

# ALKEMY

Sector: Industrials

## OUTPERFORM

Price: Eu9.58 - Target: Eu11.40

## 2024 Set to Be Tougher Than Previously Expected

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

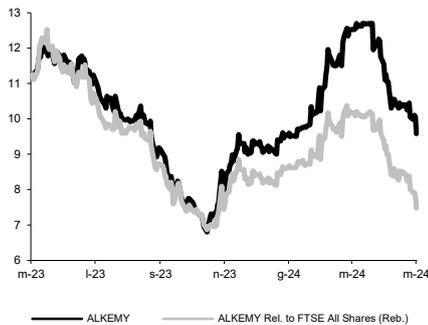
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 15.00 to 11.40		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	-34.7%	-22.9%	-16.1%

### Next Event

 Preliminary 1H24 Results Out 8<sup>th</sup> August

### ALKEMY - 12M Performance



### Stock Data

Reuters code:	ALKE.MI		
Bloomberg code:	ALK IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-13.7%	-11.3%	-14.5%
Relative	-19.6%	-22.4%	-42.7%
12M (H/L)	12.70/6.80		
3M Average Volume (th):	11.47		

### Shareholder Data

No. of Ord shares (mn):	5
Total no. of shares (mn):	6
Mkt Cap Ord (Eu mn):	52
Total Mkt Cap (Eu mn):	52
Mkt Float - Ord (Eu mn):	28
Mkt Float (in %):	54.1%
Main Shareholder:	
Vitali Duccio	10.9%

### Balance Sheet Data

Book Value (Eu mn):	51
BVPS (Eu):	9.06
P/BV:	1.1
Net Financial Position (Eu mn):	-27
Enterprise Value (Eu mn):	81

■ **1Q24 results: EBITDA weak but in line.** In 1Q24, ALK reported a decline in EBITDA that was in line with our forecast, while net income was affected by higher D&A. Revenues came to €28.4mn (vs. our €28.2mn), up +1% YoY. Italy (63% of total) was up +4% YoY driven by digital marketing, but International was down -3% as Spain lost one important client and Mexico saw reduced spending by the most important customer. Adj. EBITDA was €2.3mn (vs. our €2.3mn), down -8% YoY, for an 8.2% margin on the back of an adverse business mix amid higher digital marketing and lower consulting revenues. Net income was €0.3mn (vs. our €0.6mn), down -70% YoY. Net debt was €28.7mn, vs. €31.8mn in FY23, due to seasonal NWC dynamics.

■ **2024 outlook: profitability burdened by adverse mix and higher personnel costs.** Management has confirmed it expects revenues to show similar trends in 2Q followed by a slight acceleration in 2H thanks to the new organisational model, leading to modest growth in FY24. Profitability, however, is expected to decline YoY in 2Q24 and for the remainder of the year on the back of a negative revenue mix and an increase in labour costs (~€0.8mn) due to the renewal of the national labour contract. EBITDA is therefore not expected to grow this year. Going forward, management aims to offset this impact with higher efficiency, operating leverage and an improving business mix. Overall, while we confirm our revenue estimates at ~€123mn (+3% YoY) still expecting an acceleration in 2H, we are cutting adj. EBITDA to €11.6mn (-12% YoY) for a 9.4% margin vs. our previous estimates of €11.6mn and 11.3% respectively.

■ **Change in estimates.** We are lowering our EPS estimates by -25% on average to take the lower indications on profitability into account.

■ **OUTPERFORM; target to €11.4.** ALK didn't start 2024 in the right way, with profitability headwinds, consisting of an adverse mix and higher labour costs, exacerbating an already-low revenue growth scenario. Management measures to recover from this impact will take time to bear fruit, and mostly rely on turnover growth. While 2024 will be a transitional year, we expect ALK to return to more sustained growth from 2025 onwards. This growth, combined with the undemanding valuation, lead us to confirm our rating on the stock. We are cutting our target price from €15.0 to €11.4, reflecting our reduced estimates. On our new estimates the stock is trading at ~6.4x EV/EBITDA 24/25 vs. an average of ~10x for IT Consultancy peers.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	107	119	123	133	141
EBITDA Adj (Eu mn)	12	13	12	13	15
Net Profit Adj (Eu mn)	6	4	4	5	7
EPS New Adj (Eu)	1.092	0.779	0.658	0.961	1.195
EPS Old Adj (Eu)	1.092	0.779	1.008	1.247	1.423
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.9	7.0	7.0	5.8	4.8
EV/EBIT Adj	14.2	11.4	12.2	9.0	7.2
P/E Adj	8.8	12.3	14.6	10.0	8.0
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.9	2.4	2.3	1.7	1.2

**DISCLAIMER (for more details go to [DISCLAIMER](#))**

**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website [www.intermonte.it](http://www.intermonte.it) under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

**ANALYST CERTIFICATION**

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certifies that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

**GUIDE TO FUNDAMENTAL RESEARCH**

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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

Explanation of our ratings system:

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

**CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS**

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

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:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

**CONFLICT OF INTEREST**

In order to disclose its possible conflicts of interest Intermonte SIM states that:

**Intermonte is acting as financial advisor to SGG Holding S.p.A. in relation to the voluntary public tender offer launched on SAES Getters S.p.A.**

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

**Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.**

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, EL.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, Go Internet, GPI, Greenthesis (formerly Ambientthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luve, Matica Fintec, Mondadori, Notorious Pictures, Omer, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMBI, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STI, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifre S.P.A., B&C Speakers, Cleanbnb, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxoe, Edilizacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, Intercos, Intred, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Notorious Pictures, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, Solid World Group, Spindox Digital Soul, Tamburi, Tesmec, Tinexta, Tps Group, Trendevice, Ulisse Biomed, Wiit.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emitente	%	Long/Short
----------	---	------------

**© Copyright 2024 by Intermonte SIM - All rights reserved**

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available