

FOPE

High profitability confirmed in 1H 2019

1H 2019 results released: In the first six months of 2019, FOPE recorded revenues of Euro 15.5 m, +2% vs. 1H 2018 (Euro 15.3 m) mainly driven by international markets (81% of total revenues), and in principal tourist areas in Italy. **EBITDA** stood at Euro 3.2 m with an EBITDA margin of 20.6%, confirming last year's important profitability level (19.5% in FY 2018 and 20.7% in 1H 2018). **Net Income** was of Euro 1.9 m in line with 1H 2018 after higher D&As (Euro 0.6 in 1H 2019 vs. Euro 0.4 m in 1H 2018) from recent important investments. **Net debt** was Euro 2.9 m (vs. Euro 0.1 m at FY 2018) after investments in the period of Euro 2.1 m, and a dividend of Euro 1.8 m.

Management confirmed a good outlook for FY 2019 with revenue growth and profitability in line with budget as the order portfolio continues to grow in line with expectations. On the back of the above and considering the seasonality of the business, we confirm our 2019-2021 revenue and EBITDA estimates and made an adjustment only to factor in higher investments following the announcement of the opening of a new flagship store in London (UK) in 2H 2019. We increased total capex for 2019 to Euro 4.2 m vs. Euro 3.2 m as of our previous estimates. Overall, we estimate that FOPE can grow revenues at a CAGR of +11% and EBITDA at a CAGR of +14%.

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 with around 81% of sales abroad.

In the next years FOPE will concentrate on consolidating its position in international markets through (i) focus on the main markets (USA - UK - Germany), (ii) strengthening of value proposition in order to improve customer loyalty, and (iii) improvement of brand awareness

Valuation: We set a 12.28 Eu p.s. target price of FOPE, largely in line with our previous one (Euro 12.26 p.s.), and derived from weighting equally a DCF and multiple comparison analysis. Our TP provides for an upside of +65%.

Key Figures (Euro m)	Sales	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2018A	31.3	12%	6.1	19.5%	5.0	15.9%	3.3	0.1
2019E	34.4	10%	6.7	19.5%	5.3	15.5%	3.7	2.0
2020E	37.8	10%	7.6	20.2%	6.1	16.2%	4.3	0.2
2021E	42.4	12%	8.7	20.6%	7.1	16.7%	5.0	(1.9)

Sector: Fashion & Luxury

Target Price (Euro)	12.28 (12.26 pr)
Market Price (Euro)	7.45
Mkt Cap (Euro m)	37
EV (Euro m)	41

(as of September 24th, 2019)

Share Data

Market	AIM Italia
Bloomberg/Reuters	FPE.MI/FPE IM
ISIN	IT0005203424
N. of Shares	5,000,200
Free Float	18%
Main Shareholder	Cazzola Family (70.3%)
CEO	Diego Nardin

AIM Positioning

FY 2018	Company	AIM Sector	AIM Italia
Revenues (Eu m)	31	35	44
Revenues YoY	+12%	+6%	+30%
EBITDA Margin	20%	9%	14%
NFP/EBITDA (x)	0.0	(1.8)	4.1

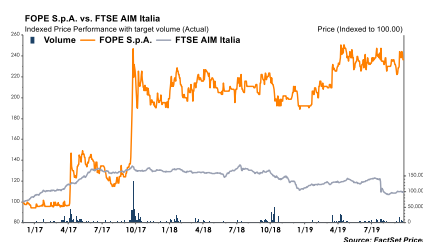
Market Data (Eu m)	Company	AIM Sector	AIM Italia
Capitalisation	37	30	54
Perf. from IPO	+157%	-9%	-7%
Free Float	18%	24%	35%
ADIT YTD (Eu)	24,324	39,953	115,907

Performance

	1M	3M	6M
Absolute	0.0%	+2.1%	+7.2%
Relative (TSE AIM Italia)	-0.8%	+13.2%	+26.8%
52-week High/Low (Eu)	8.35/4.40		

IR TOP RESEARCH

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AIM POSITIONING 2018

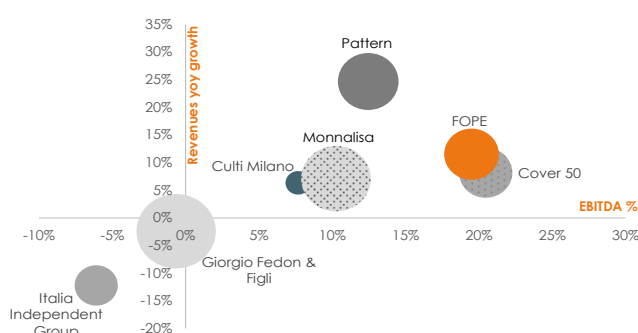
We position FOPE within AIM Italia's "Fashion & Luxury" Sector which includes 7 companies. In FY 2018 they showed average revenues of Euro 35 m, an average yoy growth of +6% and EBITDA margin of 9%. FOPE is the only listed company in the Luxury sector that produces high end jewellery with its own brand.

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

- higher revenue growth rates (+12% vs +6%)
- higher EBITDA margin (20% vs 9%)
- higher level of Indebtedness (NFP/EBITDA 0.0x vs -1.8x)

AIM Italia "Fashion & Luxury" Sector

Size of the bubble: 2018 Revenues



2018 Data (Euro m)	Revenues	yoy	EBITDA%	NFP (Cash)	EV/EBITDA	NFP/EBITDA
Cover 50	30	8%	20%	(11.6)	5.1	(1.9)
Culti Milano	7	6%	8%	(3.0)	10.3	(5.9)
FOPE	31	12%	20%	0.1	6.1	0.0
Giorgio Fedon & Figli	66	-2%	-1%	9.1	n.m.	n.m.
Italia Independent Group	19	-12%	-6%	16.3	n.m.	n.m.
Monnalisa	51	7%	10%	(2.5)	7.5	(0.5)
Pattern	39	25%	12%	(4.2)	9.7	(0.9)
Fashion & Luxury	35	6%	9%	0.6	7.7	(1.8)
AIM Italia	44	30%	14%	7.4	19.1	4.1

Source: Osservatorio AIM Italia, EV as of September 24th, 2019 – Median EV/EBITDA of AIM Italia 8.7x.

FOPE is trading at discount in terms of EV/EBITDA compared to average AIM Italia "Fashion & Luxury" Sector. Compared to average AIM Italia "Fashion & Luxury" Sector, FOPE shows:

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

Performance from IPO is positive and above average (+157% vs -9%).

Company	Capitalisation (Euro m)	Free Float	Perf. from IPO	ADTT YTD (Eu)
Cover 50	43	26%	-48%	14,663
Culti Milano	8	28%	-49%	12,903
FOPE	37	18%	+157%	24,324
Giorgio Fedon & Figli	14	21%	-4%	10,171
Italia Independent Group	18	21%	-93%	19,479
Monnalisa	42	26%	-42%	20,918
Pattern	51	28%	+14%	177,210
Fashion & Luxury	30	24%	-9%	39,953
AIM Italia	54	35%	-7%	115,907

Source: Osservatorio AIM Italia and Factset data as of September 24th, 2019

BUSINESS UPDATE

In 1H 2019 FOPE continued to increase revenues and confirmed the high level of profitability recorded last year. Management confirmed a positive outlook for 2019, with revenues and profitability in line with budget, also thanks to growth in the order portfolio in line with expectations for the full year.

With the announcement in July of the opening, by the end of 2019, of a new flag ship store in London (Old Bond Street, Piccadilly Corner), and the rebranding project presented at the Baselworld trade fair, FOPE confirmed strategic guidelines to strengthening its competitive position in the UK market and to boost the Company's brand awareness through investments in marketing&communication.

In April the Company completed the placement of 251,440 ordinary shares with dividend right, amounting to 5.0% of the share capital. The placement was executed through an accelerated bookbuilding, at a price of Euro 6.60 per share, for a total amount of Euro 1,659,504. Following the placement aimed to increase the free float and the liquidity of the stock, the free float increased to from 13.0% to 18.1%.

1H 2019 RESULTS

In 1H 2019, **revenues grew by +2% to Euro 15.5 m** (Euro 15.3 m in 1H 2018). Growth was mainly driven by the increase in sales in export markets which currently represent 81% of total revenues, and especially in Europe and America. Also the domestic market continued to grow much thanks to good performance in principal tourist areas. **EBITDA** came in at Euro 3.2 m, with an EBITDA margin of 20.6%, confirming the important profitability level of last year (19.5% in FY 2018 and 20.7% in 1H 2018). **EBIT** stood at Euro 2.6 m, in line with 1H 2018 after an increase in D&As in the period considered to Euro 0.6 m in vs. Euro 0.4 m. **Net Profit was of Euro 1.9 m** (Euro 1.9 m in 1H 2018).

Fixed assets increased from Euro 9.3 m in FY 2018 to Euro 10.7 m after investments in the first six months of 2019 of Euro 2.1 m mainly related to the progress of the work of the expansion of the headquarters. Net Working Capital increased to Euro 12.3 m (Euro 9.5 in FY 2018) mainly following an increase in inventory, and in particular of fine gold stock, as DPOs and DSOs remained largely in line with FY 2018. **Net debt** stood at Euro 3.9 m, up by Euro 3.8 m vs. FY 2018 (Euro 0.1 m) due to the above mentioned increase in working capital, investments and the dividend payed in April of Euro 1.75 m.

Key Figures (Euro m)	1H 2019	1H 2018	FY 2018
Revenues	15.5	15.3	31.3
YoY growth	+2%	+13%	+12%
EBITDA	3.2	3.2	6.1
EBITDA%	20.6%	20.7%	19.5%
EBIT	2.6	2.6	5.0
EBIT%	16.5%	17.2%	15.9%
Net Profit	1.9	1.9	3.3
Net Working Capital (NWC)	12.3	11.3	9.5
Fixed net assets	10.7	7.2	9.3
Funds	(2.5)	(2.5)	(2.8)
Net Capital Employed	20.5	16.0	16.1
Net Debt (Cash)	3.9	2.9	0.1
Equity	16.6	13.1	16.0
Total Source	20.5	16.0	16.1

Source: Company Data

ESTIMATES

Based on 1H 2019 results and Management's positive outlook for 2019, we leave our 2019-2021 forecasts unchanged in terms of revenues and profitability. We have, however, increased our capex estimates to Euro 4.2 m for 2019 (Euro 3.2 m in FY 2019 as of our previous estimates), to factor in the announcement of the opening in 2H 2019. Prudentially, we have not changed our tax rate (27.5%) although the Company has announced an agreement with the Italian Revenue Agency for the establishment of the methods and bases for measuring the amount of income eligible for the so-called "Patent Box" regime.

KEY FINANCIALS

Euro m	18A	19E Old	19E New	20E Old	20E New	21E Old	21E New
Revenues	31.3	34.4	34.4	37.8	37.8	42.4	42.4
yoy	+12%	+10%	+10%	+10%	+10%	+12%	+12%
EBITDA	6.1	6.7	6.7	7.6	7.6	8.7	8.7
margin	19.5%	19.5%	19.5%	20.2%	20.2%	20.6%	20.6%
EBIT	5.0	5.2	5.3	5.9	6.1	6.9	6.9
margin	15.9%	15.2%	15.5%	15.7%	16.2%	16.2%	16.7%
Pre tax profit	4.7	5.0	5.1	5.7	5.9	6.7	6.9
Net Profit	3.3	3.6	3.7	4.2	4.3	4.8	5.0
yoy	+43.3%	+8.7%	10.8%	+14.5%	15.7%	+15.8%	16.3%
EPS	0.66	0.72	0.74	0.83	0.85	0.96	0.99

Euro m	18A	19E Old	19E New	20E Old	20E New	21E Old	21E New
Net Working Capital (NWC)	9.5	10.5	10.5	11.6	11.6	13.0	13.0
Fixed net assets	9.3	11.1	12.3	10.9	12.2	10.5	12.1
Funds	(2.8)	(2.8)	(2.8)	(2.9)	(2.9)	(3.0)	(3.0)
Net Capital Employed	16.1	18.7	19.9	19.5	20.9	20.5	20.5
Net Debt (Cash)	0.1	0.9	2.0	(1.0)	0.2	(3.2)	(1.9)
Equity	16.0	17.8	17.9	20.6	20.7	23.7	24.0
Sources	16.1	18.7	19.9	19.5	20.9	20.5	22.1

Source: Company Data and IR Top Estimates

VALUATION

We have updated our valuation for FOPE and in particular:

- the DCF to include the new estimates and up-to-date risk-free rate and ERP;
- the relative valuation to reflect current market multiples for a peer group consisting of luxury Large Cap companies with business models comparable to FOPE. Moreover, we have updated our AIM Positioning Discount to reflect FY 2018 results for the AIM Italia market. The discount applied is of 30%, somewhat above prior year's (27%) due to lower liquidity of the share.

Our valuation has been adjusted for the possible dilution impact of the exercise of outstanding warrants, that have an impact of -1.6% on our valuation.

MULTIPLES

We used EV/EBITDA, EV/EBIT and P/E 2019-2020 multiples for the valuation of FOPE.

Euro m	Country	Capitalisation	Revenues 2018	YoY	EBITDA % 2018A	EBITDA % 2019E
FOPE	Italy	37	31.3	+12%	20%	21%
Tod's	Italy	1,526	940	+2%	12%	10%
Salvatore Ferragamo	Italy	2,877	1,347	-3%	16%	16%
Prada	China	7,137	3,142	-1%	18%	23%
Moncler	Italy	8,314	1,420	+19%	33%	35%
Tiffany	USA	9,979	3,787	+4%	23%	23%
LVMH	France	187,035	46,826	+10%	25%	27%
Kering	France	57,874	13,665	+26%	32%	35%
Burberry	UK	9,885	3,084	0%	21%	21%
Richemont	Switzerland	35,145	13,989	+27%	20%	20%
Median Luxury Peers		9,885	3,142	+4%	21%	22%

Source: IR Top Estimates for FOPE and Factset data for comparables as of 24th September 2019

EV/EBITDA (x)	19E	20E	21E
FOPE	5.9	4.9	4.0
Median Luxury Peers	14.1	12.7	11.4
Discount/Premium to Luxury Peers	-58%	-61%	-64%

EV/EBIT (x)	19E	20E	21E
FOPE	7.4	6.1	5.0
Median Luxury Peers	17.3	15.7	13.9
Discount/Premium to Luxury Peers	-57%	-61%	-64%

P/E (x)	19E	20E	21E
FOPE	10.0	8.7	7.5
Median Luxury Peers	24.0	21.7	19.2
Discount/Premium to Luxury Peers	-58%	-60%	-61%

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

DCF

Main assumptions are:

- Perpetual growth: 1.0%
- Risk Free interest rate: 2.38% (yield BTP 10 years - 24 months average)
- WACC: 8.3%

Sum of PV 2019-2023 FCF – Eu m	14.1	22%
Terminal Value – Eu m	51.4	78%
Total Enterprise Value – Eu m	65.4	100%
Net Financial Position (Cash) – Eu m	3.9	
Cash in Conversion of Warrant 3° period - Eu m	(0.1)	
Total Equity Value – Eu m	61.7	
Number of shares outstanding (diluted) – m	5.04	
Fair Value per share – Eu	12.25	

Source: Company Data and IR Top Estimates

Our DCF valuation yields a target price of 12.25 Eu per share.

VALUATION SUMMARY

We set a 12.28 Eu p.s. target price of FOPE, largely in line with our previous one (Euro 12.26 p.s.), and obtained by weighting equally the DCF and the multiple comparison analysis. Our TP provides for an upside of +65% and an implicit EV/EBITDA 2019 and 2020 multiple of 9.8x and 8.6x respectively.

Method	Price (Eu)
DCF	12.25
Multiple analysis	12.31
Target Price	12.28

FOPE ON AIM

IPO

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

WARRANT FOPE 2016-2019 (as of September 24th, 2019)

Code: WFPE19
ISIN: IT0005203432
Price: 1.00 Euro

Outstanding Warrants (as of September 24th, 2019): 356,500
Exercise ratio: 1:10 (shares:warrants)

1st Exercise Period: 15-30 Nov 2017 - Strike Price: $P_1 = P_{IPO} (1+10\%) = 3.19$ Euro (1,642,000 Warrant Exercised)

2nd Exercise Period: 15-30 Nov 2018 - Strike Price: $P_2 = P_1 (1+10\%) = 3.51$ Euro (2,525,000 Warrant Exercised)

3rd Exercise Period: 15-29 Nov 2019 - Strike Price: $P_3 = P_2 (1+10\%) = 3.86$ Euro

FOPE CONVERTIBLE 4.5% 2016-2021

Code: FPE21
ISIN: IT0005203671
N. issued bonds: 12,000
Nominal value of each bond: 100 Euro
Issued Value: 1.2 Euro m

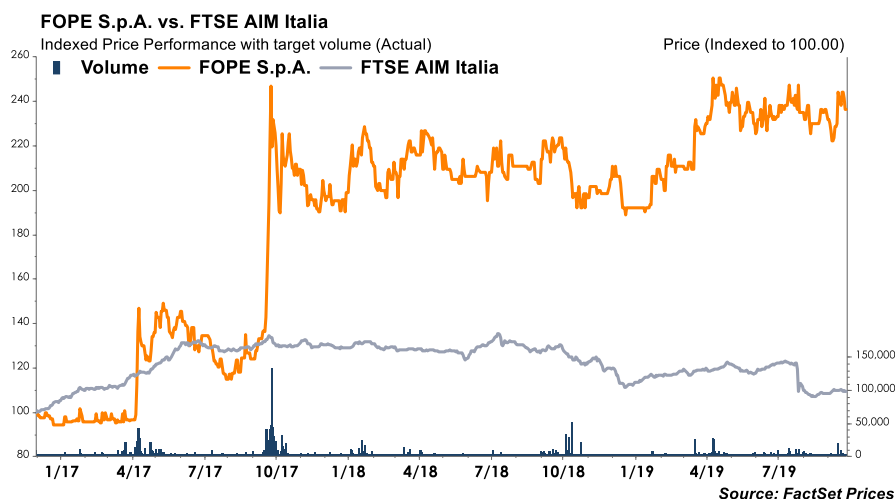
SHARES (as of September 24th, 2019)

Code: FPE
Bloomberg: FPE IM
Reuters: FPE.MI
ISIN: IT0005203424
Shares: 5,000,200
Price: 7.45 Euro
Performance from IPO: +157%
Capitalisation: 37 Euro m
Free Float: 18%
NomAd: Integrae SIM
Specialist: Integrae SIM

Shareholder	n. of shares	%
Ines Cazzola	1,757,200	35.14%
Umberto Cazzola*	1,119,830	22.40%
Heirs of Giulia Cazzola**	637,370	12.75%
Diego Nardin	306,160	6.12%
Esperia Servizi Fiduciari S.p.A.	276,000	5.52%
Market	903,640	18.07%
Total	5,000,200	100.00%

* an additional 637,370 common shares in usufruct with the vote rights granted by the heirs of Giulia Cazzola.

** of which 637,370 as bare ownership.



KEY FINANCIALS

Eu m	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Profit&Loss Statement	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Revenues	20.9	23.1	28.0	31.3	34.4	37.8	42.4
EBITDA	2.0	2.3	3.9	6.1	6.7	7.6	8.7
EBIT	1.4	1.6	3.1	5.0	5.3	6.1	7.1
Financial Income (charges)	(0.1)	(0.1)	0.1	(0.2)	(0.2)	(0.2)	(0.2)
Pre-tax profit (loss)	1.3	1.5	3.2	4.7	5.1	5.9	6.9
Taxes	(0.3)	(0.4)	(0.8)	(1.4)	(1.4)	(1.6)	(1.9)
Net profit (loss) Group	1.0	1.1	2.3	3.3	3.7	4.3	5.0

Balance Sheet

Fixed assets	4.5	5.0	6.9	9.3	12.3	12.2	12.1
NWC	8.1	8.9	8.9	9.5	10.5	11.6	13.0
M/L Funds	(2.5)	(2.1)	(2.7)	(2.8)	(2.8)	(2.9)	(3.0)
Net Capital Employed	10.1	11.8	13.1	16.1	19.9	20.9	22.1
Net Debt	4.4	2.1	1.2	0.1	2.0	0.2	(1.9)
Net Equity	5.7	9.6	11.9	16.0	17.9	20.7	24.0

Cash Flow

EBIT	1.4	1.6	3.1	5.0	5.3	6.1	7.1
D&A	0.5	0.7	0.8	1.1	1.4	1.5	1.6
Tax	(0.3)	(0.4)	(0.8)	(1.4)	(1.4)	(1.6)	(1.9)
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in M/L Funds	0.9	(0.4)	0.6	0.1	0.1	0.1	0.1
Gross Cash Flow	2.5	1.4	3.7	4.8	5.4	6.1	6.9
Change in NWC	(2.2)	(0.8)	(0.0)	(0.7)	(1.0)	(1.1)	(1.4)
Operating Cash Flow	0.4	0.6	3.7	4.1	4.4	5.0	5.5
Capex and Investments	(1.5)	(1.2)	(2.7)	(3.5)	(4.3)	(1.5)	(1.5)
Financial Income (charges)	(0.1)	(0.1)	0.1	(0.2)	(0.2)	(0.2)	(0.2)
Free Cash Flow	(1.2)	(0.6)	1.0	0.3	(0.1)	3.3	3.8
Dividend	0.0	0.0	0.0	(0.6)	(1.8)	(1.5)	(1.7)
Change in Equity	(1.2)	2.9	(0.0)	1.3	0.0	0.0	0.0
Change in Net debt	(2.4)	2.3	1.0	1.1	(1.9)	1.8	2.1
Check	0.0	0.0	(0)	(0)	0.0	0.0	0.0

Per Share Data

Current Price				7.45			
Total shares out (mn) average				5.0			
EPS	0.20	0.21	0.47	0.67	0.74	0.86	1.00
EPS Diluted	0.20	0.21	0.46	0.66	0.74	0.85	0.99
DPS	n.m.	n.m.	0.12	0.35	0.30	0.34	0.40
FCF	(0.2)	(0.1)	0.2	0.1	(0.0)	0.7	0.8
Pay out ratio	0%	0%	25%	53%	40%	40%	40%

Ratios

EBITDA margin	9.4%	9.8%	13.9%	19.5%	19.5%	20.2%	20.6%
EBIT margin	6.8%	6.8%	11.0%	15.9%	15.5%	16.2%	16.7%
Net Debt/Equity (Gearing)	77.2%	22.1%	9.8%	0.7%	11.3%	1.0%	n.m.
Net Debt/EBITDA	2.2	0.9	0.3	0.0	0.3	0.0	n.m.
Interest cover EBIT	13.9	23.7	-33.5	22.5	26.6	30.6	35.4
ROE	17.5%	11.2%	19.6%	20.9%	20.7%	20.7%	20.8%
Free Cash Flow Yield	n.m.	n.m.	3%	1%	n.m.	9%	10%

Growth Rates

Revenues	15%	10%	21%	12%	10%	10%	12%
EBITDA	5%	16%	72%	56%	10%	14%	14%
EBIT	-2%	11%	96%	61%	7%	15%	16%
Net Profit	3%	8%	117%	43%	11%	16%	16%

**DISCLAIMER
UPDATES**

This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on FOPE (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on March 19th 2019. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

Date	Target Price	Market Price	Validity Time
September 25 th 2019	12.28	7.45	12 months
March 19 th 2019	12.26	7.30	12 months
September 19 th 2018	9.05	7.00	12 months
March 28 th 2018	8.85	6.80	12 months
September 21 st 2017	6.05	5.00	12 months
July 18 th 2017	5.40	3.83	12 months

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

Moreover, IR Top Research 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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No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them, who was involved in producing the Research.

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