

AMPLIFON

Sector: Consumers

NEUTRAL

Price: Eu31.58 - Target: Eu35.00

2Q Weak as Expected, Strong July Bodes Well for FY Outlook

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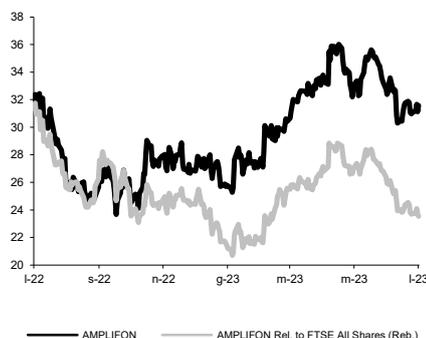
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-3.9%	-2.1%	-2.0%

Next Event

3Q23 Results Out 30 October

AMPLIFON - 12M Performance



Stock Data

Reuters code:	AMPF.MI		
Bloomberg code:	AMP IM		
Performance	1M	3M	12M
Absolute	-2.5%	-6.5%	0.8%
Relative	-9.9%	-14.4%	-33.5%
12M (H/L)	36.01/23.66		
3M Average Volume (th):	592.88		

Shareholder Data

No. of Ord shares (mn):	226
Total no. of shares (mn):	226
Mkt Cap Ord (Eu mn):	7,149
Total Mkt Cap (Eu mn):	7,149
Mkt Float - Ord (Eu mn):	3,839
Mkt Float (in %):	53.7%
Main Shareholder:	
Ampliter Srl (Susan Holland)	42.2%

Balance Sheet Data

Book Value (Eu mn):	1,152
BVPS (Eu):	5.08
P/BV:	6.2
Net Financial Position (Eu mn):	-1,255
Enterprise Value (Eu mn):	7,922

■ **2Q23 results.** 2Q results were broadly in line on revenues/EBITDA but lower than expected at bottom line (-7/8% vs our/cons. exp.), showing softer hearing care market demand, mainly due to lower level of returning customers in EMEA. However, notwithstanding the market scenario and the uncertainties related to the macroeconomic environment, AMP reaffirmed FY outlook, anticipating a positive start to 3Q with revenues showing strong growth in July, which we believe explained yesterday's initial market reaction. 2Q Group top line came to €573.5mn (cons. €576.7mn, our exp. €570.3mn), showing a sequential slowdown of organic growth (1Q: +7.4%, 2Q: +6.6%) entirely due to EMEA (1Q: +5.0%, 2Q: +2.2%), also due to 1 fewer working day (c.1.6pp drag); while AMERICAS (1Q: +13.0%, 2Q: +16.6%) and APAC (1Q: +12.6%, 2Q: +14.6%) enjoyed accelerating trends. Adj. EBITDA was €152.5mn (cons. €154.0mn, our exp. €152.6mn) with the margin at 26.6% (-0.6pp YoY) of which EMEA 31.2% (-0.7pp YoY), AMERICAS at 28.9% (+0.1pp YoY) and APAC 24.3% (-1.4pp YoY), as a result of: i) a tough comparison with last year's record level (2Q22: 27.2%, +0.4pp YoY); ii) more expensive customer mix due to fewer returning customers (lower acquisition costs compared to new customers) especially in EMEA (77% of Group EBITDA); iii) stronger mix for Miracle Ear to direct retail business in US (accretive on financials, but dilutive on margins); iv) leadership change in APAC.

■ **No major update from the conference call.** Management expects an easier comparison base in 2H, particularly in 4Q, and quantified top-line growth in July (+10% including a 2pp M&A contribution), which bodes well for 3Q trends. Lower demand from returning customers in EMEA is seen as a temporary headwind (reasonable in the current market environment), while management declined to comment on Essilux's entry into the hearing care industry (stating that there are not enough elements to remark at this time). On the back of these indications, we do not expect any meaningful move in consensus estimates for the current year.

■ **Updated estimates.** We leave FY23 top-line/margin estimates unchanged (still 1-2% below the low end of guidance, while we raise interest charges (from €42mn to c. €47mn, 1H: €23.7mn; 20% of debt exposed to floating rates) and ordinary D&A (from €199mn to €207mn, 1H: €104mn), leading to a 4% EPS cut in FY23 (-2% in FY24-25).

■ **NEUTRAL confirmed; target still €35.** 2Q trends showed softer demand, primarily due to the lower level of returning customers in EMEA and despite green shoots in July we still see some downside risks on 2H assuming a likely drop in consumer spending, with inflation biting pensions/wages and in particular the out-of-pocket portion (75%) of hearing care spend; this leads us to confirm the NEUTRAL rating. Moreover, this week's announcement by Essilux about entering the hearing care market in 2H24 may lead to increased competition risk in the medium-long term. On the other hand, AMP stands out as a quality defensive name in a structurally growing market, less sensitive to geopolitical headwinds, while the medium-term strategy looks 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	234	253	267
EPS New Adj (Eu)	0.969	1.018	1.032	1.118	1.178
EPS Old Adj (Eu)	0.969	1.018	1.073	1.142	1.203
DPS (Eu)	0.260	0.290	0.292	0.338	0.362
EV/EBITDA Adj	20.2	15.3	14.2	13.3	12.4
EV/EBIT Adj	37.4	28.2	26.2	24.2	22.6
P/E Adj	32.6	31.0	30.6	28.2	26.8
Div. Yield	0.8%	0.9%	0.9%	1.1%	1.1%
Net Debt/EBITDA Adj	2.7	2.5	2.3	2.0	1.7