

AMPLIFON

Sector: Consumers

OUTPERFORM

Price: Eu33.12 - Target: Eu41.00

Raising the Bar: Superior Organic Growth and Improving margins

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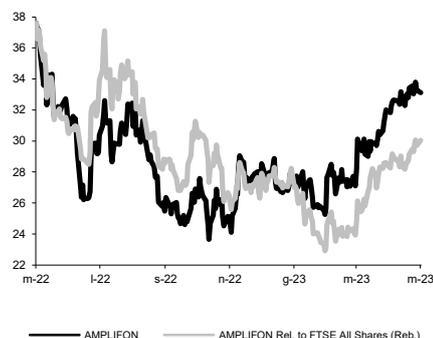
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 39.00 to 41.00		
	2023E	2024E	2025E
Chg in Adj EPS	0.9%	1.1%	1.2%

Next Event

1H23 Results Out 27 July

AMPLIFON - 12M Performance



Stock Data

Reuters code:	AMPF.MI		
Bloomberg code:	AMP IM		
Performance	1M	3M	12M
Absolute	3.7%	19.8%	-11.9%
Relative	5.5%	21.7%	-22.2%
12M (H/L)	37.18/23.66		
3M Average Volume (th):	650.06		

Shareholder Data

No. of Ord shares (mn):	226
Total no. of shares (mn):	226
Mkt Cap Ord (Eu mn):	7,498
Total Mkt Cap (Eu mn):	7,498
Mkt Float - Ord (Eu mn):	4,026
Mkt Float (in %):	53.7%
Main Shareholder:	
Ampliter Srl (Susan Holland)	42.2%

Balance Sheet Data

Book Value (Eu mn):	1,176
BVPS (Eu):	5.19
P/BV:	6.4
Net Financial Position (Eu mn):	-1,233
Enterprise Value (Eu mn):	8,252

■ **1Q23 Results:** a 2-3% beat vs our/cons estimates on sales and adj. EBITDA. Despite an extremely challenging comparison base (+16% growth in 1Q22), 1Q showed 9% sales growth underpinned by above-market organic growth (7.4%), highlighting market demand back to growth, primarily driven by the US private market and share gains across major markets on top of a great boost from bolt-on M&A (1.9%) and limited FX headwinds (-0.3%). Within the mix, EMEA saw a strong rebound (org.+5.0% + 1pp M&A), well balanced across the main markets (strong Italy and Germany, sequential recovery in Spain and France), despite a challenging comparison base (France); AMERICAS led again (org. +13%) and enjoyed an additional boost from bolt-on M&A (+6.4pp, new stores acquired in US and Canada); while APAC (org. 12.6% + 0.8pp M&A in China) benefitted from double-digit trends in Australia and China. Adj. EBITDA came to €123.5mn, up 9.5% YoY, with the margin at 22.9%, +10bps above the record 1Q22 figure despite heavy reinvestment in the business (corporate costs +12% YoY) thanks to stronger profitability in APAC (27.3%, +30pbs) and EMEA (27.8%, +10bps), while AMERICAS flat (24.6%). Op. FCF (€73mn) was roughly in line with strong 1Q22 and almost entirely absorbed by significant investments (€27mn capex and M&A cash-out for €39mn, 70 shops acquired) leading to a minor decrease in net debt (€826mn, 1.48x EBITDA) vs YE22.

■ **2023 outlook and management commentary.** Revenues expected at €2.30-2.35bn (at mid-point 3% above consensus at €2,253mn) supported by market share gains and bolt-on M&A, which will contribute around 2pp to revenue growth; adj. EBITDA at €570-585mn (2% above cons. €565mn) thanks to operating leverage and the new pricing actions implemented to offset the higher cost of labour, as well as support other strategic costs and investments. Excluding the M&A boost, new targets for FY23 imply very high single-digit organic growth (close to 9% at the upper end), among the highest levels ever achieved by Amplifon. Price increases will contribute more than 2-3%, with no noticeable impact on units. Demand from new customers is strong, while the impact of purchase postponement from returning customers appears limited. On profitability, the FY23 plan implies margins between flattish and 10bps growth to account for higher labour cost inflation (AUS, NZ, FR), but management has no real concern about the company's ability to improve profitability in the medium term.

■ **Estimates update.** We raise FY23 estimates by 3%, pointing to €2.33bn sales and €581mn adj. EBITDA, slightly above midpoints. However, this revision is partially offset by higher D&A (11% of sales, +€9mn) and interest (+€3mn), leading to a c.1% uplift to adj. EPS for 2023-25.

■ **OUTPERFORM confirmed; target raised to €41 (from €39).** After three quarters of negative market demand, in 1Q Amplifon's core market returned to growth with the company outperforming the market. 2023 guidance implies room for LSD revision of consensus estimates, with no major downside risks (no evidence of downgrading even in an unprecedented inflationary environment hitting consumer spending), and a much easier comparison base for the rest of the year. Additionally, new price hikes and further M&A should strengthen confidence in the company's positioning. Based on our revised estimates and same terminal assumptions, we increase our DCF-based TP to €41 (from prior €39). Overall, Amplifon stands out as a quality defensive name in a structurally growing (and relatively sheltered) market, less sensitive to geopolitical headwinds, while the medium-term strategy is particularly encouraging: reinforcing its leading position in the buoyant hearing aid industry puts Amplifon in the right place 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	2,329	2,480	2,621
EBITDA Adj (Eu mn)	483	525	581	623	661
Net Profit Adj (Eu mn)	219	230	257	278	295
EPS New Adj (Eu)	0.969	1.018	1.136	1.226	1.303
EPS Old Adj (Eu)	0.969	1.018	1.126	1.213	1.288
DPS (Eu)	0.260	0.290	0.331	0.378	0.408
EV/EBITDA Adj	20.2	15.3	14.2	13.1	12.1
EV/EBIT Adj	37.4	28.2	25.1	23.0	21.2
P/E Adj	34.2	32.5	29.2	27.0	25.4
Div. Yield	0.8%	0.9%	1.0%	1.1%	1.2%
Net Debt/EBITDA Adj	2.7	2.5	2.1	1.8	1.5