AQUAFIL

OUTPERFORM

Sector: Industrials

Price: Eu3.02 - **Target: Eu4.40**

On Track to Meet Business Plan Guidance

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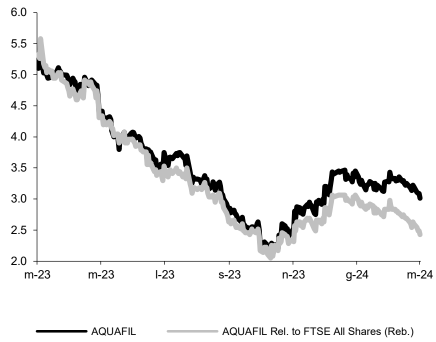
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 4.10 to 4.40
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.2%	-0.5%	

AQUAFIL - 12M Performance



Stock Data			
Reuters code:			ECNL.MI
Bloomberg code:			ECNL IM
Performance	**1M**	**3M**	**12M**
Absolute	-12.1%	-5.8%	-43.3%
Relative	-19.5%	-16.6%	-67.3%
12M (H/L)			5.33/2.08
3M Average Volume (th):			78.12

Shareholder Data	
No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	154
Total Mkt Cap (Eu mn):	154
Mkt Float - Ord (Eu mn):	65
Mkt Float (in %):	42.0%
Main Shareholder:	
Aquafin Holding	58.0%

Balance Sheet Data	
Book Value (Eu mn):	127
BVPS (Eu):	2.48
P/BV:	1.2
Net Financial Position (Eu mn):	-230
Enterprise Value (Eu mn):	388

- **Better cash generation in 4Q:** as anticipated by management in November last year along with the Business Plan presentation, 4Q saw an improvement in volumes trends (+10.4% YoY vs -8.8% in 9M), but the marked decline in selling prices due to them being indexed to falling production costs brought revenues to Eu129.6mn, down 15.9% YoY. As for profitability, adj. EBITDA was Eu10.5mn (vs. our estimate of Eu9.4mn), an 8.0% margin, well below the Eu18.9mn posted in 4Q22 (11.9% margin). As expected, profitability was again heavily affected by the high unit cost of raw materials in inventory. Finally, net debt was Eu248.5mn (better than our Eu261mn estimate), decreasing from Eu262.8mn as at the end of September, mainly thanks to the remarkable work done on NWC optimisation, with ~Eu40mn of cash released in 4Q alone.
- **Volumes in EMEA and Econyl the bright spots.** Among the positives of the release we underline EMEA volumes trends, with volumes increasing by 22.9% YoY in 4Q, explained by a good market recovery in BCF and Polymers, while NTF continues to suffer (some relief expected in 2H24). Econyl trends were also positive, reaching 49.2% of fibres revenues in 4Q, bringing the total for the year to 49.6% and enhancing visibility on the 60% target for 2025.
- **On track to meet Business Plan guidance:** despite uncertainty in raw material trends, the company anticipates volume increases across all product lines in the 2024-2025 period. It also expects a recovery in the garment fibre market in EMEA and the United States, along with new opportunities in polymers, especially Engineering Plastics. Additionally, there's a growing market for fibres for carpets in Asia Pacific. The company confirms its target to reduce the net financial position by approximately €50-60 million by 2025. This will be achieved through higher EBITDA generation and efficiency measures implemented during the period. Results in the early months of the year validate the guidance presented in November.
- **Estimates aligned to low end of guidance range.** We are broadly confirming our estimates for 2024 and 2025, which are towards the low end of the guidance range provided by the company in November. The increase in EBITDA expected next year is therefore mainly attributable to the recovery of the stock effect and efficiencies, while in 2025 we also see a more significant recovery in volumes, which would nevertheless still be below the levels achieved in 2021. Ultimately, we see net debt/EBITDA declining to 3.0x in 2024 and 2.3x in 2025. We note that our estimates do not include the potential decrease in financial charges that could materialise in the event of a cut in interest rates.
- **OUTPERFORM confirmed; target from Eu4.1 to Eu4.4.** We confirm our view on the stock, as we think that the company is adopting the necessary measures to recover the ground lost during 2023. Our estimates include a certain degree of caution compared to business plan targets, so there would be some upside if the volumes scenario depicted by the company were to occur. At the same time, downside risk comes in the form of a potential further drop in volumes if the macro slowdown proves harsher than expected. Our valuation, the result of a DCF model and a peer comparison, yields a target price of Eu4.40, up from Eu4.10 following the lower risk-free rate adopted in our models (4.0% from 4.5%, as per Intermonte assumptions).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	697	581	598	633	652
EBITDA Adj (Eu mn)	92	48	76	86	92
Net Profit Adj (Eu mn)	34	-18	6	14	18
EPS New Adj (Eu)	0.670	-0.354	0.121	0.270	0.347
EPS Old Adj (Eu)	0.670	-0.379	0.121	0.271	
DPS (Eu)	0.240	0.000	0.000	0.091	0.130
EV/EBITDA Adj	6.2	9.7	5.1	4.1	3.5
EV/EBIT Adj	12.9	nm	14.7	9.7	7.8
P/E Adj	4.5	nm	24.9	11.2	8.7
Div. Yield	8.0%	0.0%	0.0%	3.0%	4.3%
Net Debt/EBITDA Adj	2.7	5.2	3.0	2.3	1.8

Intermonte

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- 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)

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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;
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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
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UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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