

AMPLIFON

Sector: Healthcare

NEUTRAL

Price: Eu27.19 - Target: Eu28.00

Preparing for France's Rebound in Mid-2025 Comes at a Cost

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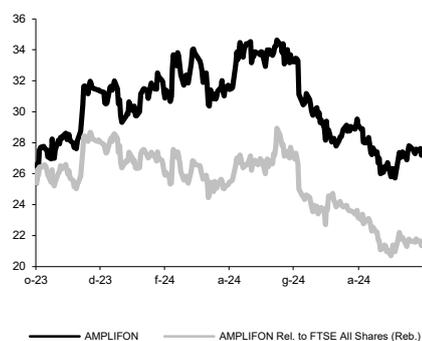
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 29.00 to 28.00		
	2024E	2025E	2026E
Chg in Adj EPS	-0.9%	-0.7%	-0.7%

Next Event

FY24 Results 6 March 2024

AMPLIFON - 12M Performance



Stock Data

Reuters code:	AMPF.MI		
Bloomberg code:	AMP IM		
Performance	1M	3M	12M
Absolute	1.8%	-6.1%	5.6%
Relative	1.4%	-9.5%	-22.1%
12M (H/L)	34.64/25.38		
3M Average Volume (th):	655.45		

Shareholder Data

No. of Ord shares (mn):	226
Total no. of shares (mn):	226
Mkt Cap Ord (Eu mn):	6,156
Total Mkt Cap (Eu mn):	6,156
Mkt Float - Ord (Eu mn):	3,539
Mkt Float (in %):	57.5%
Main Shareholder:	
Ampliter Srl (Susan Holland)	42.1%

Balance Sheet Data

Book Value (Eu mn):	1,176
BVPS (Eu):	5.19
P/BV:	5.2
Net Financial Position (Eu mn):	-1,560
Enterprise Value (Eu mn):	7,208

- 3Q results:** the 3Q top line was in line with our estimate and consensus, but profitability was weaker, with EBITDA falling 5% short of both our forecast and market expectations. This shortfall was mainly due to the EMEA region (margin down 1.1pp), where Amplifon experienced lower operating leverage and made higher investments to counter market softness. Top line growth exceeded +4%, outpacing the market despite divergent geographical trends (EMEA +1.2%, Americas +13.5%, APAC +6.0%). Bolt-on M&A activity contributed 3.7pp following acquisitions in France, Germany, the US, and China (~370 points of sale acquired year-to-date), more than offsetting ForEx headwinds (-1.9pp). The bottom line came in over 30% weaker than expected, primarily due to higher D&A costs. Additionally, 9M FCF stood at Eu50mn, significantly below expectations (-50%), driven by greater working capital absorption (Eu-80mn vs. our Eu-20mn), which combined with the outlay for M&A (Eu184mn), dividends (Eu66mn) and the buyback (Eu20mn) drove net debt up by over Eu216mn vs. YE23.
- FY24 outlook revised on margins.** The company still indicates high single-digit organic top line growth at CER (consensus 8.4%), while factoring in a stronger M&A contribution (now >3pp, vs. >2pp previously). The adj. EBITDA margin is now expected to remain fairly flat YoY (FY23: 24.0%) vs. c.24.3% previously (consensus 24.3%).
- Feedback from conference call.** Management expects stronger growth in FY25, primarily driven by France (#1 EU market, #2 global market), where the hearing care market should grow in the low-to-mid teens (depending on renewal rates) thanks to the anniversary of the "RAC O" reform effect in 2Q. AMP is strengthening audiologist capacity to prepare for the expected boom. In the US, AMP is experiencing high double-digit growth, although margins have temporarily been dented by the integration of newly-acquired stores and the ongoing transformation of Miracle-Ear from a franchise-based model to direct retail. New marketing campaigns have been launched in Italy and Spain to strengthen the brand. Growth in China remains robust, despite a slight slowdown in 3Q.
- Updated estimates.** We are adjusting our FY24 margin trend to align with the updated outlook, driving a 1% cut in adj. EPS. For FY25, we are raising our EMEA organic growth forecast from 4.5% to 6.5% to capture the expected rebound in France. This leads us to assume 8.3% growth at CER (cons. 9.5%). This change is more than offset by an increase in D&A, resulting in a 1% cut to adj. EPS in FY25-26 as well.
- NEUTRAL confirmed; target cut to €28 (from €29).** With updated estimates, we are reducing our DCF-based target price to €28 (8% upside) and maintaining a NEUTRAL rating, largely due to valuation grounds (24x P/E for 2025E) and ongoing operational challenges. Since the beginning of the year, Amplifon has lowered its margin guidance for the third consecutive quarter, highlighting the need to reinvest in commercial operations to revitalise performance in EMEA, where some challenges may be beyond the company's direct control and could lead to more costly structural growth in our view. We believe the persistent volatility in EMEA is set to continue to cloud investor sentiment in the near term, at least until the boost from the anniversary of the RAC O reform in France, expected in mid-2025, which could lead to a structural rebound, can be fully assessed. We see limited upside risk, as major additional M&A is unlikely, and growth prospects are already reflected in current expectations at demanding multiples.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,119	2,260	2,403	2,602	2,780
EBITDA Adj (Eu mn)	525	542	577	628	674
Net Profit Adj (Eu mn)	230	215	215	225	244
EPS New Adj (Eu)	1.018	0.949	0.949	0.993	1.078
EPS Old Adj (Eu)	1.018	0.949	0.958	1.000	1.085
DPS (Eu)	0.290	0.290	0.298	0.307	0.342
EV/EBITDA Adj	15.3	14.1	12.5	11.5	10.7
EV/EBIT Adj	28.2	27.9	25.7	23.5	21.7
P/E Adj	26.7	28.7	28.6	27.4	25.2
Div. Yield	1.1%	1.1%	1.1%	1.1%	1.3%
Net Debt/EBITDA Adj	2.5	2.5	2.7	2.5	2.3

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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.

Reports on all companies listed on the S&P500 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

Explanation of our ratings system:

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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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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