

AMPLIFON

Sector: Consumers

OUTPERFORM

Price: Eu32.37 - Target: Eu39.00

Better Visibility from Strong 1Q and Easier Comp over Next Qs

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Stock Rating

Rating: from NEUTRAL to OUTPERFORM

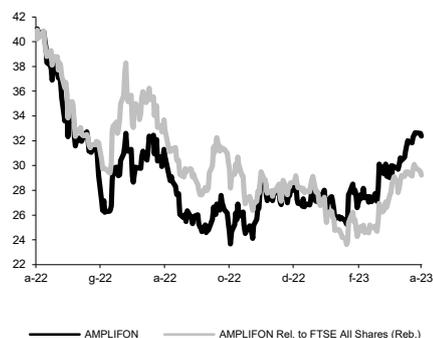
Target Price (Eu): from 29.00 to 39.00

	2023E	2024E	2025E
Chg in Adj EPS	0.3%	0.8%	1.0%

Next Event

 1Q23 Results Out May 2nd

AMPLIFON - 12M Performance



Stock Data

Reuters code: AMPF.MI

Bloomberg code: AMP IM

Performance	1M	3M	12M
Absolute	11.0%	23.1%	-19.5%
Relative	9.9%	16.1%	-30.3%
12M (H/L)	41.03/23.66		
3M Average Volume (th):	701.72		

Shareholder Data

No. of Ord shares (mn):	226
Total no. of shares (mn):	226
Mkt Cap Ord (Eu mn):	7,328
Total Mkt Cap (Eu mn):	7,328
Mkt Float - Ord (Eu mn):	3,935
Mkt Float (in %):	53.7%
Main Shareholder:	
Ampliter Srl (Susan Holland)	42.2%

Balance Sheet Data

Book Value (Eu mn):	1,174
BVPS (Eu):	5.18
P/BV:	6.3
Net Financial Position (Eu mn):	-1,230
Enterprise Value (Eu mn):	8,090

■ **1Q results preview.** We expect a solid start to the year, on the back of management hints on good Jan/ Feb revenue growth (+5% organic + M&A) and assuming a continuation of strong trends in March/early April, especially in Americas and APAC, despite the tough comparison with last year (1Q22: +8.8% organic driven by an impressive +19.6% in Americas), outperforming the broader market. Americas showed sequential improvements in 1Q, looking at the +9% YoY growth in the private US market according to HIA figures (sell-in units, probably supported by the launch of new products), while there was small QoQ progress in EMEA (albeit still negative YoY), and modest growth in APAC. For Amplifon, we see group sales at €523mn up 5.5% YoY, driven by 3.6% organic growth, with Americas strong (1Q: +11%, 4Q: +13%) APAC accelerating (1Q: +5%, 4Q: +1.5%) and EMEA finally back to positive ground (1Q +1.5%, 4Q: -2.5%). M&A should have added 1.5pp to organic growth, midway between the 1.1pp seen in 4Q and ≥2pp expected for FY23, with a negligible currency effect (stronger USD offset by weaker ForEx in LatAm and Australia). Adj. EBITDA should have come to €121mn, up 7%, implying margin expansion to 23.1%, slightly above last year's 22.8%. At reported level, we include half of the €12mn one-off charges expected for this year (a further €1.5mn in FY24), related 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.€44mn FCF should almost entirely have been absorbed by the cash-out for small M&A (c.€40mn), leading to net debt of c.€827mn, virtually unchanged vs. YE22.

■ **FY23 outlook now looks much safer:** given the weaker exits experienced in 4Q in EMEA and the tough comparison base, 1Q was a key test for the sustainability of the company's FY outlook, with the market still awaiting confirmation of the solid early trends witnessed in Jan/Feb. Management expects the company to continue to outperform, assuming a 2pp contribution from bolt-on M&A and improving profitability. With better visibility on March (and probably early April), we believe consensus FY expectations may well be confirmed, with no major downside risks as the comparison base gets much more favourable for the rest of the year, especially in EMEA (passing the anniversary of hearing care reform in France) without any significant risk of downtrading/purchase postponements, while we expect a key role from January's 2-3% price hike taking full effect as of March (no impact on volumes so far, labour cost inflation offset) and from small M&A activity. In addition, the initial sales of OTC product in US suggest very limited traction, with only 3k units sold since mid-October and no risk of major cannibalisation of traditional hearing aid sales, as expected.

■ **Updated estimates.** We are only tweaking our FY23-25 top line and EBITDA estimates, still assuming a c.6% sales CAGR with profitability expanding beyond 25% (25.1% in FY23, +30bp), leading to +0.3%/0.8%/ +1.0% changes in 2023/24/25 adj. EPS. On a reported basis, we reflect the one-off charges related to share assignment to CEO Vita by Ampliter on the P&L (but with no impact on cash).

■ **Upgrade to OUTPERFORM; target raised to €39 (from €29).** Assuming much better visibility on March (and probably early April), we think current FY expectations may be confirmed as a floor, with no significant downside risks (no evidence of downtrading 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 additional M&A activity should strengthen confidence in the company's positioning. Based on our revised estimates and stronger expectations for 1Q, we update our DCF model and reflect improving visibility on terminal growth (raised to 3% from 2.5% previously), leading to a DCF-based TP of €39 (from €29 previously). 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 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	2,252	2,398	2,534
EBITDA Adj (Eu mn)	483	525	566	605	642
Net Profit Adj (Eu mn)	219	230	255	275	292
EPS New Adj (Eu)	0.969	1.018	1.126	1.213	1.288
EPS Old Adj (Eu)	0.969	1.018	1.122	1.204	1.276
DPS (Eu)	0.260	0.290	0.328	0.373	0.403
EV/EBITDA Adj	20.2	15.3	14.3	13.2	12.3
EV/EBIT Adj	37.4	28.2	25.0	22.9	21.2
P/E Adj	33.4	31.8	28.8	26.7	25.1
Div. Yield	0.8%	0.9%	1.0%	1.2%	1.2%
Net Debt/EBITDA Adj	2.7	2.5	2.2	1.9	1.6