Intermonte

Milan, 10 April 2024

Italian Equity Research – 4Q23 Results

ALKEMY

OUTPERFORM

Sector: Industrials

Price: Eu12.10 - **Target: Eu15.00**

FY23 EBITDA in Line; 2024 Seen as a Two-Speed Year

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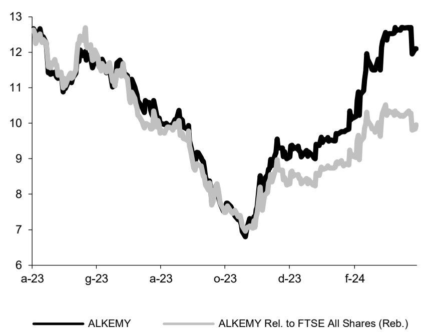
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 14.10 to 15.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-14.3%	-5.9%	

Next Event
1Q24 Results Out 15th of May

ALKEMY - 12M Performance



Stock Data			
Reuters code:			ALKE.MI
Bloomberg code:			ALK IM
Performance	**1M**	**3M**	**12M**
Absolute	-1.6%	27.4%	-3.5%
Relative	-3.3%	16.3%	-26.4%
12M (H/L)			12.70/6.80
3M Average Volume (th):			11.50

Shareholder Data	
No. of Ord shares (mn):	5
Total no. of shares (mn):	6
Mkt Cap Ord (Eu mn):	65
Total Mkt Cap (Eu mn):	65
Mkt Float - Ord (Eu mn):	35
Mkt Float (in %):	54.1%
Main Shareholder:	
Vitali Duccio	10.9%

Balance Sheet Data	
Book Value (Eu mn):	53
BVPS (Eu):	9.40
P/BV:	1.3
Net Financial Position (Eu mn):	-26
Enterprise Value (Eu mn):	95

- **4Q23 results: EBITDA in line, net income burdened by below-the-line items.** ALK reported revenues of €33.3mn (FY23: €119.2mn), up +4% YoY, in line with our €33.6mn, all organic. Italian revenues (~60% of total) were flat YoY due to stable relationships with existing clients, while International grew by +12% YoY. Adj. EBITDA was €4.2mn (FY23: €13.1mn), up +6% YoY vs our €4.3mn, leading to an 11.0% margin in FY23, stable vs FY22 as turnover growth and operating leverage on service costs enabled the company to offset inflation on personnel costs. Net income was below expectations at €1.1mn (FY23: €3.5mn) vs our €2.2mn due to significant increases in D&A, financial charges and tax rate. Net debt decreased to €31.8mn (vs our €32.8mn) thanks to better NWC management (FY23: FCF €5.2mn).
- **2024 outlook: a two-speed year with solid profitability.** In 2024, management expects organic revenue growth and margin expansion to continue, although it should be a two-speed year. In particular, 1H is expected to be burdened by an uncertain macro context with clients adopting a wait-and-see approach (we forecast +1%). A re-acceleration of growth toward +5/6% in 2H24 is envisaged on the back of an improving backdrop and the first benefits of the new commercial and operational structure. Profitability should remain solid at 11.2% vs 11.0% in FY23 thanks to leverage on service costs and a slowdown in the hiring campaign as well as a moderation of wage increases. All in all, we forecast revenues of €123.2mn, +3% YoY, and EBITDA of €13.8mn, +5% YoY.
- **New commercial & operational organization implemented.** During 2023, management implemented a new industry-oriented organization in Italy where each client will be managed by a key industry expert (i.e. Entertainment & Lifestyle, Energy & Utilities, Financial Services, Healthcare & Pharma, Telco & Tech, and others). By creating an organization that is no longer driven by business units, ALK has two goals: i) increasing customer portfolio management and fostering cross-selling of ALK's services, raising awareness of customers' needs by industry experts; ii) competence centre managers will be able to focus solely on quality of delivery and resource saturation. According to new General Manager Cederle (former chairman of Everis), the benefits are expected to arrive from 2H24.
- **Change in estimates.** We are lowering our EPS by -14% in '24 to reflect the slower-than-previously-expected growth impacting EBITDA by -7%, and higher net financial expenses due to higher interest rates. In 2025, the reduction is lower as we expect the de-leverage to lower net financial costs compared to 2024.
- **OUTPERFORM; target to €15.0.** ALK reported EBITDA in line with expectations in FY23 although net profit was impacted by below-the-line items. 2024 should be a two-speed year with a slower start due to the uncertain macro followed by re-acceleration in 2H on the back of an improving backdrop and the first benefits from the new commercial and operational structure. In the highly dynamic digital transformation market, we believe ALK has the right portfolio of services and go-to-market strategy to exploit growth opportunities while enhancing profitability thanks to management actions. OUTPERFORM confirmed; target to €15.0 (from €14.1) reflecting the roll-over of the valuation, the change in estimates, and an updated WACC and multiples.

Key Figures & Ratios	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales (Eu mn)	107	119	123	133	141
EBITDA Adj (Eu mn)	12	13	14	15	16
Net Profit Adj (Eu mn)	6	4	6	7	8
EPS New Adj (Eu)	1.092	0.779	1.008	1.247	1.423
EPS Old Adj (Eu)	1.092	0.911	1.176	1.325	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.9	7.0	6.8	5.8	5.0
EV/EBIT Adj	14.2	11.4	10.2	8.4	7.2
P/E Adj	11.1	15.5	12.0	9.7	8.5
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.9	2.4	1.9	1.3	0.8

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.
Frequency of research: quarterly.
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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
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BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;
UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
SELL: stock expected to underperform the market by over 25% over a 12 month period.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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