

Fabilia	Italy	FTSE AIM Italia	Hotel
Rating: BUY (unch)	Target Price: € 3,16 (Prev. € 3,13)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	2,99%	N/A	N/A	N/A
to FTSE AIM Italia	6,00%	N/A	N/A	N/A
to FTSE STAR Italia	1,30%	N/A	N/A	N/A
to FTSE All-Share	5,84%	N/A	N/A	N/A
to EUROSTOXX	5,69%	N/A	N/A	N/A
to MSCI World Index	1,64%	N/A	N/A	N/A

Stock Data

Price	€ 1,38
Target price	€ 3,16
Upside/(Downside) potential	128,8%
Bloomberg Code	FHR IM Equity
Market Cap (€m)	€ 8,39
EV (€m)	€ 12,86
Free Float	17,76%
Share Outstanding	6.080.000
52-week high	€ 1,76
52-week low	€ 1,20
Average daily volumes (1m)	7.000

Key Financials (€m)	FY19A	FY20E	FY21E	FY22E
Revenues	10,8	11,4	16,0	20,0
VoP	11,6	11,7	16,3	20,3
EBITDA	3,0	3,4	5,2	6,5
EBIT	0,0	0,3	1,5	2,2
Net Profit	0,5	0,4	0,6	1,0
EBITDA margin	27,3%	29,8%	32,2%	32,5%
EBIT margin	0,0%	2,6%	9,4%	11,0%
Net Profit margin	4,7%	3,1%	3,8%	5,2%

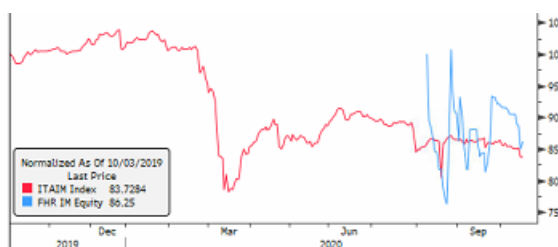
Main Ratios	FY19A	FY20E	FY21E	FY22E
EV/EBITDA (x)	4,4	3,8	2,5	2,0
EV/EBIT (x)	N/A	42,9	8,6	5,9
P/E (x)	16,4	23,8	14,0	8,0

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Stocks performance relative to FTSE AIM Italia



1H20A Results

The tourism sector is one of the most affected by the lockdown imposed in response to the spread of the Covid 19 epidemic, for this reason, the half-yearly data of Fabilia is decreasing compared to the last year.

Revenues, equal to € 2.22 million, decreased compared to the half-yearly data of the last year (€ 3.09 million as of June 30, 2019), also decreasing the value of production equal to € 2.24 million, compared to € 3.10 million in the last year. EBITDA is equal to -€ 0.57 million (€ 0.12 million as of June 30, 2019). EBIT is equal to -€ 2.33 million (-€ 1.35 million as of June 30, 2019).

Estimates Update

We change the estimates for the current year and we confirm the estimates for the next years. In particular, for prudential reasons, we expect revenues 2020E equal to € 11.40 million, the reduction in estimates is linked to the possible effects of a second wave of the Covid 19 epidemic that could impact winter season revenues. EBITDA is only partially affected by the reduction of revenues, thanks to the predominantly variable cost structure. Estimates about EBIT remain unchanged thanks to the agreements with the owners of the structures, which provided for a reduction in rents in the case of a reduction in revenues.

Valuation Update

We have conducted the valuation of Fabilia's equity value based on the DCF methodology. The DCF method (which in the calculation of the WACC includes for prudential purposes also a specific risk of 2.5%) provides an equity value of €19.2 million.

The target price is €3.16, rating BUY and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

CONSOLIDATED INCOME STATEMENT (€/mln)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenues	9,03	10,81	11,40	16,00	20,00
Other Revenues	0,10	0,80	0,30	0,30	0,30
Value of Production	9,13	11,61	11,70	16,30	20,30
COGS	1,71	2,54	2,30	3,00	3,75
Services	2,71	2,86	3,10	4,35	5,35
Use of assets owned by others	0,18	0,15	0,10	0,15	0,20
Employees	1,89	2,80	2,50	3,30	4,10
Other Operating Expenses	0,26	0,30	0,30	0,35	0,40
EBITDA	2,38	2,95	3,40	5,15	6,50
<i>EBITDA Margin</i>	<i>26,4%</i>	<i>27,3%</i>	<i>29,8%</i>	<i>32,2%</i>	<i>32,5%</i>
D&A	1,89	2,96	3,10	3,65	4,30
EBIT	0,50	0,00	0,30	1,50	2,20
<i>EBIT Margin</i>	<i>5,5%</i>	<i>0,0%</i>	<i>2,6%</i>	<i>9,4%</i>	<i>11,0%</i>
Financial Management	(0,28)	0,39	0,20	(0,20)	(0,20)
EBT	0,21	0,39	0,50	1,30	2,00
Taxes	0,10	-0,12	0,15	0,70	0,95
Net Income	0,11	0,51	0,35	0,60	1,05
CONSOLIDATED BALANCE SHEET (€/mln)					
Fixed Assets	5,18	6,95	5,35	6,95	7,00
Account receivable	0,08	0,87	0,15	0,20	0,25
Inventories	0,05	0,45	0,35	0,45	0,60
Account payable	1,68	3,88	2,75	3,05	3,75
Operating Working Capital	(1,55)	(2,56)	(2,25)	(2,40)	(2,90)
Other receivable	3,10	2,15	2,10	2,80	3,65
Other payable	0,38	1,06	1,60	2,50	3,20
Net Working Capital	1,17	(1,47)	(1,75)	(2,10)	(2,45)
Severance Indemnities & Other Provisions	0,01	0,01	0,01	0,01	0,01
NET INVESTED CAPITAL	6,34	5,47	3,59	4,85	4,54
Share Capital	0,05	0,05	0,16	0,16	0,16
Reserves	0,33	0,44	2,32	2,67	3,27
Net Income	0,11	0,51	0,35	0,60	1,05
Equity	0,49	1,00	2,83	3,43	4,48
Cash & Cash Equivalent	0,31	0,37	3,29	4,20	5,30
Short Term Debt to Bank	2,92	2,78	2,70	3,65	3,90
M/L Term Debt to Bank	3,25	2,06	1,35	1,97	1,47
Net Financial Position	5,86	4,47	0,76	1,42	0,07
SOURCES	6,34	5,47	3,59	4,85	4,54
CONSOLIDATED CASH FLOW (€/mln)					
EBIT		0,00	0,30	1,50	2,20
Taxes		-0,12	0,15	0,70	0,95
NOPAT		0,12	0,15	0,80	1,25
D&A		2,96	3,10	3,65	4,30
Change in receivable		(0,79)	0,72	(0,05)	(0,05)
Change in inventories		(0,40)	0,10	(0,10)	(0,15)
Change in payable		2,20	(1,13)	0,30	0,70
Change in others		1,63	0,59	0,20	(0,15)
<i>Change in NWC</i>		<i>2,64</i>	<i>0,28</i>	<i>0,35</i>	<i>0,35</i>
Change in provisions		0,00	0,00	0,00	0,00
OPERATING CASH FLOW		5,71	3,53	4,80	5,90
Capex		(4,7)	(1,5)	(5,3)	(4,4)
FREE CASH FLOW		0,99	2,02	(0,45)	1,55
Financial Management		0,39	0,20	(0,20)	(0,20)
Change in Debt to Bank		(1,32)	(0,79)	1,57	(0,25)
Change in Equity		0,00	1,48	0,00	0,00
FREE CASH FLOW TO EQUITY		0,06	2,91	0,92	1,10

Source: Fabilia and Integrae SIM

1.1 1H20A Results

Table 2 – 1H20A vs 1H19A

€/mln	Sales	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H20A	2,22	-0,57	-25,6%	-2,33	-2,28	5,70
1H19A	3,09	0,12	4,0%	-1,35	-1,40	4,47*
Change	-28,2%	N.A	-29,6%	N.A	N.A	N.A

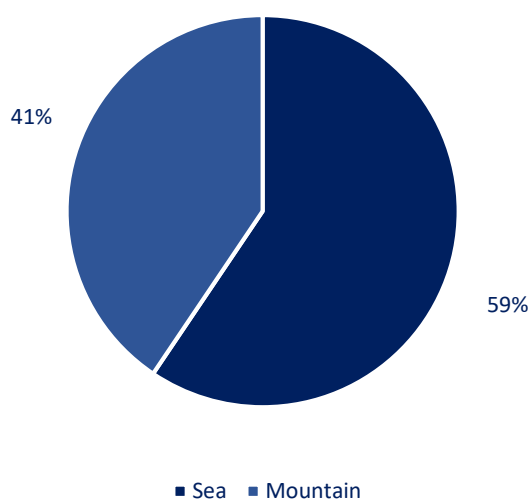
*Data full year 2019A

Source: Fabilia

The tourism sector is one of the most affected by the lockdown imposed in response to the spread of the Covid 19 epidemic, for this reason, the half-yearly data of Fabilia is decreasing compared to the last year. In fact, according to the press release, the half-year results *“have to be interpreted, both in the light of the high seasonality of our business and, above all, in the light of the closure of the accommodation structures during the lockdown period”*.

Revenues, equal to € 2.22 million, decreased compared to the half-yearly data of the last year (€ 3.09 million as of June 30, 2019), also decreasing the value of production equal to € 2.24 million, compared to € 3.10 million in the last year. The decrease, after a first two months period with growth of 121% compared to 2019A, is due to the closure of the structures in March, April (period in which, however, many Fabilia structures are not open) and May (period of opening for many structures of the Company). In particular, the closures during the month of May have led to a shift in bookings which has emphasized the seasonality of the business.

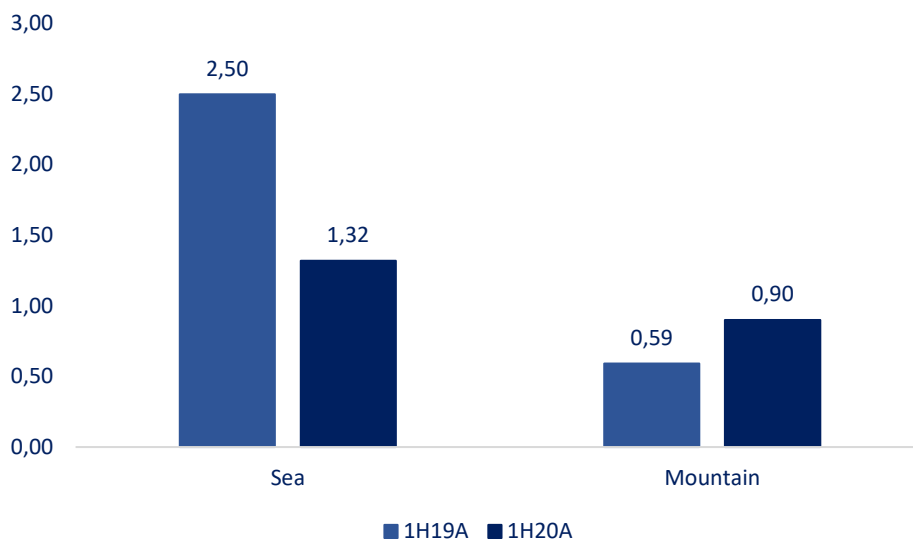
Chart 1 – Revenues by Business Line 1H20A



Source: Fabilia

The Company's main source of revenues is the Sea segment, which, despite generating revenues for only one month over the six months of the first half year, has generated a 59% share of revenues. The remaining 41% is attributable to the Mountain segment.

Chart 2 – Revenues by Business Line 1H19A vs 1H20A



Source: Fabilia

Compared to last year, due to the difficulties encountered in the first months of the summer season, the Sea segment recorded a 47% decrease in revenues. The Mountain segment, on the other hand, despite the closure during some months of the year, thanks to the excellent results of the first two months of 2020, shows growth of 52%.

EBITDA is equal to - € 0.57 million (€ 0.12 million as of June 30, 2019). The reduced marginality reflects the reduction in revenues, however, there is a decrease in operating costs linked to savings in labor and raw materials costs in June.

EBIT amounted to - € 2.33 million (- € 1.35 million as of June 30, 2019), after amortization of € 1.77 million, of which € 1.36 million for rights-of-use (relating to the rent of the structures according to the application of the IFRS16). Amortizations for rights-of-use are increasing, due to the higher number of structures managed. Net profit amounts to - € 2.28 million compared to - € 1.40 million registered as of June 30, 2019.

The Net Financial Position, equal to € 5.70 million, results to be worse than the data as of December 31, 2019 when NFP amounted to € 4.47 million.

1.2 Estimates FY20E-FY22E

Table 3 – Estimates Updates FY20E-FY22E

€/mln	FY20E	FY21E	FY22E
Sales			
New	11,4	16,0	20,0
Old	12,3	16,0	20,0
Change	-6,9%	0,0%	0,0%
EBITDA			
New	3,4	5,2	6,5
Old	4,0	5,2	6,5
Change	-13,9%	0,0%	0,0%
EBITDA %			
New	29,8%	32,2%	32,5%
Old	32,2%	32,2%	32,5%
Change	-2,4%	0,0%	0,0%
EBIT			
New	0,3	1,5	2,2
Old	0,3	1,5	2,2
Change	0,0%	0,0%	0,0%
Net Income			
New	0,4	0,6	1,0
Old	0,1	0,6	1,0
Change	243,4%	0,0%	0,0%
NFP			
New	0,8	1,4	0,1
Old	1,0	1,7	0,3
Change	N.A.	N.A.	N.A.

Source: Integrae SIM

Considering the evolving healthcare situation, we slightly change the estimates for the current year, and we confirm the estimates for the next years. In particular, for prudential reasons, we expect revenues 2020E equal to € 11.40 million, the reduction in estimates is linked to the possible effects of a second wave of the Covid 19 epidemic that could impact winter season revenues. EBITDA is only partially affected by the reduction of revenues, thanks to the predominantly variable cost structure. Estimates about EBIT remain unchanged thanks to the agreements with the owners of the structures, which provided for a reduction in rents in the case of a reduction in revenues.

For subsequent years, we expect the revenues to increase to € 20.0 million (CAGR 19A-22E: 22.78%) in 2022E, with EBITDA of € 6.50 million (corresponding to a marginality of 32.5%), up from € 2.95 million in 2019A (corresponding to an EBITDA margin of 27.3%).

2. Valuation

We have conducted the valuation of Fabilia's equity value based on the DCF methodology.

2.1 DCF Method

Table 4 – WACC

WACC		4,69%
Risk Free Rate	0,23% α (specific risk)	2,50%
Market Premium	8,46% Beta Adjusted	1,00
D/E (average)	400,00% Beta Relevered	3,89
Ke	11,21% Kd	4,25%

Source: Integrae SIM

For prudential purposes, we have considered a specific risk of 2.5%. This results in a WACC of 4.69%.

Table 5 – DCF Valuation

DCF Equity Value		19,2
FCFO actualized	3,6	15%
TV actualized DCF	20,1	85%
Enterprise Value	23,7	100%
NFP (FY19A)	4,5	

Source: Integrae SIM

With the above data and, taking as a reference our estimates and assumptions, the result is an **equity value of € 19.2 million. The target price is €3.16 (prev. €3.13), rating BUY and MEDIUM risk.**

Table 6 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		3,2%	3,7%	4,2%	4,7%	5,2%	5,7%	6,2%
Growth Rate (g)	2,5%	111,7	63,4	43,7	33,0	26,3	21,6	18,3
	2,0%	64,4	44,4	33,5	26,7	22,0	18,6	16,0
	1,5%	45,1	34,1	27,1	22,4	18,9	16,3	14,2
	1,0%	34,6	27,6	22,7	19,2	16,5	14,4	12,7
	0,5%	28,0	23,1	19,5	16,8	14,7	12,9	11,5
	0,0%	23,5	19,9	17,1	14,9	13,2	11,7	10,5
	-0,5%	20,2	17,4	15,2	13,4	11,9	10,7	9,7

Source: Integrae SIM

Table 7 – Target Price Implied Valuation Multiples

Multiples	FY20E	FY21E	FY22E
EV/EBITDA	7,0x	4,6x	3,6x
EV/EBIT	79,0x	15,8x	10,8x

Source: Integrae SIM

Table 8 – Current Price Implied Valuation Multiples

Multiples	FY20E	FY21E	FY22E
EV/EBITDA	3,8x	2,5x	2,0x
EV/EBIT	42,9x	8,6x	5,9x

Source: Integrae SIM

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Equity Total Return (ETR) for different risk categories			
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HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating and/or target price Under Review		
N.R.	Stock Not Rated		

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