

# FILA

Sector: Consumers

# OUTPERFORM

Price: Eu7.32 - Target: Eu10.30

## Ready to exploit new opportunities on the Indian market?

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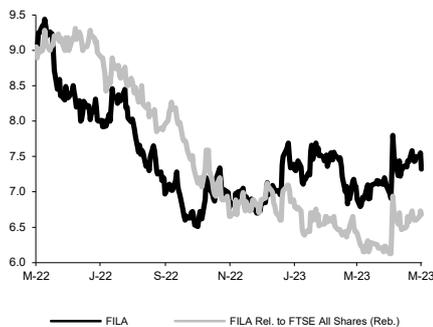
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 9.00 to 10.30		
	2023E	2024E	2025E
Chg in Adj EPS	-10.7%	-10.7%	-10.6%

### Next Event

 Results Out on August 3<sup>rd</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	4.9%	-0.5%	-19.1%
Relative	8.6%	1.6%	-28.9%
12M (H/L)	9.44/6.51		
3M Average Volume (th):	44.99		

### Shareholder Data

No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	372
Total Mkt Cap (Eu mn):	372
Mkt Float - Ord (Eu mn):	184
Mkt Float (in %):	49.3%
Main Shareholder:	
Pencil	37.8%

### Balance Sheet Data

Book Value (Eu mn):	426
BVPS (Eu):	9.02
P/BV:	0.8
Net Financial Position (Eu mn):	-400
Enterprise Value (Eu mn):	817

- **1Q23 revenues up, margins better than estimates, bottom line hit by higher financial charges. FY23 guidance confirmed** i) single-digit turnover growth; ii) adj. EBITDA to increase at a higher pace than revenue; iii) FCFE between Eu40-50mn.
- **Change to estimates: top line and margins unchanged, higher financial charges.** We confirm our estimates for both revenue and profitability (still in line with company guidance), while we reduce our EPS estimates to factor in the higher-than-expected financial charges, as 35% of the current bank debt is subject to variable interest rates. On the cash flow front, we keep our estimate almost unchanged.
- **Rumours on a potential IPO of the Indian subsidiary.** In the last couple of months, it has been rumoured that Doms, the Indian company subsidiary 51% owned by FILA, is planning an IPO on the Indian market, although no further details have been given on the pre-money valuation of Doms, nor on the composition of the offer (in terms of primary and secondary components). The latest news reported a possible valuation of USD \$400-500mn, again without further details.
- **Main rationale: crystallize the value of the asset, currently underestimated.** As of today, the company has not given any indication on the likelihood of the IPO taking place. However, as already stated in our previous notes, we know that Fila is working on a possible extraordinary project (M&A, entry of an industrial partner, or an IPO) to crystallize the value of the asset, which is expected to continue growing double digit and benefit from the high birth rate: India, with more than 350mn under-14s, a population of nearly 1.4bn and more than 3.4% of GDP invested in education, is strategic for Fila.
- **Our take-away: an IPO at €200-300mn is more than welcome.** Market rumours about a possible valuation seem still vague. However, the closest player listed on the market (Kokuyo Camline), currently trades at c.13x EV/EBITDA. If we apply a multiple in the range of 10x-15x, we get a valuation in the range of €200-300mn for the 100% pre-money equity value of Doms (assuming a zero net debt position), which we consider reasonable, considering the market growth prospects. In our opinion, even in the low-end of the range, the transaction would be a positive news for FILA, as it would bring out the value of this asset. In addition, a potential IPO, with FILA selling part of its stake while maintaining a relative majority may open new opportunities on the M&A front, or, alternatively, for deleveraging.
- **Target price rise to €10.30 (from €9.0) embeds a 15% speculative premium.** We think an extraordinary project on Doms could strengthen the speculative appeal on FILA, as it is a clear opportunity to crystallize the value of the asset, currently not recognized by the market. Management's growing commitment to kick-starting the cash-generating machine, together with a good release in 1Q, are likely to generate renewed investor interest, leading to a potential stock re-rating. The main downside risks to our valuation relate to a European market slowdown in excess of expectations, and a slower recovery from reorganization of activities in the US market. We believe the upcoming investor day (31 May) could be a catalyst for the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	653	765	800	836	869
EBITDA Adj (Eu mn)	109	110	119	125	132
Net Profit Adj (Eu mn)	44	43	44	48	53
EPS New Adj (Eu)	0.833	0.738	0.735	0.790	0.857
EPS Old Adj (Eu)	0.833	0.738	0.823	0.885	0.959
DPS (Eu)	0.230	0.120	0.132	0.142	0.154
EV/EBITDA Adj	9.0	8.1	6.8	6.3	5.8
EV/EBIT Adj	12.5	11.4	9.4	8.5	7.7
P/E Adj	8.8	9.9	10.0	9.3	8.5
Div. Yield	3.1%	1.6%	1.8%	1.9%	2.1%
Net Debt/EBITDA Adj	4.0	3.9	3.4	2.9	2.5

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