

ALKEMY

Sector: Industrials

NEUTRAL

Price: Eu11.75 - Target: Eu10.70

A tougher-than-anticipated year

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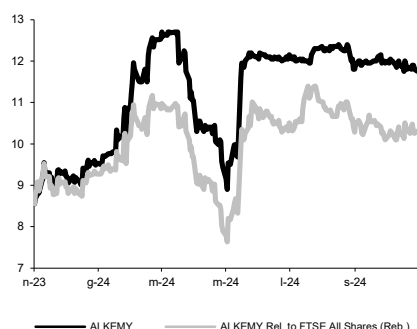
Stock Rating

Rating: from OUTPERFORM to NEUTRAL

Target Price (Eu): from 11.40 to 10.70

	2024E	2025E	2026E
Chg in Adj EPS	-88.4%	-54.3%	-39.7%

ALKEMY - 12M Performance



Stock Data

Reuters code: ALKE.MI

Bloomberg code: ALK IM

Performance	1M	3M	12M
Absolute	-1.7%	-4.5%	39.4%
Relative	2.2%	-6.5%	25.2%
12M (H/L)			12.70/8.55
3M Average Volume (th):			8.35

Shareholder Data

No. of Ord shares (mn):	5
Total no. of shares (mn):	6
Mkt Cap Ord (Eu mn):	63
Total Mkt Cap (Eu mn):	63
Mkt Float - Ord (Eu mn):	34
Mkt Float (in %):	54.1%
Main Shareholder:	
Vitali Duccio	10.9%

Balance Sheet Data

Book Value (Eu mn):	45
BVPS (Eu):	8.05
P/BV:	1.5
Net Financial Position (Eu mn):	-29
Enterprise Value (Eu mn):	95

ALK reported 9M24 results well below the trajectory we envisaged at the beginning of the year, burdened by a weak market, a negative mix in Italy, and troubles with clients in Spain and Mexico. With 4Q expected to remain on the same path, we are significantly lowering our forecast. After the closing of the Retex tender offer, on which we provide a recap below, we are resuming coverage with a downgrade to NEUTRAL from Outperform. In particular, the stock price hovers close to the takeover price implying a generous valuation of ~10x 2025 EV/EBITDA compared to larger, more profitable and more liquid peers. TP to €10.7 from €11.4 on lower estimates, partly offset by the roll-over of the valuation.

■ **9M24 results: well below the trajectory envisaged at the start of the year.** Compared to our last published report in May (i.e. prior to the takeover offer by Retex), ALK reported 9M24 results that are well below the trajectory of our previous forecast. Management attributed the situation to a complex moment for the market, a weak sales mix in Italy amid low consulting revenues, the loss of a client in Spain, and renegotiation in Mexico. In 9M24, revenue closed at €84.5mn, down -2% YoY, with 3Q down -8%; EBITDA was €5.8mn, -36% YoY, and a 6.8% margin, with 3Q down -66% YoY; and net debt was €30.0mn vs €31.8mn as at YE23.

■ **2024 outlook: 4Q still difficult.** Management sees 4Q being another tough quarter due to the aforementioned issues: a soft mix in Italy and problems in Spain and Mexico. Therefore, FY24 should close with revenues of ~€115mn, down -3% YoY; EBITDA of €7.9mn, -40% YoY and a 6.8% margin vs 11.0% in FY23; and net debt at €30mn or 3.8x net debt/EBITDA.

■ **Covenant: topic closely monitored; dialogue open with banks.** According to our estimates, ALK should have closed 2024 with net debt/adj. EBITDA of 3.4x compared to a 3.0x covenant. Management is said to be closely monitoring the evolution of net debt and has positive dialogue open with banks.

■ **Recap of Retex takeover offer.** On 3rd June, Retex, along with ALK's CEO D. Vitali, launched an all-out voluntary tender offer on ALK at €12 aimed at delisting. The offer implied a 21% premium vs the last closing price or +16%/+10/+5/+23 vs 12/6/3/1 months. Retex is a digital transformation company controlled by Fondo Strategico Italiano (FSI) with a complementary business model to ALK. After several twists and turns, on 10th October the offer finally closed with the situation as follows: i) Retex, including purchases on the market, currently holds 57.6% of ALK's share capital and 48.3% of voting rights; ii) D. Vitali, who acts along with Retex, holds 4.3% of share capital and 7.3% of voting rights; iii) a number of shareholders, namely Tamburi, Chairman Mattiacci, ex-board member Lorenzini, V. Massone (Qmat), Algebris and Fidelity, who did not accept Retex offer (seeking a higher PTO), hold a combined stake of 24.4% of the share capital or 33.0% of the voting rights in a shareholder pact; iv) the remaining shareholders hold 13.6% of share capital and 11.4% of voting rights. On 3rd December an Ordinary GM has been called to appoint the new BoD.

■ **Change in estimate.** We are cutting our estimate on the back of lower revenue, mix and negative operating leverage. Our EBIT decrease on average by -40% vs previous forecast.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	107	119	115	121	127
EBITDA Adj (Eu mn)	12	13	8	10	11
Net Profit Adj (Eu mn)	6	4	0	2	4
EPS New Adj (Eu)	1.092	0.779	0.076	0.439	0.720
EPS Old Adj (Eu)	1.092	0.779	0.658	0.961	1.195
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.9	7.0	11.3	9.6	8.0
EV/EBIT Adj	14.2	11.4	29.7	17.7	12.6
P/E Adj	10.8	15.1	nm	26.7	16.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.9	2.4	3.4	2.7	2.1

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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.

Reports on all companies listed on the S&PMB40 Index, most of those on the MDEX 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

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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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