54%	-56%
P/E (x)	18E	19E	20E
FOPE	15.7	13.2	10.8
Luxury Peers	29.7	26.2	23.6
Discount/Premium to Luxury Peers	-47%	-50%	-54%

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

#### Performance

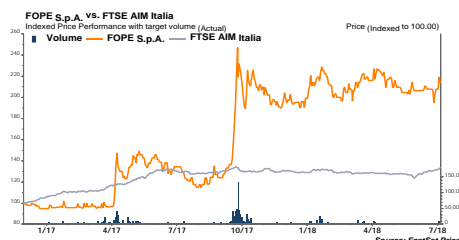
	1M	3M	1Y
Absolute	+5.4%	-2.1%	+61.6%
Relative (FTSE AIM Italia)	+0.2%	-6.7%	+56.0%
52-week High/Low* (Eu)	7.87 / 3.54		

 Source: Factset data  
 \* Intra Day

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	4,747,700
Free Float	17%
Main Shareholder	Cazzola's Family (76.6%)
CEO	Diego Nardin



## FOPE ON AIM

+136% 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

WARRANT FOPE 2016-2019 (as of July 5<sup>th</sup>, 2018)

Code: WFPE19  
 ISIN: IT0005203432  
 Price: 1.15 Eu  
 Outstanding Warrants: 2,881,500  
 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 (1,642,000 Warrant Exercised)  
 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

As of July 5<sup>th</sup>, 2018 outstanding n. 2,881,500 Warrants

## FOPE CONVERTIBLE 4.5% 2016-2021

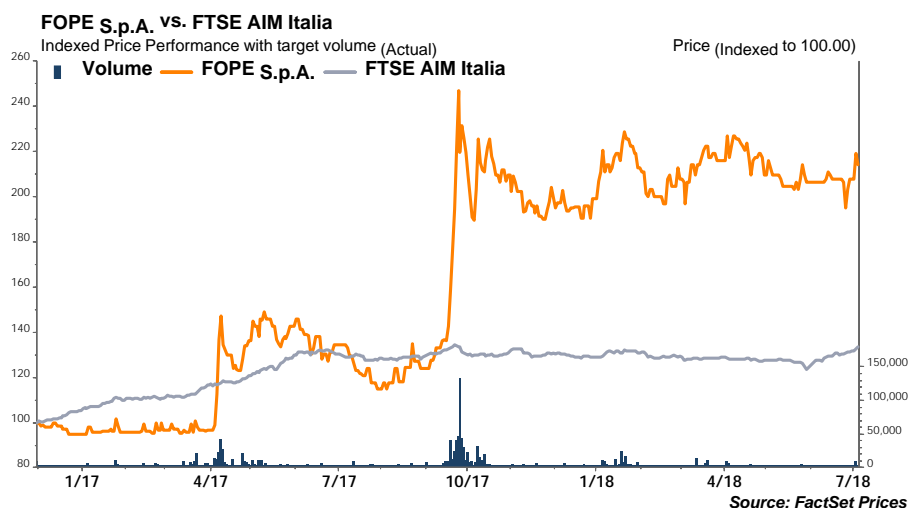
Code: FPE21  
 ISIN: IT0005203671  
 N. issued bonds: 1,200  
 Nominal value of each bond: 100 Eu  
 Issued Value: 1.2 Eu m

SHARES (as of July 5<sup>th</sup>, 2018)

Code: FPE  
 Bloomberg: FPE IM  
 Reuters: FPE.MI  
 ISIN: IT0005203424  
 Shares: 4,747,700  
 Price: 6.85 Eu  
 Performance from IPO: +136%  
 Capitalisation: 33 Eu m  
 Free Float: 17%  
 NomAd: Integrae SIM  
 Specialist: Integrae SIM

Shareholder	n. of shares	%
Ines Cazzola	1,817,200	38.28%
Umberto Cazzola*	482,460	10.16%
Giulia Cazzola**	1,334,740	28.11%
Diego Nardin	315,600	6.65%
Esperia Servizi Fiduciari S.p.A.	276,000	5.81%
<b>Other Shareholders (&lt;5%)</b>	<b>521,700</b>	<b>10.99%</b>
<b>Total</b>	<b>4,747,700</b>	<b>100.00%</b>

\* an additional 1,334,740 shares in usufruct  
 \*\* of which 60,000 shares in full ownership and 1,274,740 as bare ownership.



## RATIOS

Eu m	2015A	2016A	2017A	2018E	2019E	2020E
<b>Profit &amp; Loss Statement</b>						
Sales	20.9	23.1	28.0	30.8	33.9	37.3
EBITDA	2.0	2.3	3.9	4.4	5.2	6.0
EBIT	1.4	1.6	3.1	2.9	3.5	4.2
Financial Income (charges)	(0.1)	(0.1)	0.1	(0.1)	(0.1)	(0.1)
Pre-tax profit (loss)	1.3	1.5	3.2	2.9	3.4	4.1
Taxes	(0.3)	(0.4)	(0.8)	(0.8)	(0.9)	(1.1)
Net profit	1.0	1.1	2.3	2.1	2.5	3.0
<b>Balance Sheet</b>						
Fixed assets	4.5	5.0	6.9	9.0	9.5	8.9
NWC	8.1	8.9	8.8	9.8	10.8	11.9
M/L Funds	(2.5)	(2.1)	(2.6)	(2.9)	(3.1)	(3.5)
Net Capital Employed	10.1	11.8	13.1	16.0	17.2	17.3
Net Debt	4.4	2.1	1.2	2.6	1.3	(1.6)
Net Equity	5.7	9.6	11.9	13.4	15.9	18.9
<b>Cash Flow</b>						
EBIT	1.4	1.6	3.1	2.9	3.5	4.2
D&A	0.5	0.7	0.8	1.5	1.7	1.8
Tax	(0.3)	(0.4)	(0.8)	(0.8)	(0.9)	(1.1)
Other	0.0	0.0	0.0	0.0	0.0	0.0
Change in M/L Funds	0.9	(0.4)	0.5	0.3	0.3	0.3
Gross Cash Flow	2.5	1.4	3.6	3.9	4.5	5.2
Change in NWC	(2.2)	(0.8)	0.1	(1.1)	(1.0)	(1.1)
Operating Cash Flow	0.4	0.6	3.7	2.8	3.5	4.1
Capex and Investments	(1.5)	(1.2)	(2.7)	(3.6)	(2.2)	(1.2)
Financial Income (charges)	(0.1)	(0.1)	0.1	(0.1)	(0.1)	(0.1)
Free Cash Flow	(1.2)	(0.6)	1.0	(0.8)	1.3	2.9
Dividend	0.0	0.0	0.0	0.6	0.0	0.0
Change in Equity	(0.2)	3.9	2.3	1.5	2.5	3.0
Change in Net debt	(1.4)	3.3	3.3	1.2	3.7	5.9
<b>Per Share Data</b>						
<b>Current Price</b>	<b>6.85</b>					
Total shares out (mln) average	4.7					
EPS	0.21	0.23	0.49	0.44	0.52	0.63
DPS	0.00	0.00	0.00	0.13	0.00	0.00
FCF	(1.2)	(0.6)	1.0	(0.8)	1.3	2.9
Pay out ratio	0%	0%	0%	27%	0%	0%
<b>Ratios</b>						
EBITDA margin	9.4%	9.8%	13.9%	14.2%	15.2%	16.2%
EBIT margin	6.8%	6.8%	11.0%	9.4%	10.2%	11.3%
Net Debt/Equity (Gearing)	77%	22%	10%	19%	8%	-8%
Net Debt/EBITDA	2.2x	0.9x	0.3x	0.6x	0.3x	-0.3x
Interest cover EBIT	-0.1x	0.0x	0.0x	0.0x	0.0x	0.0x
ROE	17.5%	11.2%	19.6%	15.5%	15.6%	15.9%
Free Cash Flow Yield	-178%	-86%	146%	-120%	184%	416%
<b>Growth Rates</b>						
Sales	15%	10%	21%	10%	10%	10%
EBITDA	5%	16%	72%	12%	18%	17%
EBIT	-2%	11%	96%	-6%	19%	21%
Net Profit	3%	8%	117%	-11%	19%	22%

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Date	Target Price	Market Price	Validity Time
July 6 <sup>th</sup> 2018	8.85	6.75	12 months
March 28 <sup>th</sup> 2018	8.85	6.80	12 months
September 21 <sup>st</sup> 2017	6.05	5.00	12 months
July 18 <sup>th</sup> 2017	5.40	3.83	12 months

**VALUATION METHODOLOGY (HORIZON: 12M)** IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models.

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