# AQUAFIL

## OUTPERFORM

*Sector: Industrials*

Price: Eu1.35 - **Target: Eu1.80**

# An Encouraging 4Q. Execution Now Key for Re-Rating

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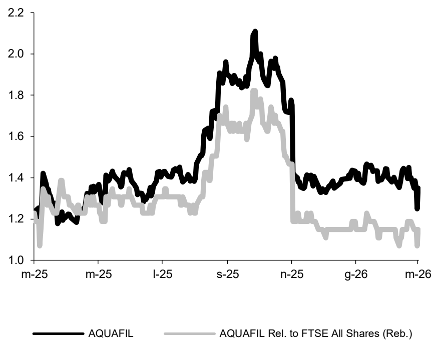
| Stock Rating | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | Unchanged |
| | **2026E** | **2027E** | **2028E** |
| **Chg in Adj EPS** | 15.1% | 10.6% | |

**AQUAFIL - 12M Performance**




| Stock Data | | | |
|---|---|---|---|
| Reuters code: | | | ECNL.MI |
| Bloomberg code: | | | ECNL IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | -3.4% | 0.3% | 9.9% |
| Relative | -0.3% | -0.7% | -6.0% |
| 12M (H/L) | | | 2.11/1.15 |
| 3M Average Volume (th): | | | 248.25 |

| Shareholder Data | |
|---|---|
| No. of Ord shares (mn): | 88 |
| Total no. of shares (mn): | 88 |
| Mkt Cap Ord (Eu mn): | 118 |
| Total Mkt Cap (Eu mn): | 118 |
| Mkt Float - Ord (Eu mn): | 47 |
| Mkt Float (in %): | 39.6% |
| Main Shareholder: | |
| Aquafin Holding | 58.9% |

| Balance Sheet Data | |
|---|---|
| Book Value (Eu mn): | 139 |
| BVPS (Eu): | 1.59 |
| P/BV: | 0.8 |
| Net Financial Position (Eu mn): | -188 |
| Enterprise Value (Eu mn): | 308 |

- **Overall, 4Q25 results above our expectations.** Aquafil reported 4Q25 results that overall were above our expectations, particularly in terms of profitability, while also achieving its year-end deleveraging target. Net revenues amounted to €123mn, down 3.9% YoY, mainly due to the indexation of selling prices to lower raw material prices, but still slightly above our estimates (+1.1%). Geographically, the US confirmed a strong trend (albeit penalized by ForEx), while Europe and APAC were marginally below expectations. The product mix continued to improve, with Econyl accounting for 61.4% of fibre revenues vs 57.2% last year, and the next step being to maintain this share as volumes grow. Adj. EBITDA reached €17.5mn, 14.4% above our estimate, supported by 3.1pp YoY margin expansion driven by cost rationalisation measures, whose benefits were already visible in 4Q and will materialise mainly in 2026. Net debt stood at c.€210mn, in line with our estimate and down €17mn QoQ, despite non-recurring restructuring costs and temporary working capital absorption. As a result, leverage declined to 2.9x, confirming the company's gradual deleveraging path.
- **2026 guidance in line with expectations.** Management provided 2026 guidance broadly consistent with our expectations. The company expects volume growth across all three main divisions (BCF +3%/+7%, NTF +7%/+10%, EP +3%/+7%), adj. EBITDA of €79mn-€83mn, and net debt of €185mn-€190mn following CapEx of €24mn-€28mn, implying leverage of around 2.3x at the mid-point. The focus for 2026 remains on cost discipline and debt reduction, achieving the cost savings outlined in the recent months (€20mn of structural annual savings, gross of inflation, vs. 2024). During the call, management expressed confidence despite the uncertain macro backdrop: a large portion of the energy costs is hedged and any potential increase in gas prices should have a limited impact, particularly in 1H26. The group also reiterated its ability to pass through raw material cost increases with a typical delay of one to two quarters. At present, no signs of weakening demand are visible; on the contrary, commodity demand is still supported by customers anticipating future price increases and by slower import flows from China.
- **Estimates fine-tuned.** At this stage, we are only making minor adjustments to our estimates, which were already within the guidance range across all metrics. The increase in the top line reflects the indexation of selling prices to higher raw material costs; however, this effect is offset by the corresponding rise in input costs, leaving EBITDA unchanged in absolute terms. The improvement at the bottom line is entirely driven by lower D&A, as some of the investments made prior to Covid have now been fully amortized. If our estimates prove accurate, the net debt/EBITDA ratio would decline to 2.3x by the end of 2026.
- **OUTPERFORM; target €1.80.** 4Q results provide an encouraging signal: the first tangible benefits from cost rationalisation measures are already visible and the progressive reduction in leverage confirms that management is executing on the priorities outlined in recent quarters. Nevertheless, we believe that restoring investor confidence will require continued delivery over the coming quarters, particularly in terms of balance sheet strengthening, ultimately demonstrating that the improvements witnessed in 4Q are structural rather than temporary.

| Key Figures & Ratios | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| Sales (Eu mn) | 551 | 534 | 549 | 566 | 584 |
| EBITDA Adj (Eu mn) | 62 | 72 | 80 | 85 | 87 |
| Net Profit Adj (Eu mn) | -12 | 5 | 12 | 18 | 21 |
| EPS New Adj (Eu) | -0.228 | 0.062 | 0.137 | 0.203 | 0.236 |
| EPS Old Adj (Eu) | -0.228 | 0.034 | 0.119 | 0.184 | |
| DPS (Eu) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| EV/EBITDA Adj | 5.4 | 4.7 | 3.9 | 3.3 | 3.0 |
| EV/EBIT Adj | nm | 19.8 | 9.6 | 7.3 | 6.4 |
| P/E Adj | nm | 21.9 | 9.8 | 6.7 | 5.7 |
| Div. Yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net Debt/EBITDA Adj | 3.4 | 2.9 | 2.3 | 2.0 | 1.7 |

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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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 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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As at 16 March 2026 Intermonte's Research Department covered 131 companies. Intermonte's distribution of stock ratings is as follows:

| | |
|---|---|
| BUY: | 32.06% |
| OUTPERFORM: | 38.17% |
| NEUTRAL: | 29.77% |
| 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 (76 in total) is as follows:

| | |
|---|---|
| BUY: | 52.63% |
| OUTPERFORM: | 27.63% |
| NEUTRAL: | 18.42% |
| UNDERPERFORM: | 01.32% |
| SELL: | 00.00% |

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