

# AMPLIFON

Sector: Consumers

## NEUTRAL

Price: Eu25.38 - Target: Eu30.00

## Playing Offense in a Softer Market: a Right, but Costly Move

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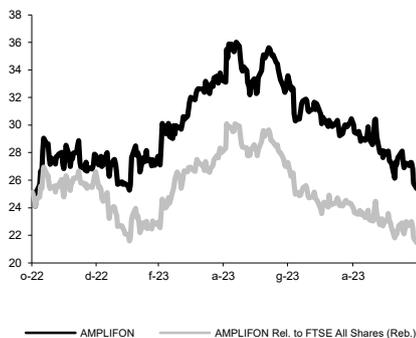
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 31.00 to 30.00		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	-5.4%	-3.3%	-1.3%

### Next Event

FY23 Results Out 7 March'24

### AMPLIFON - 12M Performance



### Stock Data

Reuters code:	AMPF.MI		
Bloomberg code:	AMP IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-9.7%	-19.3%	2.8%
Relative	-6.4%	-11.6%	-16.1%
12M (H/L)	36.01/24.12		
3M Average Volume (th):	643.32		

### Shareholder Data

No. of Ord shares (mn):	226
Total no. of shares (mn):	226
Mkt Cap Ord (Eu mn):	5,746
Total Mkt Cap (Eu mn):	5,746
Mkt Float - Ord (Eu mn):	3,085
Mkt Float (in %):	53.7%
Main Shareholder:	
Ampliter Srl (Susan Holland)	42.2%

### Balance Sheet Data

Book Value (Eu mn):	1,135
BVPS (Eu):	5.01
P/BV:	5.1
Net Financial Position (Eu mn):	-1,331
Enterprise Value (Eu mn):	6,589

■ **3Q23 results.** 3Q results broadly in line on adj. EBITDA, although the bottom line (-11/12% vs cons./our exp.) was burdened by higher D&A. Within the mix, while APAC and AMERICAS solid trends were broadly in line, EMEA posted a stronger-than-expected performance (top line up 5% YoY organically, adj. EBITDA +4% vs our exp.), but the positive surprise was entirely offset by higher corporate costs. 3Q group sales €531mn (our exp. €523.4mn / cons. €526.4mn), up 5.7% YoY (org. +9.0%, M&A +2.4%, FX -5.7%) with EMEA up 5.4% (org. +5.0%, M&A +0.8% related to France and Germany), AMERICAS up 8.0% (org. +17.3%, M&A +7.3% related to US and Canada), and APAC up 4.2% (org. +13.9%, M&A +2.5% mostly linked to China, with 300+ PoS to date). Adj. EBITDA was €109.8mn (our exp. €110.0mn / cons. €113mn) with the margin at 20.7% (-1.1pp YoY) of which EMEA at 25.0% (-1.1pp YoY), AMERICAS at 24.6% (flat YoY, strong US trends boosted by Miracle-Ear Direct Retail and AHHC), and APAC at 26.5% (+0.1pp YoY). 9M FCF was much lower than expected (€68.8mn vs our exp. €97mn) mainly due to strong investments in Capex and M&A.

■ **Feedback from conference call.** FY23 guidance revised to reflect current ForEx rates, with revenue now expected at €2.29bn (previous €2.30-2.35bn) and adj. EBITDA at c.€550mn (previous €570-585mn). AMP cites double-digit revenue growth at CER in October. For 2024, management sounded optimistic about EMEA normalisation and a return to healthy growth, despite short-term challenges, including the significant and unexpected slowdown in France and Germany, which account for roughly half of EMEA sales.

■ **Updated estimates.** We keep FY23 revenue estimates largely unchanged, while reducing the margin to the 24% range to align with profitability implied in guidance. For FY24-25, we are increasing our revenue projections by 2% and 4% respectively, to factor in higher bolt-on M&A contributions and superior organic growth on the back of investments made to support mid-term growth. However, higher D&A and financial charges offset these improvements, leading to -5/-3/-1% EPS cut in 2023-25.

■ **NEUTRAL confirmed; new target €30 (from €31).** On updated estimates, we trim our DCF-based TP from €31 to €30 while we reiterate our NEUTRAL rating on both valuation grounds and an unfavourable geographical mix, with continued weakness in EMEA (two-thirds of group top line) outweighing solid trends elsewhere. We believe that playing offense in a softer EMEA market is a right but costly move which needs a reality check. It is too early to say whether the investments made in 2023 (recruitment of new audiologists) and potential new initiatives in 2024 (cost efficiencies and selective price increases) will be enough to manage any further slowdown next year, especially in the current market environment. As we approach 2024, we still see some downside risk, as we assume a likely drop in consumer spending, with inflation biting pensions/wages and in particular the out-of-pocket portion (75%) of hearing care spend. Apart from very minor 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 (24x P/E'24E). Furthermore, recent developments on the competitive environment (launch of a public consultation on the local hearing care market by the Italian antitrust authority, Essilux to expand into the hearing solutions market in 2H24) could cause some concern and may contribute to a further stock de-rating.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,948	2,119	2,277	2,441	2,603
EBITDA Adj (Eu mn)	483	525	546	590	632
Net Profit Adj (Eu mn)	219	230	219	242	260
EPS New Adj (Eu)	0.969	1.018	0.968	1.068	1.149
EPS Old Adj (Eu)	0.969	1.018	1.024	1.105	1.164
DPS (Eu)	0.260	0.290	0.264	0.316	0.348
EV/EBITDA Adj	20.2	15.3	12.1	11.1	10.3
EV/EBIT Adj	37.4	28.2	23.2	21.2	19.5
P/E Adj	26.2	24.9	26.2	23.8	22.1
Div. Yield	1.0%	1.1%	1.0%	1.2%	1.4%
Net Debt/EBITDA Adj	2.7	2.5	2.4	2.2	2.0