Milan, 02 March 2023

Italian Equity Research – FY22 Results

AMPLIFON

NEUTRAL

Sector: Consumers

Price: Eu27.11 - **Target: Eu29.00**

Wait-And-See Mode Until 1Q Results Enhance 2023 Visibility

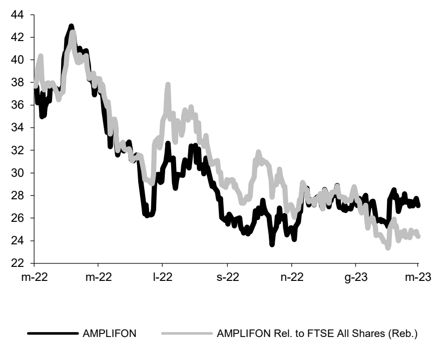
Giorgio Tavolini +39-02-77115.279
giorgio.tavolini@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 28.00 to 29.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-1.3%	0.4%	0.1%

Next Event

1Q23 Results Out 2nd May

AMPLIFON - 12M Performance



Stock Data			
Reuters code:			AMPF.MI
Bloomberg code:			AMP IM
Performance	**1M**	**3M**	**12M**
Absolute	5.7%	-2.0%	-28.6%
Relative	3.5%	-12.5%	-39.7%
12M (H/L)			42.98/23.66
3M Average Volume (th):			676.45

Shareholder Data	
No. of Ord shares (mn):	226
Total no. of shares (mn):	226
Mkt Cap Ord (Eu mn):	6,137
Total Mkt Cap (Eu mn):	6,137
Mkt Float - Ord (Eu mn):	3,296
Mkt Float (in %):	53.7%
Main Shareholder:	
Amplifter Srl (Susan Holland)	42.2%

Balance Sheet Data	
Book Value (Eu mn):	1,182
BVPS (Eu):	5.21
P/BV:	5.2
Net Financial Position (Eu mn):	-1,242
Enterprise Value (Eu mn):	6,911

- **FY22 results in line.** FY22 headline numbers broadly in line with estimates /consensus, showing a remarkable organic growth slowdown in 4Q (softer demand, macro, tough comparison in France, Covid in APAC, extreme weather in US), mainly in EMEA (4Q: -2.5%, 3Q: +0.2%) which made up c.2/3 of the FY22 top line. Revenues were €2,119mn (cons. €2,129mn, our est. €2,130mn), up 8.8%, of which 3.0% organic (EMEA +1.0%, Americas +13.0%, APAC +2.2%); 4Q22 organic growth was 0.4% (EMEA -2.5%, Americas +14.1%, APAC +1.5%). Adj. EBITDA was €525.3mn (cons. €527mn, our est. €522mn), up 8.8% YoY with a 24.8% margin (cons. 24.7%, our est. 24.5%), flat YoY (EMEA -0.1pp, Americas +0.1pp, APAC -2.2pp). The bottom line was 4% below our estimate due to higher D&A (+€6mn) and net financial charges (+€1mn), while stronger NWC drove better FCF (€247mn, cons. €221mn, our est. €206mn) partially absorbed by bolt-on M&A (150 points of sale acquired, mainly in Canada, USA, China, France and Germany, for c.€75mn), dividends (€58mn) and buyback (€53mn), leading to net debt of €830mn (1.6x EBITDA) down from €871mn at YE21. DPS set at €0.29 (+11.5% YoY, our est. €0.30), a 36.5% payout.
- **FY23 outlook: more visibility after March/April.** A lack of quantitative FY23 targets suggests still-low visibility, despite hints on solid Jan/Feb revenue growth. Amplifon should outperform the market, assuming a 2pp contribution from bolt-on M&A and improving profitability. The call was constructive, but with few additional hints on 2023: visibility should be clearer after March and April (typically strong months); the CEO expects positive organic market growth but below Amplifon's historical 4% rate. Across the 3 regions: strong growth in Americas, medium in APAC, low in EMEA. For margin expansion (not yet quantified), an even contribution is expected, with a key role for January's 2-3% price hike, taking full effect from March (no impact on volumes yet). On the other hand, the company sees no significant risk of downtrading, although returning customers may still postpone purchases. The M&A market environment is better, with scaled-back expectations on multiples and sellers keener to clinch deals due to a more challenging environment.
- **Estimates update**. We are just tweaking our FY23-25 top line and EBITDA estimates, assuming a c.6% sales CAGR with profitability expanding beyond 25% (25.1% in FY23, +30bp), while we capture higher financial charges (+€4mn) and keep D&A at c.11% of sales, all of which leads to changes of -1.3%/+0.4%/+0.1% to 2023/24/25 EPS.
- **NEUTRAL confirmed; target raised to €29 (from €28) following DCF rollover.** After quite a volatile end to FY22, visibility on this year remains low, with a lack of numerical targets, although there were hints on solid revenue growth in Jan/Feb. We therefore remain NEUTRAL, still assuming softer market trends in 2023 and a likely drop in consumer spending, with inflation biting pensions/wages and in particular the out-of-pocket component (75%) of hearing care spend. On the other hand, Amplifon stands out as a quality defensive name in a structurally growing (and relatively sheltered) market, less sensitive to geopolitical headwinds (negligible exposure to Russia/Ukraine), while the medium-term strategy is particularly helpful: reinforcing its leading position in the buoyant hearing aid industry makes Amplifon well placed to benefit from its customer-centric strategy and key competitive advantages (brand, geographical diversification, solid financial profile, management track record), backed up by well-established supportive trends (ageing population, increasing penetration).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,948	2,119	2,247	2,390	2,520
EBITDA Adj (Eu mn)	483	525	564	602	637
Net Profit Adj (Eu mn)	219	230	254	273	289
EPS New Adj (Eu)	0.969	1.018	1.122	1.204	1.276
EPS Old Adj (Eu)	0.969	1.053	1.137	1.199	1.275
DPS (Eu)	0.260	0.290	0.341	0.371	0.398
EV/EBITDA Adj	20.2	15.3	12.2	11.2	10.3
EV/EBIT Adj	37.4	28.2	21.5	19.5	17.8
P/E Adj	28.0	26.6	24.2	22.5	21.2
Div. Yield	1.0%	1.1%	1.3%	1.4%	1.5%
Net Debt/EBITDA Adj	2.7	2.5	2.2	1.8	1.4