ALKEMY

OUTPERFORM

Sector: Industrials

Price: Eu13.06 - **Target: Eu16.80**

Robust 4Q22 results; Improving Client Approach Bodes Well for FY23

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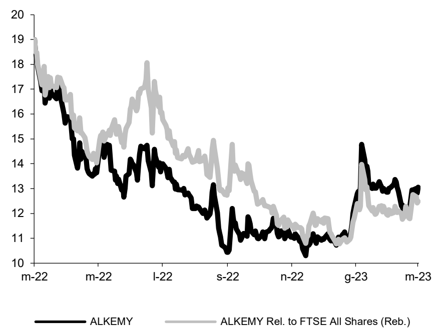
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 16.20 to 16.80
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-2.4%	-3.2%	

ALKEMY - 12M Performance



Stock Data			
Reuters code:			ALKE.MI
Bloomberg code:			ALK IM
Performance	**1M**	**3M**	**12M**
Absolute	1.6%	19.2%	-31.3%
Relative	4.4%	8.4%	-35.9%
12M (H/L)			18.50/10.30
3M Average Volume (th):			9.36

Shareholder Data	
No. of Ord shares (mn):	5
Total no. of shares (mn):	6
Mkt Cap Ord (Eu mn):	71
Total Mkt Cap (Eu mn):	71
Mkt Float - Ord (Eu mn):	38
Mkt Float (in %):	54.1%
Main Shareholder:	
Vitali Duccio	10.9%

Balance Sheet Data	
Book Value (Eu mn):	50
BVPS (Eu):	8.82
P/BV:	1.5
Net Financial Position (Eu mn):	-29
Enterprise Value (Eu mn):	103

- **4Q22 results in line with forecasts.** ALK reported 4Q22 results that were in line with expectations, with a healthier-than-expected contribution from both organic and external growth offsetting slightly softer-than-forecast margin expansion. Revenues were €31.9mn (vs. €30.7mn expected), +15% YoY, with +8% growth from M&A (InnoCV in Spain) and +7% organic growth thanks to the focus on main clients. EBITDA was €3.9mn (vs. €3.9mn exp.), +23% YoY. The margin expanded to 12.3% (vs. 12.6% exp., 11.5% in 4Q21) thanks to a positive mix effect driven by larger projects with main clients and insourcing of activities, partly offset by investments to improve its go-to-market strategy. Net profit was €1.9mn (vs. €1.9mn exp.) as lower taxes (implementation of fiscal consolidation and use of DTA) offset higher D&A and non-recurring charges. Net debt was €34.1mn (vs. €33.8mn).
- **2023 outlook consistent with expectations.** Management said the year started on a positive note with new projects accelerating after the wait-and-see approach adopted by clients in the aftermath of the Russian invasion of Ukraine in March 2022. Mid-single-digit organic growth should be viewed as a floor, with margins continuing to expand on the back of the same drivers as 2022, such as mix and efficiencies, partly offset by investments to enhance go-to-market personnel (now 20/25 FTE, vs. ~60 at target). Coupled with a +5% contribution from M&A (InnoCV, consolidated as of July 2022), we expect revenues to reach €118.5mn, up +11% YoY, with adj. EBITDA of €13.8mn, up +16% for an 11.6% margin (+0.4pp).
- **Private equity division launched to support fund strategies and development of associate companies.** Earlier this month, ALK announced the setting-up of a new division focused on private equity within its Consultancy competence centre, with the aim of providing support for strategies and business development at companies invested in by private equity funds, accelerating growth by pulling on all digital levers. In 2022, the company provided its services to players such as Ambienta, HIG, Metrika, Dea Capital Alternative Funds, Gradiente and Wise Equity. Ahead of further developments, we welcome this news as it can provide an acceleration to the company's growth.
- **Change in estimates.** Revenue and EBITDA confirmed, adj. EPS forecast lowered slightly (-2/3%) in light of higher D&A and net financial charges, partly offset by a lower tax rate thanks to the contribution of foreign entities.
- **OUTPERFORM; target to €16.8 vs. €16.2 prev.** ALK reported robust overall FY22 results, in line with expectations. With clients adopting a more proactive approach compared to last year's wait-and-see attitude, FY23 prospects seem positive, with double-digit growth and margin expansion to continue. 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's actions. OUTPERFORM confirmed; target to €16.8 (from €16.2) thanks to the roll-over of the valuation by one year, the impact of which more than offsets the slight reduction in estimates.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	95	107	118	128	136
EBITDA Adj (Eu mn)	11	12	14	15	16
Net Profit Adj (Eu mn)	5	6	7	8	9
EPS New Adj (Eu)	0.896	1.092	1.186	1.430	1.533
EPS Old Adj (Eu)	0.896	1.025	1.214	1.478	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.6	9.9	7.5	6.3	5.5
EV/EBIT Adj	13.2	14.2	10.2	8.3	7.3
P/E Adj	14.6	12.0	11.0	9.1	8.5
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.0	2.9	2.1	1.5	1.0