

FILA

Sector: Consumers

OUTPERFORM

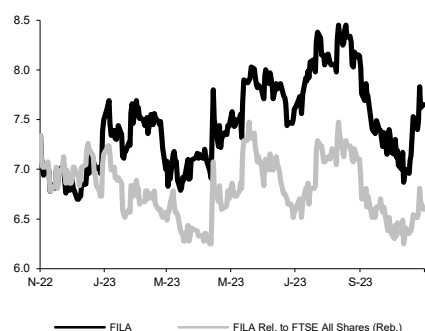
Price: Eu7.65 - Target: Eu10.30

Another Good Quarter. Ready for the IPO of Doms

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Stock Rating				
Rating:	Unchanged			
Target Price (Eu):	Unchanged			
	2023E	2024E	2025E	
Chg in Adj EPS	2.4%	2.1%	0.7%	

FILA - 12M Performance



Stock Data			
Reuters code:	FILA.MI		
Bloomberg code:	FILA IM		
Performance	1M	3M	12M
Absolute	6.7%	-5.0%	6.1%
Relative	4.0%	-6.8%	-10.2%
12M (H/L)	8.45/6.70		
3M Average Volume (th):	49.09		

Shareholder Data	
No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	389
Total Mkt Cap (Eu mn):	389
Mkt Float - Ord (Eu mn):	192
Mkt Float (in %):	49.3%
Main Shareholder:	
Pencil	37.8%

Balance Sheet Data	
Book Value (Eu mn):	427
BVPS (Eu):	9.06
P/BV:	0.8
Net Financial Position (Eu mn):	-391
Enterprise Value (Eu mn):	826

- Organic growth at +4.5%.** Core revenues were Eu199mn, down -2.9% YoY (+4.5% organic, and -7.4% due to negative FC), 2% below our €203/+-1%, with Asia (Eu39mn) +17%, and Central & South America (Eu21mn) +5%, as expected, still the main growth drivers. North America flat at comparable FX, while on the negative side, Europe down -10% YoY (amid strong destocking), recording a negative YoY trend for the fifth quarter in a row, well below expectations, with the market turning weaker since June.
- Margin expansion and strong cash generation.** Adj. EBITDA was Eu35.8mn (+16.5% YoY, 6% above our Eu33.8mn/16.7% margin est.), with a margin of 18% (15% in 3Q22), driven by: i) continuous recovery in profitability in the US, with a 20.5% margin (12.2% in 3Q22 burdened by workforce and logistics issues); ii) the latest round of price increases; and iii) the impressive performance achieved in Asia, with adj. EBITDA up +41% YoY; adj. net income was Eu13.9mn (+5% YoY), with minority interests almost doubling YoY. FCFE was positive at €55mn in 2Q23, amid reduced absorption of WC, taking net debt pre-IFRS16 to €365mn, recording a sound improvement QoQ (Eu407mn in 2Q).
- Conference call feedback:** i) FCFE confirmed at the high end of the guidance (Eu50mn), as well as EBITDA above the Eu120mn threshold; ii) visibility on Europe is still low; however, it is important to comprehend the magnitude of the restocking to better evaluate what will happen in 4Q, although it is expected to show a more regular trend; iii) the IPO of Indian subsidiary Doms is generating huge interest, with the greenlight from SEBI (the regulatory authority) expected within the next ten days, while listing is likely to occur before the end of the year.
- Change in estimates.** Considering 3Q results, the negative FX impact, and the poor visibility in Europe, we have slightly reduced our revenue estimate, and increased our assumptions on margins (adj. EBITDA now projected at €125mn), leading to a positive revision of adj. EPS by c.2% for FY23-25. We now expect 4Q adj. EBITDA to increase +16% YoY, also benefiting from an easier comparison.
- OUTPERFORM and €10.30 TP confirmed.** In 9M23, FILA has been able to restore margins and cash generation thanks to the reorganization of activities in North America and ongoing growth in emerging countries (India and Mexico above all). The upcoming IPO in India should bring out the value of a strategic asset in a country with high birth rates and a population of 350mn children under the age of 14. Moreover, the possible cash-in from the sale of a partial stake in Doms should lead to a significant improvement in financial leverage (FILA expects to reduce net interest by c.Eu10mn per year). We confirm our Eu10.30 DCF-based valuation, strengthened by 15% speculative appeal for the Doms IPO, which we consider a positive catalyst for the stock. The main downside risk relates to a European market slowdown in excess of expectations.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	653	765	785	828	861
EBITDA Adj (Eu mn)	109	110	125	130	135
Net Profit Adj (Eu mn)	43	38	39	42	45
EPS New Adj (Eu)	0.833	0.738	0.765	0.819	0.875
EPS Old Adj (Eu)	0.833	0.738	0.747	0.802	0.869
DPS (Eu)	0.230	0.120	0.138	0.147	0.158
EV/EBITDA Adj	9.0	8.1	6.6	6.2	5.8
EV/EBIT Adj	12.5	11.4	8.9	8.3	7.7
P/E Adj	9.2	10.4	10.0	9.3	8.7
Div. Yield	3.0%	1.6%	1.8%	1.9%	2.1%
Net Debt/EBITDA Adj	4.0	3.9	3.1	2.8	2.4