

Research Report

F.I.L.A.

Fabbrica Italiana Lapis ed Affini S.p.A.

FILA.MI - Price: €9.20 - Market Cap: €470m

"Heads I win, tails I don't lose much."

- Mohnish Pabrai

February 2026 | Confidential Document

1. Executive Summary

FILA trades at a €470m market cap. The 26.01% stake in DOMS Industries (listed in India) is worth approximately €348m at prices as of 30.09. The market is implicitly pricing a business with global operations and €40-60m of annual FCF at roughly €140m. The margin of safety comes from the combination of recurring operating cash flow + the liquid DOMS asset. The upside stems from the normalization and non-deterioration of US revenues (tariffs, school funding), from the closing of the holding discount, and from the integration of the recent Seven acquisition.

Is the market correctly pricing a business in secular decline, or not?

Key Metrics as of Today

Metric	Value	Source
FILA Share Price	€9.20	Borsa Italiana, Feb 2026
Shares Outstanding	50.8m	9M 2025 Report
FILA Market Cap	€470m	Calculated
Net Debt (9M 2025)	€255m	9M 2025 Presentation
Enterprise Value (Mkt Cap + Net Debt)	€725m	Calculated
DOMS Stake (26.01%)	€348m	Author estimate at current prices
Implied Core EV (EV – DOMS stake)	€377m	Calculated
LTM Adj. EBITDA	€109m	9M 2025 Presentation
FCF to Equity Guidance FY2025	€40m	Guidance
Implied Core EV/EBITDA	3.5x	Calculated

2. The Business

In Brief

FILA is an Italian industrial group founded in Florence in 1920 by Count Giuseppe della Gherardesca, transformed over a century from a local pencil manufacturer into a global leader in products for creativity, education, and fine arts. The group produces and distributes pencils, crayons, markers, paints (tempera, oil, acrylic, watercolour), modelling pastes, fine art and school paper, brushes, and artist accessories. It operates through 21 manufacturing plants in 11 countries across 4 continents and 32 commercial subsidiaries, with sales in over 150 countries. The operational headquarters is in Pero (Milan), under the leadership of CEO Massimo Candela, the third generation of the family at the helm of the company.

The Company's Brand Portfolio Is a Living Museum of Creativity

FILA's true strategic asset is not a single product, but a portfolio of 25 iconic brands built over more than a century through organic growth and 10+ acquisitions. Each brand occupies a specific niche (school, fine arts, industrial), price tier (entry-level, premium, professional), and geography. This architecture enables FILA to cover the entire creativity value chain, from the 3-year-old using their first GIOTTO crayon to the professional painting on Arches paper.

Brand	Segment	Position	Key Geography
Ticonderoga	Graphite pencils	>50% US market share	North America
GIOTTO	School (colours, pencils)	>50% Italy, 20% Europe	Europe
Canson	Fine art paper	#1 global (>50%)	Global
Arches	Premium watercolour paper	#1 global	Global
Daler-Rowney	Art colours & accessories	Top 3 global	UK, global
DAS	Modelling pastes	European leader	Europe
Pacon/Strathmore	School & art paper	25-30% US paper	North America
Maimeri	Professional fine colours	Italian leader	Italy, export
LYRA	Premium pencils	Strong position Germany	Europe

School & Office (67% of Revenue)

Ticonderoga. The yellow-green #2 pencil is an American icon, produced since 1913 and instinctively recognized by every US student. Dixon Ticonderoga holds approximately 50–55% of the US graphite pencil market, selling over 700 million pencils per year. The brand's history dates back to 1827, when Joseph Dixon produced the first wood-and-graphite pencil in America. The name derives from the town of Ticonderoga (New York), where a graphite deposit was discovered in 1815. Today the brand also includes erasers, sharpeners, highlighters, and markers. Production takes place primarily in Mexico and China, with distribution centres in the US. FILA's acquisition in 2005 gave the group control of the dominant player in the North American school market.



























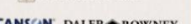









GIOTTO. Founded in 1920 alongside FILA itself, GIOTTO is the brand synonymous with “colours for children” in Italy and much of Europe. The logo, inspired by the legendary episode of Giotto drawing a perfect circle before Cimabue, has remained unchanged since 1933. The range has progressively expanded from coloured pencils to wax and oil pastels, markers (GIOTTO Turbo Colour), tempera paints, glues, and since 2001, the GIOTTO line dedicated to children aged 2–5, which revolutionized the early childhood segment. GIOTTO holds 50-55% of the Italian market in pencils, markers, paints, and pastels, and 18-20% at the European level. This is a brand that continues to grow and continues to be recommended. Teachers recommend it, parents remember it from their own childhood, and so the cycle repeats every generation.

Canson. Founded in 1557 by the Montgolfier family in Annonay (France), Canson is the global leader in fine art paper and the oldest paper manufacturer still active in the world. Artists such as Delacroix, Van Gogh, Degas, Matisse, Picasso, Dalí, and Warhol have used Canson papers. The range spans from student papers to professional papers for watercolour, oil, acrylic, and the digital Canson Infinity line for museum-grade printing. Canson holds over 50-60% of the French market and 20-25% of the Spanish market in school paper. Acquired by FILA in 2016, with its network of plants in France (3 facilities), it is also the production engine of the group’s paper segment. The brand sponsors the Louvre Museum and is distributed in over 100 countries.

Pacon. Founded in 1951 in Appleton, Wisconsin, Pacon is the leader in the US construction paper market with a 25-30% share. The Tru-Ray brand is the absolute favourite among American art teachers: in a teacher survey, 97 out of 100 indicated it as their preferred paper. The range also includes Fadeless (decorative paper for classrooms), SunWorks, Creativity Street, and UCreate. Acquired by Dixon Ticonderoga, it completes the school segment coverage in North America, adding paper to writing instruments.

LYRA. Founded in Nuremberg in 1806, LYRA is one of the oldest pencil brands in the world. Known for German excellence in the production of coloured pencils, graphite, and industrial marking instruments. It also includes the LYRA Graduate line for art students and LYRA Groove for children. The Nuremberg plant produces both school pencils and fine art and industrial products, with a strong position in Germany and France. Acquired by FILA in 2008, it also brought distribution in the DACH region.

DAS. The best-known air-drying modelling paste in Europe, launched in Italy in the 1960s and which became a classic of childhood for generations of European children. Together with Pongo (plasticine) and Didò (play dough), FILA dominates the modelling segment in Europe. These are products with high competitive barriers: low unit value, strong brand recognition, capillary presence in school channels, and psychological switching costs for parents and teachers.

Brands & Product Categories				
Product Categories	School & Office <i>(mainly School)</i>	Fine Art	Industrial	Product Families
	Writing 	TICONDEROGA trotto		
Drawing and Colouring 	GIOTTO   GIOTTO   LYRA  Marples  	LYRA 	DIXON  LYRA 	<ul style="list-style-type: none"> Coloured and graphite pencils Oil and wax crayons Coloured markers Paints and watercolours Chalk and glue
Fine Art & Crafts 	Pacon  DALER-ROWNEY 	PRINCETON  MAIMERI  LUKAS  DALER-ROWNEY 		<ul style="list-style-type: none"> Oil and acrylic paints Watercolours and gouache Canvases and brushes Accessories, General crafts
Paper 	Pacon  CANSO'N  GIOTTO  Vinci 	ARCHES  Strathmore  ST CUTHBERTS MILL  CANSO'N  DALER-ROWNEY 	ARCHES  CANSO'N 	<ul style="list-style-type: none"> Fine Art Paper School Paper Leisure and Craft Paper Paper for traditional art printing Paper for digital art printing
Modelling 	GIOTTO   DAS 	DAS 		<ul style="list-style-type: none"> Plasticine Playing Dough Modelling Clay

Fine Art & Art & Craft (29% of Revenue)

Arches. The Arches paper mill, founded in 1492 in France, the same year as the discovery of America, has been producing for over 530 years what is considered the world's most prestigious watercolour paper. Arches paper is 100% cotton, free of OBA (optical brightening agents), gelatine-sized, and air-dried using a process unique in the world. It is the only paper mill in France still using the traditional cylinder mould process for all production. Dürer, Beaumarchais (who printed Voltaire's complete works on 70 tonnes of Arches paper), Matisse, Picasso, and Dalí have used this paper. The Arches watermark is used to authenticate art prints. Acquired by FILA in 2020, it represents the pinnacle of the fine art paper segment and contributes to an overall global share of >50% in fine art paper.

Daler-Rowney. Founded in London in 1783 by Richard and Thomas Rowney (initially producers of wig powder, later converted to artist colours), Daler-Rowney is one of the oldest and most renowned producers of fine art materials in the world. The range includes oil paints (Georgian and Artists series), acrylics (System3 and FW), watercolours, brushes, easels, and surfaces. It ranks in the top 3 globally for fine art colours and accessories. The network of 3 plants in the United Kingdom (plus one in the Dominican Republic for Princeton brushes) ensures in-house production for nearly the entire range. Acquired by FILA in 2016, the strategic plan aims to push the brand into the entry-level segment using DOMS production at Indian costs.

Maimeri. Founded in Milan in 1923 by Gianni Maimeri, painter and chemist, Industria Maimeri is the Italian leader in the production of professional fine colours. The Classico (oil), Brera (acrylic), Blu (watercolour), and Maimeri Puro lines are the reference for Italian artists and have significant international distribution. Production takes place at the Mediglia (MI) plant. In FY2024, Maimeri's goodwill suffered an impairment loss of €1.7m, a signal of below-expectations performance. Point to monitor.

Strathmore. A historic American brand in artist paper, used by Norman Rockwell and Andrew Wyeth. It covers the premium segment in drawing, watercolour, mixed media, and calligraphy paper in the US. Complementary to Arches (ultra-premium) and Canson (mid-range), it completes the price pyramid in fine art paper.

St Cuthberts Mill. An English paper mill specializing in high-quality fine art paper, with a centuries-old tradition. It produces Bockingford papers (entry-level watercolour very popular in the UK) and Saunders Waterford (premium). Plant in Somerset, complementary to the French production of Canson and Arches.

Princeton Brush. An American fine art brush brand, founded by Howard Kaufman. Production in the Dominican Republic. It covers a segment (fine art brushes) where FILA holds a global share of 15-20%.

Industrial (4% of Revenue)

The industrial segment, although marginal in terms of revenue weight, is growing strongly (+50% between 2019 and 2023) and offers attractive margins. Dixon and LYRA produce pencils and markers for industrial use (marking on wood, metal, stone) used in construction, carpentry, and manufacturing. Canson and Arches supply specialized paper for B2B applications and luxury packaging. The strategic plan aims to complete the product offering in North America and Mexico (already partially covered by Dixon) and to replicate in Europe the geographic coverage that LYRA has already built in France and Germany.

DOMS Industries: Not Just a Financial Stake

DOMS Industries (listed on BSE/NSE, Mumbai) is one of India's leading producers of writing and school supplies. For FILA, DOMS is an industrial and commercial partner that the group has built over more than a decade of collaboration. FILA first invested in 2012 (18.5% stake), increased the stake to 51% in 2015, and accompanied the DOMS IPO in December 2023 (reduction from 51% to 30.6%), followed by the ABB in December 2024 (further sale of 4.57%, proceeds of €80.7m). The current stake is 26.01%, the minimum threshold to maintain "relevant shareholder" status under Indian regulation, with 4 FILA directors out of 12 on the DOMS Board.

FILA uses its own subsidiaries in America and Europe to distribute DOMS products in Western markets. The formula is "European quality at Indian costs": DOMS produces at costs competitive with Chinese private labels, but with quality standards aligned to FILA's. These products are then offered by FILA's salesforce to major retailers (Walmart, Target, European grocery chains) as a branded alternative to private label pencils and colours imported from China. Pilot tests with clients have already confirmed the validity of the offering.

FILA has the ability to outsource part of its production to DOMS to increase competitiveness and profitability. This concerns in particular: (a) entry-level school pencils and colours, where Indian production cost is decisive, (b) Daler-Rowney products for the entry-level fine art segment, produced by DOMS at prices competitive with Chinese alternatives but with a recognized British brand, (c) potentially, components and semi-finished products for other group brands.

The acquisition of Seven (completed in January 2026) comes at an interesting time: DOMS recently acquired a small Indian producer of pencil cases and backpacks, and the Seven deal presentation envisions the creation of a DOMS-Seven joint venture to develop the school

backpack market in India. Seven’s know-how in backpack design and production (Invicta, Seven, SJ Gang) would be transferred to DOMS, which would adapt it for the Indian market through its own distribution network. The Indian school backpack market is growing strongly, driven by the rising middle class and increasing school enrolment rates.

A Fragmented Market Dominated by Heritage Brands

The school supplies market is fragmented but dominated by heritage brands with strong recognition. Demand is structurally predictable: all children go to school and buy school supplies, which makes the market largely non-cyclical. Product differentiation is low (a pencil is a pencil), but quality differences are significant and are perceived by teachers and parents. Private labels have reached 25-30% of the market, especially in countries with strong grocery/mass retail (US, France, UK, Germany).

Demographic growth is slightly positive in North America (+2.5% of the 5-14 population between 2023 and 2029) and in Central-South America (+1.1m), negative in Europe (-6.2%, -3.4m).

The fine art market is instead much more concentrated and with different dynamics. The primary target is individuals over 14, with a large portion composed of hobbyists and retirees. Demographics are favourable: the adult population is growing by 5-7% in FILA’s key geographies. Positive trends include the growth of online artistic communities, e-learning on artistic techniques, and growing demand for sustainable products. The fine art paper segment is nearly a duopoly with FILA as leader.

Segments and Geographies

Area	Revenue 9M 2025	% of Total	EBITDA Margin
North America	€227m	49%	22.3%
Europe	€168m	36%	17.5%
Central-South America	€55m	12%	18.4%
Asia + Rest of World	€11m	3%	Asia: 45.5%, Others: 13.8%

Approximately 2/3 of revenue comes from school and office (back-to-school, stationery, construction paper) and 1/3 from fine arts and art & craft (colours, fine art papers, brushes). Seasonality is pronounced: 75-80% of EBITDA is concentrated between Q2 and Q3 (school campaign June–September). Q1 is the weakest quarter. This explains why FCF in the first 9 months is structurally negative (working capital absorption) and recovers in Q4 with collections.



3. FILA's Competitive Advantage

A moat is the structural and defensible competitive advantage that allows a company to maintain high returns on capital over time. It originates from hard-to-replicate assets (brand, distribution network, switching costs, scale, IP, costs). It only matters if it is durable, measurable in the numbers (margins/ROIC), and resistant to competitor attacks.

A relevant Moat enables high and sustainable returns on capital over time.

Brands with Recognition and Psychological Switching Costs

FILA's Moat is rooted in a rare dynamic in consumer goods: the transgenerational recommendation cycle. Parents buy their children the same pencils they used as kids. Teachers recommend the brands they know. Professional artists build their technique on a specific paper and don't change it. Someone who has been painting watercolours on Arches for 20 years won't risk changing their established technique to save a few euros. This emotional switching cost does not require high advertising spend to be maintained; the brand self-promotes within educational and artistic channels.

The historical importance of these brands is an asset impossible to replicate. Arches has been producing paper since 1492, Canson since 1557, LYRA since 1806, Ticonderoga since 1913, GIOTTO since 1920. No new entrant can build this kind of heritage.

Vertical Integration and Exclusive Production Capabilities

Unlike most competitors, FILA produces in-house virtually its entire product portfolio. This level of vertical integration is superior to that of its main competitors and generates three important advantages:

First, quality control is end-to-end. FILA can guarantee consistent standards across the entire range.

Second, production efficiency translates into market-leading EBITDA margins (19% in FY2024 vs. comparable companies at 12-15%).

Third, logistical flexibility. 21 plants in 11 countries allow FILA to optimize production based on labour costs, market proximity, and tariff structure (duties and similar).

FILA operates 3 dedicated paper mills (Arches in the Vosges, Canson in Annonay, St Cuthberts in Somerset) and 3 converting plants (Dixon in North America). Producing 100% cotton paper, gelatine-sized, on a cylinder mould, with archival quality, is a process that requires decades of accumulated know-how. You cannot build a new Arches from scratch.

Favourable Competitive Structure and Tariff Benefits

The school stationery market has a peculiar characteristic. Growth is low (low single digit) and margins are moderate for non-leaders, which discourages new entrants. The main competitors are all private or diversified and do not compete aggressively on price. Private labels, the main

historical threat, have stabilized their share at 25-30% and are now under strong pressure due to US tariffs on Chinese imports.

Most private labels import from China, while FILA produces in Mexico (school pencils, with favourable USMCA/T-MEC treatment) and locally in Europe and South America. Tariffs on Chinese pencils have existed since 1994 and have been renewed repeatedly. The US-China tariff escalation from 2018 onward further widened the competitive advantage of producers with a manufacturing base in Mexico or domestically. FILA is among the very few global companies in the sector with a production structure already optimized to minimize tariff exposure. In several presentations, the company has explicitly identified Logistic Optimization and Tariff Minimization as a pillar of the business model.

Low Maintenance Capex

FILA's capital expenditures range between €8m and €16m per year excluding DOMS (1.3-2.5% of revenue), an extremely low level for a manufacturing company. In FY2024, capex dropped to €13.1m (from the distorted FY2023 figure of €30.3m which included DOMS, still consolidated). The production technology is mature and does not require heavy reinvestment cycles.

A pencil production line or a cylinder mould for paper lasts decades. The business does not consume too much cash to remain competitive.

DOMS as a Trojan Horse in the Entry-Level Segment

The partnership with DOMS Industries opens a strategic channel for FILA that goes beyond the financial value of the equity stake. The strategic plan presented envisions using DOMS products, described as "European quality at Indian costs," to attack the entry-level/private label segment, which represents approximately 50% of the school market and which FILA had not previously covered.

The objective is twofold. In the School segment, to offer DOMS products at prices competitive with private labels but with the FILA/GIOTTO brand. In the Fine Art segment, to push Daler-Rowney into entry-level using low-cost DOMS production. If the strategy works, FILA could expand its market without cannibalizing premium brands.

Access to a low-cost, vertically integrated manufacturing base, with quality standards already aligned (DOMS achieved "European quality" thanks to 12 years of partnership with FILA), all without having to own or directly manage the plants. Faber-Castell and Staedtler partially produce in Asia, but they don't have an industrial partner with the scale, stock exchange listing, and growth trajectory of DOMS. For FILA, DOMS simultaneously represents: (1) a €348m financial asset generating implicit returns, (2) a low-cost strategic supplier for the entry-level segment, (3) a platform to enter the Indian stationery market (1.4 billion inhabitants, rising school enrolment), (4) a partner for the backpack JV with Seven. This multidimensionality is what the market is not pricing.

Vulnerabilities

The digitalization of education is the most cited secular risk against FILA. However, empirical evidence suggests the risk is slow and partial: neuroscientific research on the superiority of handwriting versus typing for learning is influencing educational policies in several countries

(Sweden reversed its full digitalization policy in 2023). FILA notes that “evidence shows that traditional writing instruments will remain essential in education to preserve manual skills.” The risk exists, but the timeline is multi-decadal.

Another weak point is Governance. Massimo Candela is CEO and 27% shareholder with controlling voting rights. This creates strong alignment but also a risk: capital allocation decisions are not subject to a real check by the market. It's complicated. The DOMS investment was extraordinary (€41m -> €348m), the fine art acquisitions 2015–2020 were strategically correct but brought debt to nearly 5x+, and the Maimeri impairment in FY2024 signals that not all acquisitions have performed as expected.

Other vulnerabilities include significant currency exposure, given the strong exposure to foreign markets. A weak dollar compresses margins and revenues in euro terms. Dependence on government school funding which can be cut. Concentration of bargaining power among large retailers (Walmart, Amazon).

4. DOMS as the Dominant Asset in FILA's Value

The Economic Weight

Parameter	Value Nov 2025	Current Value (est.)
FILA's Stake in DOMS	26.01%	26.01%
DOMS Share Price (INR)	2,509	2,412
DOMS Market Cap (INR bn)	152.3	146
FILA Stake (INR bn)	39.6	38.0
EUR/INR Exchange Rate	103.28	110
FILA Stake (€m)	382	348
FILA Market Cap (€m)	497	470
DOMS / FILA Mkt Cap	77%	74%
Book Value of DOMS in FILA (equity method)	€142m	€143m

The DOMS stake is accounted for using the equity method (€142m) in FILA's balance sheet, not at fair market value (€348m). This is the main reason why many screeners and investors do not see DOMS inside FILA. One must explicitly perform a sum-of-the-parts analysis.

Why the Market Applies a Discount (and Why It Is Partially Rational)

- 1. Holding Discount.** FILA is not a vehicle in liquidation. The market has no certainty that the stake will be monetized.
- 2. Potential Taxation.** A disposal would generate taxable capital gains.
- 3. Governance and Control.** The controlling shareholder is Massimo Candela, who holds, directly and indirectly, 27.147% of ordinary shares and 53.424% of voting rights. The CEO therefore holds a very significant stake. The market discounts the risk that capital will not be allocated in the interest of all shareholders.
- 4. Elevated DOMS Valuation.** At 38-42x EV/EBITDA LTM (36x forward), DOMS incorporates a lot of future growth. A multiple compression would proportionally reduce the stake's value.
- 5. Illiquidity.** Selling 26% in a block would depress the price. A gradual placement will be necessary.

Key Fact: FILA Has Already Demonstrated the Ability to Monetize DOMS

IPO December 2023: sale from 51% to 30.6%, proceeds €69m. December 2024: sale of 4.57%, proceeds €80.7m.

5. From Market Value to Shareholder Value

The market value of the DOMS stake is not the realizable value for the FILA shareholder. One must apply haircuts for holding discount, taxation, and liquidation costs.

Realizable Value Scenarios for the DOMS Stake

Scenario	Haircut	Gross Value	Taxes (est.)	Net Value	Notes
Optimistic	0%	€348m	€4m (PEX)	€344m	Gradual disposal with PEX
Base	20%	€278m	€3m	€275m	Discount for concentration + timing
Conservative	40%	€209m	€3m	€206m	DOMS multiple compression + discount
Zero DOMS	100%	€0	€0	€0	Stake never monetized

In the conservative scenario (40% haircut), the DOMS stake is worth approximately €206m. The implied core EV (Mkt Cap - DOMS + Net Debt = 470 - 206 + 255) is approximately €519m, i.e., roughly 5x EBITDA LTM. If the company were listed in the United States, it would clearly trade at a discount to comparables (9-10x). However, we are in Italy and these multiples could be acceptable.

6. Core FILA Without DOMS

Revenue Breakdown and Area Dynamics

Consolidated FY2024 revenues amount to €612.6m (core business, excluding DOMS deconsolidated since Dec. 2023), down 5.0% compared to FY2023 (-2.8% at constant exchange rates). The decline is entirely explained by: (1) the one-off impact of the SAP EWM go-live in Q1 2024 on Dixon USA (€18m of missed shipments), (2) the negative FX effect in Central-South America (depreciation of Argentine and Mexican peso), (3) the progressive closure of operations in China.

Area	FY2024 (€m)	FY2023 ex DOMS (€m)	Δ%	EBITDA Margin FY2024	EBITDA Margin FY2023
North America	298.9	321.6	-7.0%	20.4%	18.4%
Europe	215.9	214.2	+0.8%	16.1%	14.5%
Central-South America	81.0	91.0	-11.0%*	23.2%*	16.3%*
Asia + RoW	16.8	18.1	-7.2%	n.a.	n.a.
Group Total	612.6	644.9	-5.0%	19.3%	17.1%

*Central-South America: very significant FX impact; at constant exchange rates, organic growth is positive.

The most relevant data point is the margin dynamic. Despite declining revenues, the EBITDA margin rose from 17.1% to 19.3%. This is the result of a more favourable product mix and operational efficiency actions (cost reduction, logistics optimization, China exit). North America is the most profitable region (20.4% margin), followed by Central-South America and Europe. The margin improvement across ALL geographies suggests a structural phenomenon, not a one-off.

Cost Structure

Item	FY2024 (€m)	% Rev	FY2023 ex DOMS (€m)	% Rev	Change
Core business revenue	612.6	100%	644.9*	100%	-5.0%
Raw materials & inventory changes	268.8	43.9%	300	46.5%	Mix improvement
Services & third-party costs	104.0	17.0%	110	17.1%	Stable
Labor cost	135.0	22.0%	142	22.0%	Stable in %
Depreciation & Amortization	34.9	5.7%	41.9**	5.4%	Decline (DOMS, China exit)
Write-downs	10.3	1.7%	2.0	0.3%	Maimeri impairment + other
Operating Income (EBIT)	63.9	10.4%	78.5**	10.2%	Write-downs impact

*FY2023 includes DOMS in full consolidation until Dec. 2023; like-for-like comparison is approximate.

****FY2023 not perfectly comparable due to DOMS deconsolidation.**

The most significant item is the improvement in raw materials as a percentage of revenue, which fell from 46.5% to 43.9%. This reflects both a price effect (decline in some commodities) and a mix effect (greater weight of higher value-added products). Labor costs are stable as a percentage (22% of revenue), a signal of management discipline. The write-downs line increased due to the Maimeri goodwill impairment (€1.7m) and other asset write-downs, which impact EBIT but not adjusted EBITDA.

From Operating Income to Net Income: The Weight of Financial Management

The bridge from EBIT to net income deserves attention. In FY2024:

Item	FY2024 (€m)	FY2023 (€m)	Comment
Operating Income (EBIT)	63.9	78.5	Impairment weighs in 2024
Financial income	77.9	7.5	FY2024: ABB DOMS gain €80.7m
Financial expenses	-38.0	-45.2	€8m decline: lower debt + lower rates
Gain from loss of DOMS control	0	167.6	FY2023: DOMS deconsolidation
Equity method income	3.1	0.9	FILA's share of DOMS profit
Pre-tax income	106.8	209.3	FY2023 inflated by DOMS one-off
Taxes	-26.0	-30.7	Effective tax rate 24%
Group Net Income	81.8	170.6	FY2023 non-recurring
Adjusted Net Income	40.9	30.9	+32.3%

The key figure is the adjusted net income of €40.9m (+32.3% vs FY2023), which excludes non-recurring items (ABB DOMS capital gain in 2024, DOMS deconsolidation in 2023). Adjusted EPS rose from €0.61 to €0.81. Financial expenses fell by €8m thanks to deleveraging (€105m reduction in net bank debt) and renegotiation of terms. This is a trend that will continue: with the Seven acquisition financed at 2.5% and the repayment of US debt at 6%, FILA is replacing expensive debt with cheap debt, generating €2m/year of structural interest savings.

Balance Sheet

Item	31/12/2024 (€m)	31/12/2023 (€m)	Δ	Comment
Intangible assets	375.7	378.0	-2.3	Goodwill €139.9m + brands €90.1m + PPA
PP&E	108.7	123.3	-14.6	China closure, D&A > capex
Equity method investments	139.5	160.4	-20.9	DOMS: €139.5m (book) vs €348m (mkt)
Deferred tax assets	20.6	23.5	-2.9	DTA declining
Total non-current	645.5	687.2	-41.7	Orderly asset base contraction

Inventories	257.4	264.4	-7.0	Inventory optimization
Trade receivables	95.0	99.8	-4.8	Collection improvement
Cash & equivalents	176.3	125.9	+50.4	Strong cash generation
Total current	534.2	503.8	+30.4	
TOTAL ASSETS	1,179.7	1,191.0	-11.3	

The Elephant in the Room: €376m of Intangibles

Intangible assets (€375.7m) and the goodwill contained within them (€139.9m) are the accounting legacy of the M&A strategy 2005-2020. Goodwill is allocated by Cash Generating Unit.

CGU	Goodwill 31/12/2024 (€m)	Goodwill 31/12/2023 (€m)	Notes
North America (Dixon)	104.8	100.3	+€4.5m USD/EUR revaluation
Canson Group	17.0	17.0	Stable
Daler-Rowney Lukas Group	5.9	5.9	Stable
Fila Arches	5.5	5.5	Stable
Central-South America	2.1	2.0	+€0.1m FX
Fila Hellas (Greece)	1.9	1.9	Stable
Industria Maimeri	0	1.7	Full impairment FY2024
St Cuthberts	1.3	1.3	Stable
LYRA Group	1.2	1.2	Stable
Total	139.9	136.9	+€3.0m net

75% of goodwill is concentrated on North America (Dixon Ticonderoga), the group's most profitable asset with EBITDA margins >20%. The FY2024 impairment test did not flag risks on any CGU except Maimeri (fully written down for €1.7m), a signal that the oil fine art business in Italy is under pressure but that the rest of the portfolio is solid.

Other intangible assets include brands and licenses for €90.1m (residual post-PPA values from acquisitions) and software/patents for €6m. Intangible amortization is €14.5m/year, a non-cash item that depresses EBIT but not FCF.

Liabilities and Shareholders' Equity

Item	31/12/2024 (€m)	31/12/2023 (€m)	Comment
Group Shareholders' Equity	630.5	569.9	+€60.6m: strong retained earnings
Minority Interests	2.3	4.1	Residual minorities
Non-current financial liabilities	316.8	356.6	Significant deleveraging
Deferred tax liabilities	62.6	60.8	Stable (PPA-related)

Employee benefits (TFR)	8.5	10.1	Declining
Current financial liabilities	40.5	72.9	Strong reduction in current maturities
Trade payables	110.8	105.7	Slight increase
TOTAL LIABILITIES + EQUITY	1,179.7	1,191.0	

Equity grew by €60.6m to €630.5m, with an Equity/Total Assets ratio of 53.5% (from 47.9%), a solid capital structure for an industrial company. Retained earnings reserves amount to €359.9m, providing ample buffer.

Cash Flow Statement

Item (€m)	FY2023	FY2024	Delta	Comment
Adj. EBITDA	136.1	118.2	-17.8	FY2023 incl. DOMS
NWC Change	+27.2	+11.5	-15.7	NWC positive in both years
Capex	-30.3	-13.1	+17.1	FY2023 inflated by DOMS capex
Operating Cash Flow	133.0	116.6	-16.4	
IFRS 16 payments (leases)	-15.9	-16.2	-0.3	Stable
Taxes paid	-19.4	-11.8	+7.7	Lower tax burden from prior losses
Net financial expenses	-27.3	-19.1	+8.3	Less debt → less interest
IFRS 16 financial expenses	-5.6	-3.6	+2.0	Lease decline
Non-cash costs & other	+9.2	+10.9	+1.7	Adjusted items
Adj. FCF to Equity	74.0	76.9	+2.9	Underlying improvement
Non-recurring adjustments	-13.7	-9.2	+4.5	Restructuring costs declining
Reported FCF to Equity	60.3	67.7	+7.4	Key figure: +12% YoY

Reported FCF to Equity of €67.7m in FY2024 exceeded management guidance (€40-50m). This figure is particularly significant because it demonstrates the core business's ability to generate cash even in a year of declining revenues.

Net Financial Position

Component (€m)	FY2023 ex DOMS	FY2024	Delta
Cash & equivalents	124.8	172.9	+48.0
Financial liabilities	-354.3	-297.3	+56.9
Net Bank Debt	-229.5	-124.5	+105.0
Amortized cost	+2.8	+5.0	+2.1
NFP ex IFRS16 & MtM	-226.6	-119.5	+107.1
Mark to Market hedging	-0.9	-1.3	-0.4
IFRS 16 (leases)	-75.9	-60.3	+15.6
Total Net Financial Position	-303.4	-181.1	+122.3

The €122.3m reduction in NFP in FY2024 was driven by: FCF to Equity €67.7m + ABB DOMS proceeds €80.7m – dividends €36.5m – FX impact €4.9m. The leverage ratio on Net Bank Debt fell from 1.7x to 1.1x (on Adj. EBITDA), while on total NFP it went from 2.2x to 1.5x.

The IFRS 16 debt of €60.3m deserves a note: it decreased by €15.6m vs. FY2023 thanks to efficiencies on production facility leases in Mexico and the US, and the DOMS spin-off. This debt predominantly represents rents on production and commercial real estate and has a regular repayment profile.

Cash Utilization: Capital Allocation FY2024

Destination	€m	% of FCF + Proceeds
Free Cash Flow to Equity generated	67.7	
ABB DOMS proceeds (4.57%)	80.7	
Total available resources	148.4	100%
Dividends (ordinary + extraordinary)	-36.5	24.6%
Net financial debt reduction	-64.2	43.3%
IFRS 16 lease reduction	-12.9	8.7%
Financial expenses (cash)	-24.0	16.2%
FX impact & other	-10.8	7.3%

43% of available resources went to deleveraging, 25% to dividends, and the rest to debt service. An allocation consistent with a management team that declares deleveraging as a priority, in order to have financial headroom for the acquisition without stressing the capital structure. The proposed FY2024 dividend was €40.8m, above guidance, demonstrating management's confidence in cash generation.

7. The Seven Acquisition: Strategy, Risks, and Key Metrics

Acquisition Terms

Parameter	Value
Target	Seven S.p.A. (100% of share capital)
Seller	Green Arrow PE Fund 3 + Di Stasio Family
Total consideration	€53.7m
Step 1 (closing Jan 2026)	€26.8m for 51%
Remaining tranches	By 31/12/2028
Seven Revenue FY2024	€88.8m (CAGR 3.1% 2022–24)
Adj. EBITDA ex IFRS16 FY2024	€14.9m (16.8% margin)
Seven NFP	€9.3m (post €10m dividend)
Implied EV/EBITDA	4.2x ((€53.7m + €9.3m NFP) / €14.9m)
Financing	Cash flow + €30m bank facilities
Seven CEO	Aldo Di Stasio (remains in role)

Seven is the Italian leader in the school backpack and stationery segment (brands: Seven, Invicta, SJ Gang, Mitama). The acquisition expands FILA's presence in Italian retail (sales agent network + 6,000 points of sale), creates cross-selling opportunities (FILA products in Seven pencil cases), and opens a DOMS-Seven Joint Venture for backpacks in India. Synergies are primarily revenue-driven, not cost-driven.

Assessment

Positive aspects:

- Multiple paid is very reasonable (4.2x EV/EBITDA, vs. 8–10x for historical FILA acquisitions).
- Complementary business, not overlapping.
- Deferred payment reduces risk.
- Management continuity.

Risks:

- ❖ Revenue-driven synergies are more uncertain than cost synergies.
- ❖ Invicta is a brand that has already failed several relaunches.
- ❖ Increase in debt during a still fragile phase for US revenues.
- ❖ Management distraction from core optimization.

Key metric to monitor: if in the 18 months post-closing (FY2027) the combined FILA+Seven EBITDA margin does not improve vs. the weighted average pre-deal, the acquisition is not creating value.

8. Valuation

We value FILA as: value of the DOMS stake + value of the core FILA business + Seven – net debt.

Bear / Base / Bull Scenario

Component	Bear	Base	Bull
DOMS (haircut on €348m)	40% → €209m	20% → €278m	0% → €348m
Normalized Core EBITDA ex IFRS16	€90m	€100m	€115m
Core EV/EBITDA Multiple	5x	7x	9x
Core EV	€450m	€700m	€1,035m
Net Debt (FY2025E)	€250m	€250m	€250m
Equity Value = DOMS + Core EV - Debt	€410m	€728m	€1,133m
Per Share (÷ 50.8m)	€8.1	€14.3	€22.3
Upside vs. €9.20	-12%	+55%	+142%

The bear case yields an intrinsic value of €8/share, slightly below the current price: downside is limited. The base case implies a 55% upside. The bull case, which requires a re-rating toward historical average multiples, suggests interesting potential.

9. Reflections

Munger often said: *“All I Want To Know Is Where I’m Going To Die So I’ll Never Go There.”*

In FILA, the most likely way to lose money permanently is destructive capital allocation, such as expensive debt-financed acquisitions, or a secular deterioration in demand that collapses FCF. The first risk is mitigated by the fact that Candela owns 27.1% and has demonstrated discipline with Seven. The second is slow: pencils and colors for children are not destroyed by an app; the back-to-school season existed before the internet did. This is not the kind of business where the risk of permanent ruin is high; some baseline demand will probably always exist.

The capital allocation track record is mixed. The DOMS investment was brilliant (€41m became €348m); the fine art acquisitions brought debt to nearly 5x but built a dominant position in the long term.

FILA offers a 12-13% FCF yield; the core business alone pays you to wait while DOMS is the free option, a fast-growing asset that the market implicitly values at zero or near-zero. If DOMS continues to grow at 20% annually, sooner or later someone will notice. If it doesn’t grow, the core should serve as protection.

It is the rare combination of limited downside and potentially significant upside, with patience as the only requirement.

“The stock market is a device for transferring money from the impatient to the patient.”

Warren Buffett