

# FILA

Sector: Consumers

# OUTPERFORM

Price: Eu7.00 - Target: Eu9.00

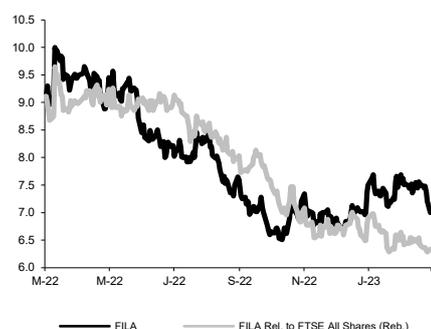
## Slight increase in FCF level expected in 4Q despite margin pressure

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2022E	2023E	2024E
Chg in Adj EPS	-6.6%	-2.5%	-2.3%

**Next Event**  
 Results Out Mar-22

### FILA - 12M Performance



Stock Data			
Reuters code:	FILA.MI		
Bloomberg code:	FILA IM		
Performance	1M	3M	12M
Absolute	-9.0%	1.7%	-21.0%
Relative	-4.4%	-4.3%	-33.4%
12M (H/L)	10.00/6.51		
3M Average Volume (th):	42.20		

Shareholder Data	
No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	356
Total Mkt Cap (Eu mn):	356
Mkt Float - Ord (Eu mn):	176
Mkt Float (in %):	49.3%
Main Shareholder:	
Pencil	37.8%

Balance Sheet Data	
Book Value (Eu mn):	431
BVPS (Eu):	9.17
P/BV:	0.8
Net Financial Position (Eu mn):	-432
Enterprise Value (Eu mn):	837

- Revenue growth should have remained solid in 4Q, despite a slowdown vs 9M.** We expect FILA to release good 4Q revenue growth, expected at €169mn (+8% YoY, o/w c.3% org.), helped by a ForEx tailwind. We expect Asia (mainly India) to have been the fast-growing region, and to exceed €37mn in turnover (i.e. +56% YoY), thus increasing the incidence on total sales (to 17% for FY22E, vs. 10% for FY21). On the negative side, we expect 4Q revenue to have organically decreased in Europe (est. €50mn, -7% YoY), and in North America (est. €64mn, +1% YoY, o/w -10% org.) due to the continuing significant reduction in global consumption and a tougher YoY comparison in the Fine Art business, only partly offset by a more robust trend in School & Office.
- Margin pressure to have continued in 4Q.** In line with management indications provided in the 3Q conference call, we expect margin pressure to have persisted in 4Q, as price hikes applied in June/July should not have offset raw material and transportation cost inflation. However, the rebalancing of the revenue mix towards low-margin regions (India and Mexico up, NA and Europe down) and segments (School & Office up, Fine Arts down) is expected to have hit profitability ratios, with adj. EBITDA pre-IFRS16 now seen at €15.9mn in 4Q (margin at 9.5%), down from €18.1mn in 4Q21 (margin at 11.5%). This should have driven annual adj. EBITDA pre-IFRS16 to €111mn, c.1% lower than the €113mn previously expected. At EPS level, higher D&A should have led to a major downward revision.
- Slight increase in 4Q FCF.** We have slightly improved our (below consensus) FCF estimate amid better inventory management (down from the peaks recorded in 2Q/3Q), leading to a faster-than-previously expected decrease in adj. net debt, now seen at €363mn (vs. our previous estimate at €371mn).
- Fine-tuning of 2023/24 estimates.** We have made minor changes to FY23/24 estimates, with the EBITDA margin cut by 12bps on average; on the cash-flow front, we have left our FCF estimates almost unchanged. Overall, we expect the margin to have restabilised from 1Q23, as new price increases (from 4% to 6%) should have been effective since January 2023 along with some normalization of freight costs.
- OUTPERFORM confirmed; target unchanged at Eu9.0:** We confirm our rating on the stock and reiterate our Eu9.0 TP, which would imply a 7.0x EV / EBITDA adj. pre-IFRS16, 10.3x P/E adj., and a 7.1% FCF yield. We believe that at the current market price the stock is trading at undemanding multiples, well below pre-Covid levels and its 5-year historical average. We appreciate the limited exposure of the school market to macroeconomic trends, as well as the clear opportunity up for grabs on an Indian market that is expected to keep growing double digit and to benefit from the high birth rate. Potential recovery of cash generation capability is likely to generate renewed interest among investors.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	608	653	764	800	822
EBITDA Adj (Eu mn)	95	109	111	120	125
Net Profit Adj (Eu mn)	23	43	39	45	48
EPS New Adj (Eu)	0.453	0.833	0.755	0.876	0.937
EPS Old Adj (Eu)	0.453	0.833	0.809	0.898	0.959
DPS (Eu)	0.120	0.230	0.136	0.158	0.169
EV/EBITDA Adj	10.3	9.0	8.3	7.0	6.4
EV/EBIT Adj	15.9	12.5	11.7	9.6	8.7
P/E Adj	15.5	8.4	9.3	8.0	7.5
Div. Yield	1.7%	3.3%	1.9%	2.3%	2.4%
Net Debt/EBITDA Adj	5.2	4.0	4.1	3.6	3.1