

FOPE

FY20 results well above estimates and guidance

Higher than expected 2H20 revenues. FOPE, a leading player in the high-end jewellery sector, just released preliminary results which outperformed both our estimates and Management's guidance. Reported FY20 revenues came in at Euro 26 m, + 6% vs. our estimates (Euro 24.5 m) and +4% vs. guidance of Euro 25 m. Compared to prior year, revenues showed a contraction by -25.7% (Euro 35 m) entirely caused by Covid-19 related Governmental restrictions and protracted lockdowns which heavily impacted the personal luxury goods market which according to Bain&Company fell by -35% and -27% in Europe and the US respectively. However, with revenues in 2H20 of Euro 15.8 m, -19% yoy and -9% vs. our estimates (Euro 14.3 m) FOPE showed a strong recovery compared to the first six months of the year (-34% in 1H20). Management highlighted that if excluding revenues from tourist driven locations (Caribbean, art cities in Italy, and Spain), the yoy decline was reduced to only 11%, thanks to good results with key clients, confirming the importance of the brand for these clients.

Profitability beats our estimates and Company guidance FY20 EBITDA stood at Euro 4.0 m vs. Euro 6.8 m in FY19 and Euro 2.4 m as of our estimates. FY20 EBITDA margin was of 15% sowing an important recovery vs. 7% recorded in 1H20 and again, overperforming our estimates (9.5%) and guidance (12-13%). The result implies an EBITDA margin in 2H20 of 21%, thanks to very careful cost management and increased volumes, the latter being the main profitability driver for the Company. Industrial margin remained in line with previous years. EBIT was of Euro 2.3 m and Net Income stood at 1.7 m compared to Euro 0.3 m as of our estimates and Euro 4.9 m in FY19.

Solid balance sheet allowing for investments and dividend. The solid balance sheet has allowed Management to proceed with the planned investments including its first flagship boutique in Asia (Kuala Lumpur) and 7 new shop-in-shops, and to distribute a dividend in December 2020. Net debt was of Euro 2.4 m (Euro 0.1 m in FY19) after the dividend payment of approx. Euro 2.4m (Euro 0.45 p.s., dividend yield of just over 6%).

Strong focus on innovation, design, and brand awareness. Management confirmed strategic guidelines based on a strong focus on product innovation&design, increased brand awareness and geographical expansion. FY21 will see the opening of a showroom in Dubai and continuous investments in openings of shop in shops and technology.

Positive current trading. On the back of the above and considering FY20 results, which confirmed that the Company is able to generate positive results also in very difficult market conditions, we confirm our positive outlook for FOPE. Although there are still uncertainties regarding the general recovery of the economy and the personal luxury sector, the structural trend that supports FOPE's equity story has not changed. Management highlighted that it looks optimistically at 2021 thanks to positive results in the first two months of the year. Management did not give any guidance for FY20 but stated that it expects revenues in FY21 above those of FY20.

Estimate revision and Valuation update. We have slightly adjusted our FY21 estimates to consider the longer than expected duration of the pandemic impacts. We now assume a +15% in FY21 whereas we confirm revenues of Euro 38.0 m in FY22. Updating our DCF and multiples models to include updated multiples, ERP and risk-free rate we obtained a new TP of Euro 11.42 ps. (Euro 11.37 p.s. previously), providing for a 33% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis.

Key Figures (Euro m)	Sales	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2019A	35.0	12%	6.8	19.4%	5.4	15.5%	4.8	0.1
2020E	26.0	-26%	4.0	15.2%	2.3	9.0%	1.6	2.5
2021E	30.0	+15%	4.7	15.5%	3.1	10.3%	2.1	1.1
2022E	38.0	+27%	7.7	20.1%	5.9	15.6%	4.1	1.3

Sector: Fashion & Luxury

Target Price (Eu)	11.42 (11.37 pr)
Market Price (Eu)	8.60
Market Cap (Eu m)	46
EV (Euro m)	48
<i>(as of 12th March 2021)</i>	

Share Data

Market	AIM ITALIA
Bloomberg/Reuters	FPE.MI/FPE IM
ISIN	IT0005203424
N. of Shares	5,294,071
Free Float	17.29%
CEO	Diego Nardin

Aim Positioning

FY 2019	Company	F&L	AIM Italia
VoP (Eu m)	35	32	40
Yoy	12%	2%	18%
EBITDA %	19%	2%	14%
ND/EBITDA (x)	0.0	0.6	2.2

Market Data	Company	F&L	AIM Italia
Mkt Cap um	46	26	48
Perf. IPO	194%	-6%	12%
Free Float	17%	26%	31%
ADTT YTD Euk	7	27	116
Perf YTD	4%	1%	8%

Credit Risk Profile

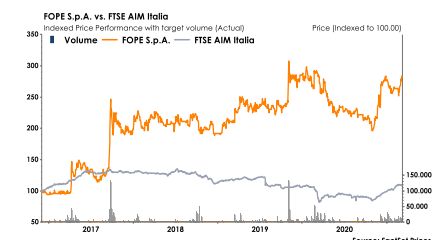
	FOPE	Italian PMII Av
Wiserfunding Bond Rating Equivalent	B+	B+

Performance

	1M	3M	1Y
Absolute	8.9%	7.2%	1.2%
Relative	6.5%	-7.1%	-24.1%
52-week H/L (Eu)	9.00	6.10	

IR TOP RESEARCH

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KEY FINANCIALS

Profit&Loss Statement	2017A	2018A	2019A	2020E	2021E	2022E
Revenues	28.0	31.3	35.0	26.0	30.0	38.0
EBITDA	3.9	6.1	6.8	4.0	4.7	7.6
EBIT	3.1	5.0	5.4	2.3	3.1	5.9
Financial Income (charges)	0.1	(0.2)	(0.5)	(0.4)	(0.2)	(0.2)
Pre-tax profit (loss)	3.2	4.7	5.0	1.9	2.9	5.7
Taxes	(0.8)	(1.4)	(0.1)	(0.3)	(0.8)	(1.6)
Net profit (loss) Group	2.3	3.3	4.8	1.6	2.1	4.1
Balance Sheet						
Fixed assets	6.9	9.3	12.6	12.2	11.6	11.4
NWC	8.9	9.5	11.2	13.3	13.9	17.6
M/L Funds	(2.7)	(2.8)	(3.0)	(3.0)	(3.0)	(3.0)
Net Capital Employed	13.1	16.1	20.9	22.5	22.5	26.0
Net Debt	1.2	0.1	0.1	2.5	1.1	1.3
Net Equity	11.9	16.0	20.8	20.0	21.5	24.7
Cash Flow						
EBIT	3.1	5.0	5.4	2.3	3.1	5.9
D&A	0.8	1.1	1.3	0.0	1.6	1.7
Tax	(0.8)	(1.4)	(0.1)	(0.3)	(0.8)	(1.6)
Other	0.0	0.0	0.2	0.0	0.0	0.0
Change in M/L Funds	0.6	0.1	0.2	0.0	0.0	0.0
Gross Cash Flow	3.7	4.8	7.1	2.0	3.8	6.0
Change in NWC	(0.0)	(0.7)	(1.7)	(2.1)	(0.6)	(3.7)
Operating Cash Flow	3.7	4.1	5.4	(0.0)	3.3	2.3
Capex and Investments	(2.7)	(3.5)	(4.9)	0.4	(1.0)	(1.5)
Financial Income (charges)	0.1	(0.2)	(0.5)	(0.4)	(0.2)	(0.2)
Free Cash Flow	1.0	0.3	0.1	(0.0)	2.1	0.6
Dividend	0.0	(0.6)	(1.8)	(2.4)	(0.7)	(0.8)
Change in Equity	(0.0)	1.3	1.7	0.0	0.0	0.0
Change in Net debt	1.0	1.1	0.0	(2.4)	1.4	(0.2)
Per Share Data						
Current Price		8.60				
Total shares out (mn) average		5.3				
EPS	0.44	0.63	0.92	0.31	0.39	0.78
DPS	0.11	0.33	0.45	0.12	0.16	n.m.
FCF	0.2	0.1	0.0	(0.0)	0.4	0.1
Pay out ratio	25%	53%	49%	40%	40%	0%
Ratios						
EBITDA margin	13.9%	19.5%	19.4%	15.2%	15.5%	20.1%
EBIT margin	11.0%	15.9%	15.5%	9.0%	10.3%	15.6%
Net Debt/Equity (Gearing)	9.8%	0.7%	0.5%	12.4%	5.0%	5.2%
Net Debt/EBITDA	0.3	0.0	0.0	0.6	0.2	0.2
Interest cover EBIT	-33.5	22.5	11.3	5.9	15.4	29.6
ROE	19.6%	20.9%	23.3%	8.2%	9.7%	16.6%
Free Cash Flow Yield	3%	1%	0%	n.m.	5%	1%
Growth Rates						
Revenues	21%	12%	12%	-26%	15%	27%
EBITDA	72%	56%	11%	-42%	18%	64%
EBIT	96%	61%	9%	-57%	32%	92%
Net Profit	117%	43%	45%	-66%	27%	98%

Key Financials – Euro m

	2020E	2019A
Revenues	26.0	35.0
	yoy	+12%
EBITDA	4.0	6.8
	margin	15%
EBIT	2.3	5.4
	margin	9%
Net Profit	1.7	4.8
Net Working Capital (NWC)	13.3	11.2
Fixed net assets	12.2	12.6
Funds	(3.0)	(3.0)
Net Capital Employed	22.5	20.9
Net Debt (Cash)	2.5	0.1
Equity	20.0	20.8
Sources	22.5	20.9

Source: Company Data

Estimates - Consolidated Income Statement – Euro m

	2019A	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New
Sales	35.0	24.5	26.0	33.0	30.0	38.0	38.0
	yoy	+12%	-30%	-26%	+30%	15%	27%
EBITDA	6.8	2.3	4.0	6.4	4.7	7.6	7.6
	margin	19%	9.5%	15%	19.5%	15.5%	20.1%
EBIT	5.4	0.7	2.3	4.8	3.1	5.9	5.9
	margin	15%	2.8%	9%	14.6%	10.3%	15.6%
Net Profit	4.8	0.3	1.7	3.3	2.1	4.1	4.1

Source: Company Data

Estimates - Consolidated Balance Sheet – Euro m

	2019A	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New
Net Working Capital (NWC)	11.2	12.6	13.3	14.2	13.9	16.3	17.6
Fixed net assets	12.6	12.2	12.2	12.1	11.6	11.8	11.4
Funds	(3.0)	(2.9)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Net Capital Employed	20.9	21.9	22.5	23.3	22.5	25.1	26.0
Net Debt (Cash)	0.1	0.8	2.5	1.0	1.0	1.9	1.3
Equity	20.8	21.0	20.0	24.3	21.5	27.0	24.7
Sources	20.9	21.9	22.5	23.3	22.5	25.1	26.0

Source: Company Data

VALUATION
Valuation Summary

Method	Weight	Price (Euro)
Multiple Comparison	50%	12.78
DCF	50%	10.06
Target Price	100%	11.42

DCF model

WACC calculation		
Perpetual growth rate		1.0%
WACC		6.6%
Risk free rate (BTP 10Y 12 months average)		1.89%
β unlevered		0.8
Equity risk premium		6.84%
Ke		10.0%
Cost of debt		2.0%
Tax rate		27.5%
Kd		1.45%
DCF Valuation		
Euro'000		
Sum of PV 2020-23 FCFs	10,721	19.2%
Discounted terminal value	44,995	80.8%
Enterprise Value	55,716	100.0%
Net Cash (average last four quarters)	2,482	
Equity Value	53,234	
N. of outstanding shares (m)	5.3	
Fair Value p.s.	10.06	

Multiples Comparison

Companies	Country	Market Cap	Price	Sales 2020E	Sales YoY 20/19	EBITDA % 2020E	EBIT % 2020E	NI % 2020E
Tod's	Italy	888	26.8	638	-30%	5%	n.m.	n.m.
Salvatore Ferragamo	Italy	2,664	15.8	915	-34%	13%	n.m.	n.m.
Prada	China	12,444	4.9	2,435	-25%	28%	1%	n.m.
Moncler	Italy	12,843	49.7	1,440	-12%	31%	26%	21%
LVMH	France	269,995	534.9	44,651	-17%	29%	19%	11%
Kering	France	69,197	553.5	13,100	-18%	35%	24%	16%
Burberry	UK	9,054	22.4	2,676	-11%	27%	14%	10%
Richemont	Switzerland	41,767	80.0	12,943	-9%	19%	10%	6%
Average		52,357		9,850	-19%	23%	17%	10%
FOPE	ITA	45	8.50	26	-26%	7%	9%	6%

 Source: FactSet data as of March 12th, 2021

Companies	EV/EBITDA	
	20E	21E
Tod's	49.6	12.8
Salvatore Ferragamo	27.0	14.6
Prada	24.7	15.1
Moncler	21.8	17.0
LVMH	22.2	17.8
Kering	18.1	13.9
Burberry	13.3	11.2
Richemont	18.5	13.7
Median Luxury Peers	24.4	14.5
FOPE	12.0	8.6
Premium/Discount to Peers	-45%	-40%

 Source: FactSet data as of March 12th, 2021

	2019A-2022E CAGR			
	Sales	EBITDA	EBIT	Net Profit
Tod's	-4.0%	-16.6%	n.a.	n.a.
Ferragamo	-4.4%	-5.5%	-15.7%	-19.2%
Prada	1.8%	5.2%	13.3%	3.4%
Moncler	9.3%	9.9%	8.9%	5.7%
LVMH	4.3%	4.0%	6.6%	7.7%
Kering	2.0%	0.6%	0.0%	14.2%
Burberry	1.8%	-1.0%	0.4%	40.8%
Richemont	3.9%	6.9%	13.3%	22.9%
Average	1.8%	0.4%	3.8%	10.8%
FOPE	0.9%	2.1%	0.1%	-8.0%

Source: FactSet data as of March 12th, 2021

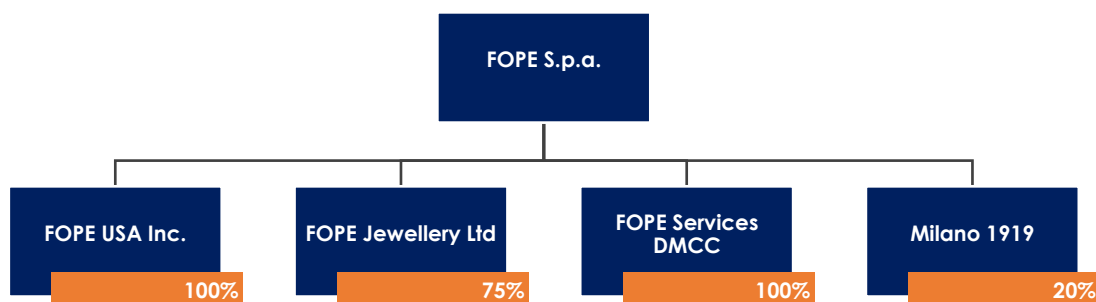
STOCK PERFORMANCE

Companies	1M	3M	6M	YTD	1Y
Tod's	-3.5%	-6.2%	11.7%	-35.0%	-4.4%
Ferragamo	2.5%	5.2%	31.2%	-10.6%	24.4%
Prada	-7.8%	5.7%	38.3%	73.6%	77.1%
Moncler	-3.6%	10.7%	45.4%	71.9%	47.4%
LVMH	1.3%	8.2%	32.3%	107.2%	48.4%
Kering	1.2%	-5.4%	-0.3%	34.5%	14.5%
Burberry	9.1%	7.7%	28.0%	10.6%	20.2%
Richemont	2.0%	19.2%	42.4%	40.9%	41.4%
Tod's	-3.5%	-6.2%	11.7%	-35.0%	-4.4%
Average Peers	0.1%	5.6%	28.6%	36.6%	33.6%
FTSE MIB	1%	7%	22%	29%	14%
FTSE ITALIA AIM	2%	15%	21%	-4%	16%
FOPE	8%	5%	28%	48%	-2%

Source: FactSet data as of March 12th, 2021

Company Profile

FOPE is a historic Italian jewellery company established in Vicenza in 1929 and a leader in the fine jewellery market. The core business includes all the phases of productive cycle: from creation (concept, design realization of prototype) to production (final assembly), delivery and after-sales service. The whole production cycle takes place inside the headquarters in Vicenza. With over 80% of revenues realized outside Italy, the Company operates globally through a well-established and selected network of over 600 stores in 50 countries (with a direct presence in the US, Arab, and UK markets through the subsidiaries FOPE USA Inc., FOPE Services DMCC, and FOPE Jewellery Limited, respectively). The business model focuses on maintaining direct business relationships with multi-brand jewellery retailers (either independent or part of groups) that specialise in luxury products such as fine jewellery and watches. FOPE's investments in R&D have led to an extremely high level of standardisation and automation, with proprietary technology that allows to optimise processes and times in order to deliver products of world-class quality. With Euro 35 million in revenues in 2019, c. 50 employees, and a strong international presence (over 80% of revenues abroad).

Group Structure & Senior Management

Umberto Cazzola - Chairman

Ines Cazzola - Vice Chairman

Diego Nardin - CEO

ESG Profile

FOPE conducts its business based on standards of ethics, efficiency and respect. It encourages all staff and associates to adopt positive behaviours, to constantly improve product quality and to appreciate each person individually and as part of a team.

The activities carried out by FoPe are based on:

- respect for employees, partners, customers and suppliers, in the perspective of a shared work ethic;
- the safety of the working environment and the health of those who work in it;
- the sense of social responsibility that comes directly from the role of entrepreneur;
- the commitment to adopt production methods which, according to the type of production, aim for as much sustainability as possible.

In particular:

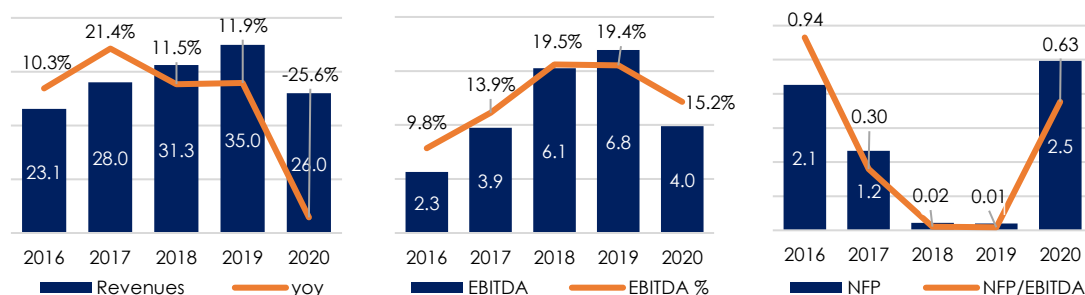
- FOPE rejects any form of discrimination and child labour and forced labour,
- Certified member of the Responsible Jewellery Council (RJC) since 2013
- Sustainability report (GRI Standards)
- voluntary TF - Traceability & Fashion certification
- Neutral Carbon Footprint project underway since 2019

Products

FOPE's jewels range from timeless classics featuring the iconic Novecento mesh to the more recent Flex'it lines, which include the original bracelets made flexible thanks to a patented system of tiny gold springs embedded in the mesh.

Strategy

FOPE pursues a strategic growth project based on expanding and consolidating the brand in the international luxury market by leveraging 4 competitive advantages: product quality, perfect combination of Made-in-Italy craftsmanship and technology, recognisable design, and long-standing customer relationships

Key Financial Metrics


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

FOPE CONVERTIBLE 4.5% 2016-2021

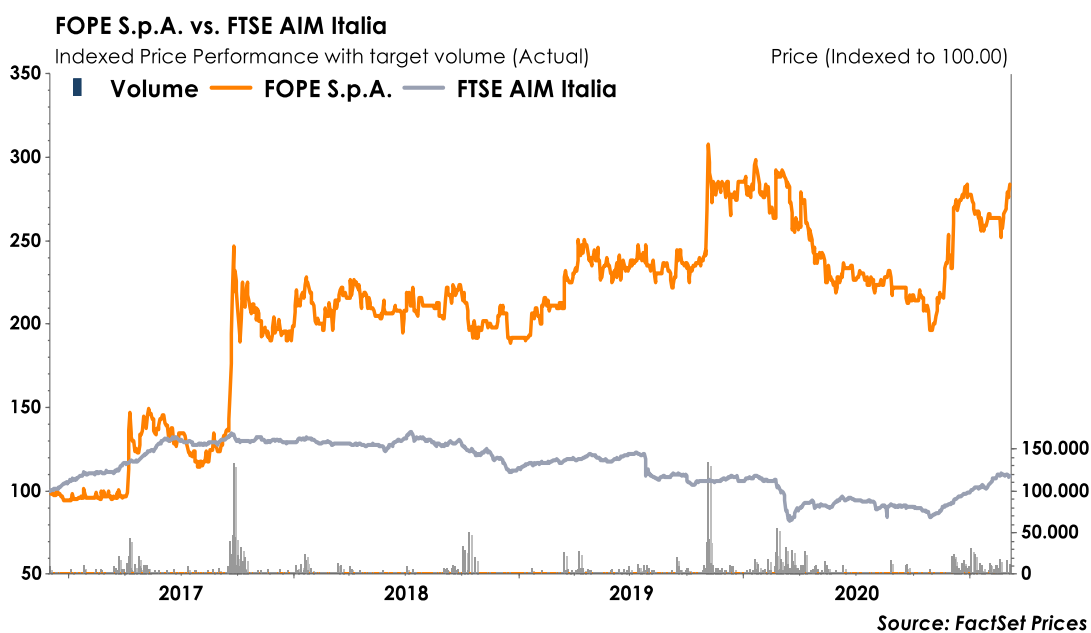
Code: FPE21
 ISIN: IT0005203671
 N. issued bonds: 12,000
 Nominal value of each bond: 100 Euro
 Issued Value: 1.2 Euro m

SHARES (as of March 12th, 2020)

Code: FPE
 Bloomberg: FPE IM
 Reuters: FPE.MI
 ISIN: IT0005203424
 Shares: 5,294,071
 Price: 8.60 Euro
 Performance from IPO: +197%
 Capitalisation: 46 Euro m
 Free Float: 17%
 NomAd: Integrae SIM
 Specialist: Integrae SIM

Shareholder	n. of shares	%
Ines Cazzola	1.884.600	35,60%
Umberto Cazzola *	1.247.230	23,56%
Eredi Giulia Cazzola **	637.370	12,04%
Diego Nardin	306.160	5,78%
SPAFID SpA	303.600	5,73%
Mercato	915.111	17,29%
Totale	5.294.071	100,0%

* 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.



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 September 25th 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
March 15 th , 2021	11.42	8.60	12 months
September 24 th , 2020	11.37	6.70	12 months
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.

RESEARCH TEAM

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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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