Intermonte

Milan, 31 July 2024

**Italian Equity Research – 2Q24 Results**

# AMPLIFON

# NEUTRAL

*Sector: Healthcare*

Price: Eu28.17 - **Target: Eu32.00**

## Margin Revised to Address EMEA Softness and US Strategy


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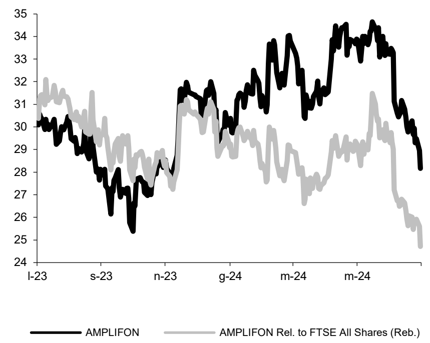
| **Stock Rating** | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | from 35.00 to 32.00 |
| | **2024E** | **2025E** | **2026E** |
| **Chg in Adj EPS** | -4.5% | -8.3% | -8.1% |

**Next Event**

3Q24 Results 30 October 2024

**AMPLIFON - 12M Performance**




| **Stock Data** | | | |
|---|---|---|---|
| Reuters code: | | | AMPF.MI |
| Bloomberg code: | | | AMP IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | -15.3% | -10.4% | -10.4% |
| Relative | -17.4% | -10.9% | -24.9% |
| 12M (H/L) | | | 34.64/25.38 |
| 3M Average Volume (th): | | | 625.99 |

| **Shareholder Data** | |
|---|---|
| No. of Ord shares (mn): | 226 |
| Total no. of shares (mn): | 226 |
| Mkt Cap Ord (Eu mn): | 6,377 |
| Total Mkt Cap (Eu mn): | 6,377 |
| Mkt Float - Ord (Eu mn): | 3,667 |
| Mkt Float (in %): | 57.5% |
| Main Shareholder: | |
| Ampliter Srl (Susan Holland) | 42.1% |

| **Balance Sheet Data** | |
|---|---|
| Book Value (Eu mn): | 1,208 |
| BVPS (Eu): | 5.33 |
| P/BV: | 5.3 |
| Net Financial Position (Eu mn): | -1,455 |
| Enterprise Value (Eu mn): | 7,320 |

- **2Q24 results.** The company reported weakish results, missing consensus expectations for both top line and adj. EBITDA. Specifically, the EMEA region unexpectedly experienced remarkable volatility with negative organic growth in 2Q (-0.6% YoY, 1Q: +2.9%) reflecting general market softness (bad weather and European elections) seen from the second half of May until the end of June, particularly in France, and some “contingent operational challenges” that should now been resolved in Spain (rollout of front office IT system and leadership change). On the other hand, the AMERICAS region confirmed the solid mid-teen organic growth despite a sequential market slowdown; this was driven by a stronger push on direct retail, on top of a 9pp boost from bolt-on M&A, while APAC saw mid-single digit organic growth. The 2Q margin was flat at 26.6% with declines in EMEA (-0.5pp YoY) and AMERICAS (-1.5pp YoY) offset by lower Corporate Costs (2.9% of sales, -0.6pp YoY) and stronger APAC (+0.5pp YoY). While maintaining the FY top-line target, management revised the adj. EBITDA margin target to c. 24.3% from the previous >24.6% (consensus: 24.8%) to reflect the dilution caused by the accelerated growth of the Miracle-Ear direct retail network in the US and increased marketing investments to address European market softness.
- **Confident tone from call**. Management is confident of the EMEA market's gradual normalization, largely driven by France, and in the acceleration of the US strategy. The CEO pointed out that the FY margin guidance trimmed by 30bps is a small revision, equating to 1% of total EBITDA, and confirmed positive expectations for 2H. The US is not expected to be a major contributor to FY profitability due to the continued focus on directly managed stores (lower profitability vs. franchisees) and the integration of acquisitions. M&A activity is expected to continue, with a robust pipeline, particularly in the US.
- **Updated estimates.** We revise our FY24-26 top-line by 1-2% to reflect softer EMEA and stronger AMERICAS trends, and reduce margins in line with revised outlook, translating into a mid-to-high single digit revision to ’24-26 EPS.
- **NEUTRAL confirmed; target cut to €32 (from €35).** Based on our new estimates, we trim our DCF-based TP to €32 (13% upside), confirming our NEUTRAL rating, mostly on valuation grounds (27x PE’25E). We believe the ongoing EMEA volatility could continue to dampen market sentiment on the stock for a while, with the market needing several quarters of continued recovery before turning more constructive on the stock. Apart from the potential for a very minor uplift to 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. It is too early to say whether the productivity gains, last year’s investments (hiring new audiologists) and potential new initiatives (cost efficiencies and selective price rises) will be enough to manage any further slowdown in the near future, especially in the current market environment.

| **Key Figures & Ratios** | **2022A** | **2023A** | **2024E** | **2025E** | **2026E** |
|---|---|---|---|---|---|
| Sales (Eu mn) | 2,119 | 2,260 | 2,429 | 2,637 | 2,833 |
| EBITDA Adj (Eu mn) | 525 | 542 | 590 | 641 | 692 |
| Net Profit Adj (Eu mn) | 230 | 215 | 224 | 240 | 261 |
| EPS New Adj (Eu) | 1.018 | 0.949 | 0.990 | 1.059 | 1.154 |
| EPS Old Adj (Eu) | 1.018 | 0.949 | 1.037 | 1.154 | 1.256 |
| DPS (Eu) | 0.290 | 0.290 | 0.305 | 0.338 | 0.376 |
| EV/EBITDA Adj | 15.3 | 14.1 | 12.4 | 11.3 | 10.4 |
| EV/EBIT Adj | 28.2 | 27.9 | 24.8 | 22.6 | 20.6 |
| P/E Adj | 27.7 | 29.7 | 28.5 | 26.6 | 24.4 |
| Div. Yield | 1.0% | 1.0% | 1.1% | 1.2% | 1.3% |
| Net Debt/EBITDA Adj | 2.5 | 2.5 | 2.5 | 2.2 | 1.9 |

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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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| | |
|---|---|
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| OUTPERFORM: | 49.59 % |
| NEUTRAL: | 25.61 % |
| UNDERPERFORM | 00.83 % |
| SELL: | 00.00 % |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

| | |
|---|---|
| BUY: | 38.78 % |
| OUTPERFORM: | 51.02 % |
| NEUTRAL: | 10.20 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| Emittente | % | Long/Short |
|---|---|---|



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