

ALKEMY

Sector: Industrials

OUTPERFORM

Price: Eu9.18 - Target: Eu14.10

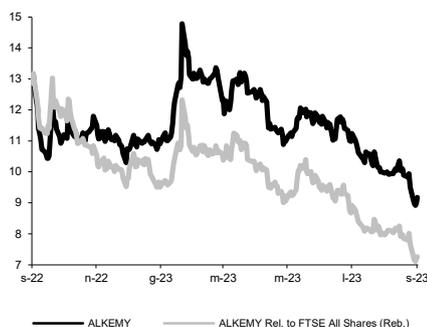
2Q EBITDA in line; Estimates Update Reflects Greater Caution and Non-Operating Costs

 Gianluca Bertuzzo +39-02-77115.429
 gianluca.bertuzzo@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 16.60 to 14.10		
	2023E	2024E	2025E
Chg in Adj EPS	-18.5%	-15.6%	-13.6%

ALKEMY - 12M Performance



Stock Data

Reuters code:	ALKE.MI		
Bloomberg code:	ALK IM		
Performance	1M	3M	12M
Absolute	-7.8%	-21.4%	-28.6%
Relative	-9.0%	-24.2%	-55.1%
12M (H/L)	14.78/8.92		
3M Average Volume (th):	4.25		

Shareholder Data

No. of Ord shares (mn):	5
Total no. of shares (mn):	6
Mkt Cap Ord (Eu mn):	50
Total Mkt Cap (Eu mn):	50
Mkt Float - Ord (Eu mn):	27
Mkt Float (in %):	54.1%
Main Shareholder:	
Vitali Duccio	10.9%

Balance Sheet Data

Book Value (Eu mn):	47
BVPS (Eu):	8.30
P/BV:	1.1
Net Financial Position (Eu mn):	-33
Enterprise Value (Eu mn):	85

- 2023 results: adj. EBITDA in line.** ALK reported revenues of €29.4mn, up +15% YoY vs. our estimate of €29.9mn. Growth was driven by the consolidation of InnoCV (+9% vs. +11% exp., closed in 3Q22) and trends with existing clients (+6%, in line with est.) mainly realised in the International division (38% of total, Spain, Mexico and Serbia) while Italy was flat YoY amid uncertainty in the market. Adj. EBITDA was €3.5mn vs. our estimate of €3.6mn, up +10% YoY. The margin was 11.8%, down 0.5pp YoY, dented by higher personnel costs only partly offset by almost flat services costs. In particular, personnel costs were up +32% YoY, ~70% of which related to increased headcount, mainly due to the InnoCV consolidation, and the remaining ~30% to higher salaries.
- Net profit burdened by one-offs, provisions and tax rate.** Net profit was €0.8mn, down -46% YoY, negatively affected by one-offs, provisions and the tax rate. The company incurred €0.4mn of one-off costs following a one-time inflation bonus to employees and redundancies implemented last year; provisions of €0.3mn relate to a small customer (receivable entirely written off); the tax rate was 42%, although this should be temporary. Net debt of €35.4mn was also a bit worse than expected (€32.2mn) following lower economic results and higher IFRS 16 debts.
- 2023 guidance: organic growth to continue 1H trends, EBITDA margin to widen slightly.** Management reiterated its 2023 guidance, pointing to positive organic revenue growth and margin expansion. During the call, it was said that 2H organic growth should continue along 1H trends (+7%) while rising costs should level off as the headcount increase is expected to return to normal levels as the InnoCV consolidation reaches its first anniversary.
- Change in estimates.** We are trimming our revenue forecast slightly to +7% (vs. +8% prev.), in line with management expectations and factoring in a higher level of uncertainty in the market. In terms of profitability, we are also trimming our margin expectations by 0.4pp after the trend reported in 1H and looking at the 2H cost trend, in which we embed an increase in personnel costs (headcount and salaries both slightly higher) and a slight drop in services costs. However, we are lowering our adj. EPS forecast by -18%, incorporating D&A and net interest charges.
- OUTPERFORM; target from €16.6 to €14.1.** ALK reported adj. EBITDA broadly in line with our forecast, although net profit was mostly affected by non-recurring items. The cut in estimates mainly reflects non-operating costs, but also more caution due to a more uncertain environment. Nevertheless, still-robust organic growth suggests that ALK's strategy is bearing fruit, allowing for margin expansion once inflation eases. 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 from €16.6 to €14.1 reflecting the change in estimates.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	95	107	119	129	139
EBITDA Adj (Eu mn)	11	12	13	15	16
Net Profit Adj (Eu mn)	5	6	5	7	8
EPS New Adj (Eu)	0.896	1.092	0.911	1.176	1.325
EPS Old Adj (Eu)	0.896	1.092	1.118	1.394	1.534
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.6	9.9	6.4	5.4	4.5
EV/EBIT Adj	13.2	14.2	9.8	7.9	6.5
P/E Adj	10.2	8.4	10.1	7.8	6.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.0	2.9	2.5	1.9	1.3