

# FILA

Sector: Consumers

# OUTPERFORM

Price: Eu7.95 - Target: Eu11.90

## 4Q: Weaker P&L, Stronger Cash Generation

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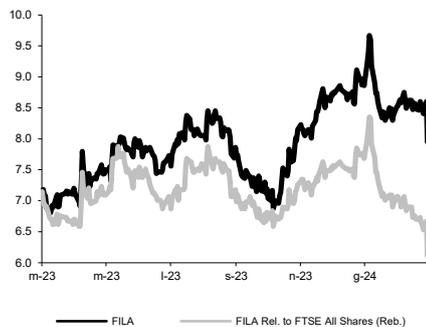
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 12.10 to 11.90		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	-5.7%	-3.0%	

### Next Event

 1Q results out on May 14<sup>th</sup>

### FILA - 12M Performance



### Stock Data

Reuters code:	FILA.MI		
Bloomberg code:	FILA IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-6.7%	-8.8%	15.2%
Relative	-14.4%	-21.0%	-16.7%
12M (H/L)	9.67/6.79		
3M Average Volume (th):	160.32		

### Shareholder Data

No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	404
Total Mkt Cap (Eu mn):	404
Mkt Float - Ord (Eu mn):	199
Mkt Float (in %):	49.3%
Main Shareholder:	
Pencil	37.8%

### Balance Sheet Data

Book Value (Eu mn):	397
BVPS (Eu):	7.79
P/BV:	1.0
Net Financial Position (Eu mn):	-298
Enterprise Value (Eu mn):	485

- 4Q23 revenues and margins hit by negative FX movements.** Sales came to Eu165mn (-2.7% YoY, +5.1% org., -7.8% negative ForEx effect), -3.5% below our estimate. As expected, C&SA (mainly Mexico) and Asia (mainly India) were the regions that showed the fastest growth (+24.9% and +17.3% YoY respectively), while the US (-11.8% YoY, -5.4% org.) and in particular Europe (-16.2% YoY, -14.3% org.) slowed again. Adj. EBITDA pre-IFRS16 was Eu13.1mn, with a 7.9% margin (vs. our est. of 10.0%), down -11% YoY, (8.7% in 4Q22), heavily impacted by the depreciation of the Argentine peso (negative by ~Eu2.5mn) and the USD (neg. by ~Eu3mn), as well as the lower contribution to the consolidated figure from the European market (Eu1.1mn vs. Eu4.7mn in 4Q22). At constant exchange rate, the company would have reached >Eu125mn adj. EBITDA.
- FCFE better than estimates.** On the positive side, there was good news on cash flow, with FY23 adj. FCFE at €60mn, above company guidance, leading to improved adj. net debt of Eu227mn (Eu365mn as at the end of 3Q22), better than our estimate of Eu240mn, also benefitting from the disposal of the partial stake in DOMS for Eu69mn, and also highlighting good WC management. As at YE23 adj. net debt/EBITDA was 1.7x.
- FY24 outlook points again to sound FCFE generation.** For FY24, management is confident of: i) low single-digit organic growth; ii) improved margins, with adj. EBITDA expected to increase even faster than net sales, benefitting from the first signs of recovery in Europe (a reorganization project aimed at shutting down #3-4 production plants within next 24/30 months is expected to start in June, saving ca. Eu5-6 million at the end of the process); and iii) achieving FCFE in the €40-50mn range, with a further improvement of NWC. The trajectory for 2024 was confirmed in the first two months of the year, with order intake better than management expectation, and specifically South America, still experiencing strong demand. Finally, the partial exit from DOMS enabled FILA to reduce its debt exposure and close some particularly expensive credit facilities, and finally achieve important savings on interest expenses.
- Estimates finetuning.** Considering 4Q23 results and the FY24 outlook, we are leaving our 2024E/25E revenue and adj. EBITDA estimates broadly unchanged. The impact is slightly higher at the bottom line amid higher D&A. We are setting our FY24 FCFE estimate at the bottom end of the guidance range (Eu40mn), factoring greater prudence on WC; lastly, we expect adj. net debt to close at Eu224mn in 2024.
- Valuation.** Despite a weaker-than-expected release on earnings, we still believe the current stock price does not properly reflect the value of FILA ex DOMS, as the transaction makes FILA's valuation even cheaper, i.e. ~4x EV/adj. EBITDA 24E and ~5x P/E on the stub (ex DOMS). In light of new estimates, we confirm our OUTPERFORM and update our TP to Eu11.90 p/s (from Eu12.10), simply based on a SOP calculation, which assumes 6x EV/EBITDA FY24E for FILA, and the DOMS stake at a 20% holding discount to the current market price. The slowdown beyond expectations in Europe (recording a negative growth rate in the last six quarters), remains the main downside risk to our valuation: it is a market featuring a decreasing birth rate and a fierce competition; on the other hand, the market remains highly fragmented and this could be an opportunity for FILA in the case of future M&A.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	765	779	654	666	677
EBITDA Adj (Eu mn)	110	121	101	104	106
Net Profit Adj (Eu mn)	38	33	42	46	48
EPS New Adj (Eu)	0.738	0.638	0.819	0.901	0.942
EPS Old Adj (Eu)	0.738	0.765	0.868	0.929	
DPS (Eu)	0.120	0.700	0.147	0.162	0.170
EV/EBITDA Adj	8.1	3.9	4.8	4.3	3.9
EV/EBIT Adj	11.4	5.3	6.2	5.5	4.9
P/E Adj	10.8	12.5	9.7	8.8	8.4
Div. Yield	1.5%	8.8%	1.9%	2.0%	2.1%
Net Debt/EBITDA Adj	3.9	2.5	3.0	2.5	2.1

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- 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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Frequency of research: quarterly.

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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;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

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

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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