

Italia Independent Group (IIG.IM)

Sector: Eyewear / Lifestyle / Communication

FY2015: Increasing turnover and strong investments

April 13th, 2016

Investment summary

- Italia Independent Group heads a group active in the eyewear and lifestyle products through its brand Italia Independent, and communication through its agency Independent Ideas.
- The Group's main products and services are: sunglasses and eyeglasses collections, lifestyle products, and communication services.
- At the beginning of 2015 the Company launched the first collection of a new product family, I-I Eyewear, in order to penetrate a new market segment, the one with a retail price around 80€ and strong growth perspectives.
- In September 2015 the Group has signed a four-year license agreement for the production and worldwide distribution of sunglasses in co-branding with Adidas Originals.

Latest results

- In the FY2015 Italia Independent's financial results continued to improve, the revenues increased 20.4% compared to FY2014 and amounted to 39.6M€. The Ebitda registered an increase of 41.4% yoy and amounted to 5.1M€ which represents 12.9% of turnover. The profitability improved due to the increase in gross margin (71.4% of revenues), which more than offset the increase in operating costs.
- The NFP was negative (debt) for 22.6M€, worsening in comparison with December 31st 2014 because of the WC absorption connected to the revenues increase and the new shops openings.

Valuation

- Italia Independent is a recent and growing story, we believe that the company has the possibility to consolidate the revenues growth, its market positioning and brand awareness, in line with the company strategic targets, and we expected for the subsequent years also a profitability improve.
- In light of financial results at December 31st 2015, we confirm the positive outlook, the fair value is equal to 33.3€ per share.

Risks

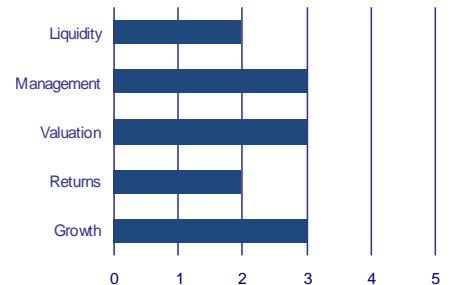
- Impossibility to reach in the long term a satisfactory profitability level because of worldwide giants competition (i.e. Luxottica, Safilo).
- Further heavy consumption slowdown on the Italian market.

Forecast	15A	16E	17E	18E	19E
Sales (€M)	39.6	46.2	55.0	65.4	77.9
EBIT (€M)	1.2	2.3	3.7	5.3	7.2
EPS (€)	0.21	0.08	0.58	1.07	1.70
Valuation	15A	16E	17E	18E	19E
SHARE PRICE	30.5	19.0	35.8	38.6	41.5
EV/EBITDA	17.9	9.4	12.3	10.7	9.5
P/E	142.2	229.7	61.9	36.2	24.4
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Key Data

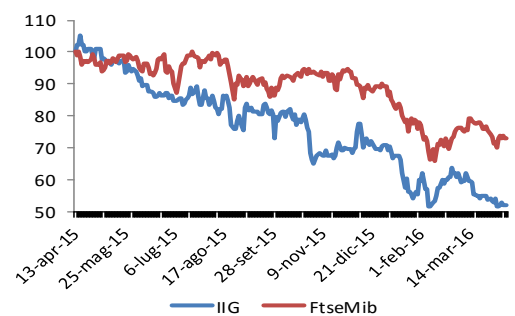
Price (€)	19.0
Market cap (€M)	42.1
Equity Value (€M)	73.7
Fair Value (€)	33.3
P/E LTM	148.2
P/E TTM	131.0

Investment Profile from 1 worst to 5 best



Stock data

Ticker Bloomberg	IIG.IM
N° of shares (M)	2.2
Free float	57.3%
Main shareholder	Lapo Elkan (33.6%)
Daily trading volume	984 shares



Share Price perf (%)

	3M	6M	1Y
Absolute	-22.6%	-35.0%	-48.0%
Rel. to FtseMib	-9.2%	-14.1%	-20.6%

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FINANCIALS

Income statement (€M)	15A	16E	17E	18E	19E
Sales	39.6	46.2	55.0	65.4	77.9
COGS	11.3	13.9	16.5	19.6	23.4
Gross Profit	28.3	32.3	38.5	45.7	54.5
EBITDA	5.1	6.8	8.2	9.8	11.7
Depreciation, Amortization	4.0	4.5	4.5	4.5	4.5
EBIT	1.2	2.3	3.7	5.3	7.2
Net Financial Results	-0.2	-1.4	-1.2	-1.2	-1.1
Income tax	-0.4	-0.8	-1.2	-1.7	-2.4
Net result	0.5	0.2	1.3	2.4	3.8
EPS (€)	0.21	0.08	0.58	1.07	1.70
DPS (€)	0.00	0.00	0.00	0.00	0.00

Balance sheet (€M)	15A	16E	17E	18E	19E
LONG LIVED ASSETS	9.9	8.8	7.8	6.7	5.6
WC	26.8	25.4	27.5	28.8	33.5
CAPITAL EMPLOYED	36.7	34.2	35.2	35.5	39.1
EQUITY	11.6	11.8	13.1	15.5	19.2
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0
PROVISIONS	0.8	0.8	0.8	0.8	0.8
PENSIONS (e.g. TFR)	1.6	1.6	1.6	1.6	1.6
NET DEBT	22.6	20.0	19.7	17.6	17.5
CAPITAL INVESTED	36.7	34.2	35.2	35.5	39.1

Margin (%)	15A	16E	17E	18E	19E
Gross Margin	71.4%	70.0%	70.0%	70.0%	70.0%
EBITDA Margin	12.9%	14.7%	14.9%	15.0%	15.0%
EBIT Margin	3.0%	5.0%	6.7%	8.1%	9.2%
Net Margin	1.2%	0.4%	2.3%	3.6%	4.8%

Growth (%)	15A	16E	17E	18E	19E
Sales growth	20.4%	16.5%	19.0%	18.9%	19.2%
EBIT growth	-11.2%	-96.4%	-61.0%	42.8%	36.1%
Net growth	7.2%	61.5%	-600.4%	84.1%	59.6%

Cash Flow statement (€M)	15A	16E	17E	18E	19E
Cash Flow	4.4	4.7	5.8	6.9	8.3
+/- Var. Working Capital	-13.4	1.4	-2.1	-1.3	-4.7
Operating Cash Flow	-9.0	6.1	3.7	5.6	3.5
Op. Cash Flow / Sales	-22.7%	13.2%	6.7%	8.5%	4.5%
Capex	-3.4	-3.4	-3.4	-3.4	-3.4
FCF	-12.4	2.7	0.3	2.1	0.1
FCF / Sales	-31.3%	5.8%	0.5%	3.3%	0.1%

Stock data	15A	16E	17E	18E	19E
Number of Shares (M)	2.2	2.2	2.2	2.2	2.2
Share price	30.5	19.0	35.8	38.6	41.5
Market cap (€M)	67.5	42.1	79.4	85.4	91.9

Ratios	15A	16E	17E	18E	19E
ROCE after tax	1.9%	4.0%	6.3%	8.9%	11.0%
ROE	4.1%	1.6%	9.8%	15.3%	19.6%
Capital Turnover	1.1	1.3	1.6	1.8	2.0
Net Debt / EBITDA	4.7	3.2	2.6	2.0	1.6
Gearing	208.6%	182.9%	162.9%	124.1%	99.3%
WC / Sales	67.6%	55.0%	50.0%	44.0%	43.0%
Amortization / Sales	10.0%	9.7%	8.2%	6.9%	5.8%
Capex / Sales	8.7%	7.4%	6.2%	5.3%	4.4%
EPS growth	7.2%	61.5%	-600.4%	84.1%	59.6%
PEG	1968.0	373.8	-10.3	43.0	40.9

Valuation	15A	16E	17E	18E	19E
EV/Sales	2.3	1.4	1.8	1.6	1.4
EV/EBITDA	17.9	9.4	12.3	10.7	9.5
EV/EBIT	78.4	27.7	27.2	19.8	15.4
P/E	142.2	229.7	61.9	36.2	24.4
P/B	5.8	3.6	6.1	5.5	4.8
EV/CE	2.5	1.9	2.9	2.9	2.8
FCF Yield	-18.4%	6.3%	0.3%	2.5%	0.1%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Twice estimates