Milan, 11 March 2024

Italian Equity Research – FY23 Results

AMPLIFON

NEUTRAL

Sector: Healthcare

Price: Eu33.67 - **Target: Eu36.00**

Multiples Still Expensive Despite More Profitable Growth

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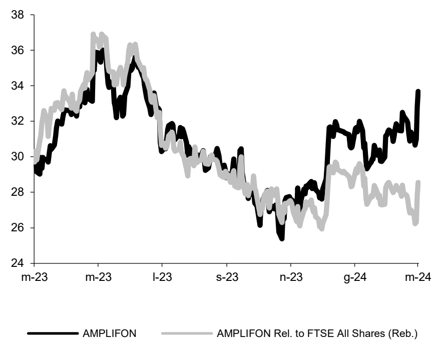
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 33.00 to 36.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	2.9%	4.5%	5.8%

Next Event

AGM 24 April '24, 1Q24 Results 6 May '24

AMPLIFON - 12M Performance



Stock Data			
Reuters code:			AMPF.MI
Bloomberg code:			AMP IM
Performance	**1M**	**3M**	**12M**
Absolute	7.2%	19.5%	13.4%
Relative	0.1%	9.8%	-4.5%
12M (H/L)			36.01/25.38
3M Average Volume (th):			516.94

Shareholder Data	
No. of Ord shares (mn):	226
Total no. of shares (mn):	226
Mkt Cap Ord (Eu mn):	7,623
Total Mkt Cap (Eu mn):	7,623
Mkt Float - Ord (Eu mn):	4,383
Mkt Float (in %):	57.5%
Main Shareholder:	
Ampliter Srl (Susan Holland)	42.1%

Balance Sheet Data	
Book Value (Eu mn):	1,236
BVPS (Eu):	5.46
P/BV:	6.2
Net Financial Position (Eu mn):	-1,325
Enterprise Value (Eu mn):	8,450

- **FY23 Results.** Overall, FY23 results were in line with our expectations for the top line and EBITDA. Organic top-line growth was solid (4Q: +8.9%, 3Q: +8.0%) and well above market, driven by an impressive acceleration in AMERICAS (4Q: +26.1%, 3Q: +17.3%), boosted by faster growth of Miracle-Ear direct retail vs franchise. By contrast, EMEA (4Q: +4.1%, 3Q: 5.0%) and APAC (4Q: 11.9%, 3Q: +13.9%) saw some sequential slowdown. As expected, the adj. EBITDA margin was 24.0% in FY23 (-0.8pp YoY) as a result of lower operating leverage in EMEA, significant investment in field capacity to boost growth, a less favourable geographic mix (EMEA 2/3 of sales) and ForEx headwinds. Adj. net profit came to €166mn, 2% below our/consensus expectations, while net debt (€852mn) and leverage (1.6x) were marginally worse. Proposed DPS (€0.29, 42% payout) in line with consensus.
- **FY24 Outlook**. At constant FX, revenues to grow high single digit (IR consensus: +8.8%), including a >2% contribution from bolt-on M&A (cons: +2.1%) while adj. EBITDA margin >24.6% (cons. 24.6%).
- **Conference call feedback**. Global hearing market expected to grow 4%, of which Europe +3% (France and Germany to normalise, but also Italy and Spain) and US +5/6%. Good start for AMP in January, February, and early March, despite 2 fewer working days. AMERICAS to remain fastest growing region (expansion of direct-to-retail to continue). Margin expansion thanks to productivity measures taken in FY23 (mostly in EMEA to boost productivity of sales points), already visible from 1Q24. No upper end provided for margin guidance as it depends on top-line growth. Pricing effect expected to normalise during 2024 (contribution still positive but more limited than in 2023). A more balanced mix between new and returning customers. No update on Italy regarding the market inquiry opened by the anti-trust regulator.
- **Updated estimates.** For FY24, we raise the top line by 2% (to incorporate recent bolt-on M&A and higher growth in AMERICAS) and margin to 24.7% (prev. 24.2%), but also D&A and financial expenses, leading to a +3% EPS change (FY25/26: +4.5%/+6%).
- **NEUTRAL confirmed; new target €36 (from €33).** On new estimates, we raise our DCF-based TP from €33 to €36 (6% upside) while confirming the NEUTRAL rating, mostly on valuation grounds. Apart from very minor uplift revisions to FY24-26 consensus, we see limited upside risk, as further transformational M&A looks unlikely (after GAES, Attune, Bay Audio), and current expectations already factor in sound growth prospects at demanding multiples (31/28x PE'24/25). We believe going on the attack in a normalising EMEA market is a right but costly move that may need a reality check. It is too early to say whether the productivity gains, the investments in 2023 (hiring new audiologists) and potential new initiatives (cost efficiencies and selective price rises) will be enough to manage any further slowdown this year, especially in the current market environment. Furthermore, recent developments in the competitive environment (launch of public consultation on the local hearing care market by the Italian antitrust body, Essilux to expand into the hearing solutions market in 2H24) could cause concern, and drive a correction after the recent re-rating.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,119	2,260	2,480	2,691	2,891
EBITDA Adj (Eu mn)	525	542	613	667	720
Net Profit Adj (Eu mn)	230	215	248	271	294
EPS New Adj (Eu)	1.018	0.949	1.097	1.199	1.301
EPS Old Adj (Eu)	1.018	0.966	1.066	1.147	1.230
DPS (Eu)	0.290	0.290	0.355	0.396	0.437
EV/EBITDA Adj	15.3	14.1	13.8	12.6	11.5
EV/EBIT Adj	28.2	27.9	26.4	23.9	21.8
P/E Adj	33.1	35.5	30.7	28.1	25.9
Div. Yield	0.9%	0.9%	1.1%	1.2%	1.3%
Net Debt/EBITDA Adj	2.5	2.5	2.2	1.9	1.6

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- 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.
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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.
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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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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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