

# FILA

Sector: Consumers

# OUTPERFORM

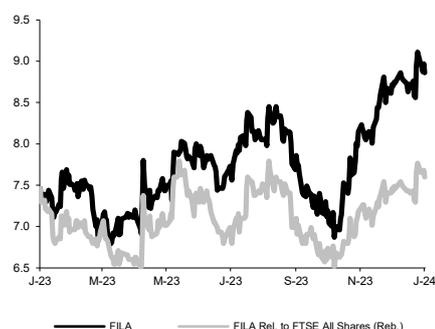
Price: Eu8.86 - Target: Eu12.10

## Great success of DOMS IPO, but FILA deserves more than ~4x EV/EBITDA

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 10.30 to 12.10		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	6.1%	6.1%

### FILA - 12M Performance



Stock Data			
Reuters code:	FILA.MI		
Bloomberg code:	FILA IM		
Performance	1M	3M	12M
Absolute	1.6%	23.2%	18.8%
Relative	1.9%	13.7%	2.1%
12M (H/L)	9.11/6.79		
3M Average Volume (th):	98.05		

Shareholder Data	
No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	451
Total Mkt Cap (Eu mn):	451
Mkt Float - Ord (Eu mn):	222
Mkt Float (in %):	49.3%
Main Shareholder:	
Pencil	37.8%

Balance Sheet Data	
Book Value (Eu mn):	633
BVPS (Eu):	12.41
P/BV:	0.7
Net Financial Position (Eu mn):	-321
Enterprise Value (Eu mn):	555

- The transaction in brief.** The DOMS IPO comprised a primary offering (new shares issued equal to INR 3,500mn, or Eu38mn assuming a € / INR exchange rate of 1/91.43), and a secondary offering worth up to INR 8,500mn, or Eu93mn. FILA was the main seller and sold a stake equating to ~Eu87mn. The proposal is to use the net proceeds to expand DOMS's production capacity for a wide range of writing instruments, watercolour pens, markers, and highlighters.
- Change in estimates. We calculate the transaction to be EPS accretive by c. 6% on FY24-25.** The DOMS IPO is a clear opportunity for FILA to crystallize the asset value, previously not recognized by the market, leading to a significant improvement in financial leverage and opening new doors to M&A. Following the DOMS IPO, and the partial sale finalized by FILA, the current stake (30.6%) will no longer be within the scope, but accounted as a financial asset. New estimates, which include, *inter alia*, the cash-in from the partial sale, assume lower CapEx / D&A as well as lower borrowing costs (the spread applied to the portion of debt subject to variable rates is proportional to the level of operational leverage). We calculate the transaction to be EPS accretive by c. 6% on FY24-25. The transaction enables FILA to lower financial leverage (net debt/EBITDA at 2.2x on our 2024 estimates despite the extraordinary Eu0.58 DPS recently announced), with almost unchanged equity free cash flow over the next 3 years.
- FILA's stake in DOMS worth ~Eu300mn, or ~65% of FILA market cap.** DOMS price has risen ~80% since the IPO, highlighting strong interest in the stock generated during the subscription phase. The success of the IPO and the strong performance of DOMS stock are bringing out the hidden value of FILA's stake in DOMS: based on the current DOMS share price, FILA's stake would be worth ~Eu300mn (~Eu160mn at the IPO price), or ~65% of FILA total market cap.
- New TP at Eu12.10 (from Eu10.30), OUTPERFORM confirmed.** The partial exit from DOMS enables FILA to reduce its debt exposure and lower the net debt / EBITDA ratio, and therefore to start reconsidering new, accretive M&A after deleveraging. We believe the current stock price does not properly reflect the value of FILA ex DOMS (a >Eu650mn revenue business with the margin at c. 16% and falling financial charges and CapEx requirements). Indeed, the transaction makes FILA's valuation even cheaper as the stock is trading at ~4x EV/adj. EBITDA 24E (assuming DOMS at current market price) and 10.2x P/E 24E (or 5.5x P/E ex DOMS). For this reason, we confirm our OUTPERFORM and update our TP to Eu12.10 p/s (from Eu10.30), simply based on a SOP calculation, which assumes a 6x EV/EBITDA FY24E for FILA, and the DOMS stake at a 20% holding discount to the current market price. The main downside risk is a slowdown in the European market beyond expectations; however, we assume a more regular trend over the next quarters.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	653	765	785	660	670
EBITDA Adj (Eu mn)	109	110	125	104	106
Net Profit Adj (Eu mn)	43	38	39	44	47
EPS New Adj (Eu)	0.833	0.738	0.765	0.868	0.929
EPS Old Adj (Eu)	0.833	0.738	0.765	0.819	0.875
DPS (Eu)	0.230	0.120	0.580	0.156	0.167
EV/EBITDA Adj	9.0	8.1	4.0	5.3	4.9
EV/EBIT Adj	12.5	11.4	5.4	6.8	6.2
P/E Adj	10.6	12.0	11.6	10.2	9.5
Div. Yield	2.6%	1.4%	6.5%	1.8%	1.9%
Net Debt/EBITDA Adj	4.0	3.9	2.6	3.1	2.7

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