

FILA

Sector: Consumers

OUTPERFORM

Price: Eu8.46 - Target: Eu13.00

Strong release on margins. FY guidance confirmed

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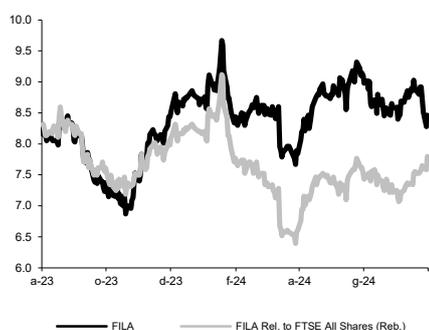
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	4.3%	1.3%	1.5%

Next Event

CMD & 3Q Results Out on 12 Nov

FILA - 12M Performance



Stock Data

Reuters code:	FILA.MI		
Bloomberg code:	FILA IM		
Performance	1M	3M	12M
Absolute	-1.4%	-3.1%	1.0%
Relative	6.9%	5.2%	-7.5%
12M (H/L)	9.67/6.87		
3M Average Volume (th):	79.80		

Shareholder Data

No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	430
Total Mkt Cap (Eu mn):	430
Mkt Float - Ord (Eu mn):	212
Mkt Float (in %):	49.3%
Main Shareholder:	
Pencil	37.8%

Balance Sheet Data

Book Value (Eu mn):	398
BVPS (Eu):	7.81
P/BV:	1.1
Net Financial Position (Eu mn):	-294
Enterprise Value (Eu mn):	405

FILA released a positive set of results in 2Q, featuring higher-than-expected margins, leading to a healthy increase on the bottom line, positively benefitting from lower interest expenses, and the contribution from associate DOMS. Net sales almost stable YoY, but showing a strong sequential improvement, with a significant recovery in the US market (i.e. 1Q adversely impacted by introduction of the SAP EWM module). FY guidance confirmed on stable revenue, mid-single digit increase in EBITDA and €40-50mn FCFE. We reiterate our positive view on the stock, leaving our €13.0 TP unchanged, coming from our updated SOP.

■ **Strong recovery in NA, Europe again resilient.** Revenues were almost flat YoY (-0.8%) at Eu202mn (-0.4% organic), in line with our Eu201mn estimate, as expected, driven by a significant recovery in North America (-3% org), gradually improving from the temporary disruption of logistics in March on introduction of the SAP EWM model. As anticipated, Europe showed a positive organic trend for the second quarter in a row (+2% YoY), capitalising on the re-stocking trend already visible in 1Q. Organic growth in C&SA was +5%, with the YoY increase completely offset by unfavourable ForEx (particularly from the depreciation of the Argentine peso).

■ **Margins beat expectations.** Adj. EBITDA pre-IFRS16 was Eu46.1mn (+12.4% YoY, 5% above our Eu44.0mn/21.8% margin est.), with a margin of 22.9% (c. +270bp YoY) due to a better product mix, with the company focusing on higher product margins, while the impact of price was almost negligible. Profitability recovered more strongly in the US, with a 25.7% margin (21.1% in 2Q23), along with a significant expansion in Europe, i.e. margin at 20.0% (18.5% in 2Q23) despite losses in Russia (-Eu0.3mn). Adj. net income was Eu26mn (+11% YoY) and above our Eu21.9mn estimate, clearly benefiting from lower financial charges. FCFE was positive at €8mn in 2Q24, taking net debt pre-IFRS16 to €306mn, in line QoQ, including the €6mn dividend payment.

■ **Guidance confirmed, CMD scheduled for Nov 12th.** i) FY23 guidance was confirmed, still pointing to stable revenue, with adj. EBITDA foreseen increasing at a mid-single digit pace, as well as FCFE confirmed in the Eu40-50mn range. ii) Visibility on the back-to-school campaign still limited, but positive momentum on order portfolio is continuing in NA and Europe. iii) NWC impacted in 2Q by temporary effect on Dixon US (+Eu4mn); however, it is seen almost stable by the end of the year. iv) CMD scheduled for Nov 12th, aimed at providing an update on FILA's business, strategy and M/T financial guidance.

■ **Change in estimates.** Based on the trends depicted in 2Q, and the confirmation of 2024 guidance, we are raising our margin assumptions, lifting our EBITDA by 3%, and adj. EPS by 3% on FY24 respectively.

■ **OUTPERFORM confirmed (target still €13.0).** We still believe the market does not adequately reflect the value of DOMS (i.e. 30.6% is currently worth > FILA total market cap). FILA continues to trade at a very undemanding valuation (3.3x EV/adj. EBITDA pre-IFRS16, 2.6x P/E on the stub still assuming an holding discount on DOMS), for a company enjoying a 10% FCF yield. We consider the new guidance to be fairly conservative at EBITDA level, as it implies flat EBITDA in 2H, also considering a comparison base that should become easier. We update our SOP valuation, applying a 5.5x fair multiple on FILA (from the previous 6x) and the 30.6% stake in DOMS at a 30% holding discount (from 20%), and reiterate our OUTPERFORM rating and €13.0 TP.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	765	779	642	655	666
EBITDA Adj (Eu mn)	110	121	102	103	106
Net Profit Adj (Eu mn)	38	33	43	46	48
EPS New Adj (Eu)	0.738	0.638	0.837	0.894	0.939
EPS Old Adj (Eu)	0.738	0.638	0.802	0.882	0.926
DPS (Eu)	0.120	0.700	0.151	0.161	0.169
EV/EBITDA Adj	8.1	3.1	4.0	3.6	3.1
EV/EBIT Adj	11.4	4.1	5.1	4.5	3.9
P/E Adj	11.5	13.3	10.1	9.5	9.0
Div. Yield	1.4%	8.3%	1.8%	1.9%	2.0%
Net Debt/EBITDA Adj	3.9	2.5	2.9	2.5	2.1

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- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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