

AMPLIFON

Sector: Consumers

NEUTRAL

Price: Eu30.81 - Target: Eu35.00

Softer Market Trends in 2Q, More Expensive Customer Mix

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Stock Rating

Rating: from OUTPERFORM to NEUTRAL

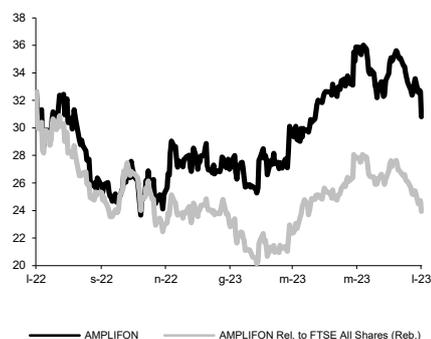
Target Price (Eu): from 41.00 to 35.00

	2023E	2024E	2025E
Chg in Adj EPS	-5.5%	-6.9%	-7.7%

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	-11.3%	-5.6%	-5.5%
Relative	-12.7%	-6.0%	-34.3%
12M (H/L)	36.01/23.66		
3M Average Volume (th):	544.65		

Shareholder Data

No. of Ord shares (mn):	226
Total no. of shares (mn):	226
Mkt Cap Ord (Eu mn):	6,975
Total Mkt Cap (Eu mn):	6,975
Mkt Float - Ord (Eu mn):	3,746
Mkt Float (in %):	53.7%
Main Shareholder:	
Ampliter Srl (Susan Holland)	42.2%

Balance Sheet Data

Book Value (Eu mn):	1,162
BVPS (Eu):	5.12
P/BV:	6.0
Net Financial Position (Eu mn):	-1,250
Enterprise Value (Eu mn):	7,746

■ **2Q23 results preview.** Despite a relatively easier comp with last year, the broader market should have seen decelerating trends in 2Q, mainly due to a lower inflow of returning customers. In particular, the US private market saw a sequential slowdown according to HIA figures (1Q: +9%, April+May +5%), while Europe was still negative, as in 1Q, with no signs of recovery in France and Germany, partly dented by 1 fewer working day (c.1.5pp drag QoQ); APAC grew, albeit at a slower pace than in 1Q. Amplifon should have continued to outpace the market, mirroring this sequential slowdown in organic growth rates (1Q: +7.4%, 2Q: +6.0%), while the 2pp M&A boost should have been more than offset by ForEx headwinds (-2.6pp, due to strong depreciation of USD, AUD and ARS against EUR), leading to group revenues of €570mm in 2Q. Within the mix, we see 3.5% organic growth in EMEA (1Q: +5.0%) and a slight deceleration in Americas (2Q: +11.5%, 1Q: +13.0%) and APAC (2Q: +10.5%, 1Q: 12.6%). The adj. EBITDA margin should have suffered from i) a tough comparison with last year's record level (2Q22: 27.2%, +0.4pp YoY), ii) a more expensive customer mix due to fewer returning customers (lower acquisition costs compared to new customers) especially in EMEA (80% of Group EBITDA), iii) stronger exposure for Miracle Ear to direct retail business in US (accretive on financials, but dilutive on margins). Adj. EBITDA should have come to €153mn, up 4%, with a 26.8% margin. At reported level, we include a further €3mn of the €12mn one-off charges expected for this year (c.€7mn already booked in 1Q), relating to the one-off award, free of charge and for the current mandate, of up to 500k Amplifon shares owned by Ampliter to CEO Enrico Vita, treated by Amplifon in accordance with the IFRS2 accounting principle. Assuming high CapEx (€31mn), the c.€61mn FCF should have been absorbed by the cash-out for small M&A (c.€21mn) and dividends (€65mn), leading to increasing net debt at c.€852mn (YE22: €830mn).

■ **2023 outlook under scrutiny.** We believe a sequential slowdown in organic growth rates in the coming quarters and more severe ForEx headwinds could result in a marked cut in FY expectations, even below company guidance. The company currently expects revenues at €2.30-2.35bn (consensus mid-point €2.31bn) supported by high single-digit organic growth, market share gains and bolt-on M&A, which should contribute around 2pp to revenue growth. Similarly, the FY23 plan implies flat to 10bp margin growth to 24.8-24.9% to account for higher labour cost inflation (AUS, NZ, FR), but this probably does not capture the more expensive customer mix.

■ **Updated estimates.** We are trimming FY23 estimates by 2-4%, bringing sales to €2.27bn sales and adj. EBITDA to €557mn (a 24.5% margin), 1-2% below the low end of guidance, reflecting a 1% rise in interest charges (20% of debt exposed to floating rates), leading to a 6-7% cut in 2023-25E EPS.

■ **Downgrade to NEUTRAL (from Outperform); target cut to €35 (from €41).** After 3 quarters of negative market demand and a return to growth in 1Q, 2Q trends appear quite volatile with lower demand from returning customers, while FY visibility remains low. Softer 2H market trends and a likely drop in consumer spending, with inflation biting pensions/wages and in particular the out-of-pocket portion (75%) of hearing care spend, lead us to take a more prudent stance, downgrading the stock to NEUTRAL. On the other hand, AMP 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 positioning in the buoyant hearing aid industry, meaning AMP is 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 in the silver economy (ageing population, increasing penetration).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,948	2,119	2,274	2,398	2,511
EBITDA Adj (Eu mn)	483	525	557	590	620
Net Profit Adj (Eu mn)	219	230	243	258	272
EPS New Adj (Eu)	0.969	1.018	1.073	1.142	1.203
EPS Old Adj (Eu)	0.969	1.018	1.136	1.226	1.303
DPS (Eu)	0.260	0.290	0.307	0.346	0.371
EV/EBITDA Adj	20.2	15.3	13.9	13.0	12.2
EV/EBIT Adj	37.4	28.2	25.0	23.1	21.6
P/E Adj	31.8	30.3	28.7	27.0	25.6
Div. Yield	0.8%	0.9%	1.0%	1.1%	1.2%
Net Debt/EBITDA Adj	2.7	2.5	2.2	2.0	1.7