Intermonte

Milan, 19 March 2025

Italian Equity Research – FY24 Results

AQUAFIL

OUTPERFORM

Sector: Industrials

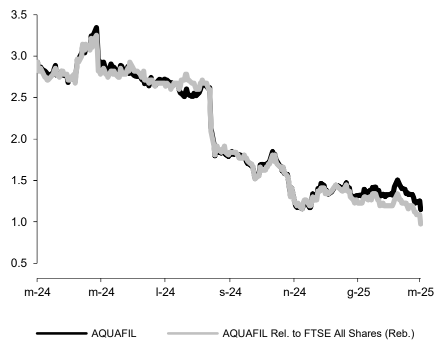
Price: Eu1.15 - **Target: Eu2.10**

Clear Progress Despite Profitability Falling Short

Carlo Maritano +39-02-77115.358
carlo.maritano@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-4.3%	-1.8%	

AQUAFIL - 12M Performance



Stock Data			
Reuters code:			ECNL.MI
Bloomberg code:			ECNL IM
Performance	**1M**	**3M**	**12M**
Absolute	-14.4%	-16.8%	-60.7%
Relative	-16.8%	-31.0%	-76.6%
12M (H/L)			3.34/1.15
3M Average Volume (th):			221.85

Shareholder Data	
No. of Ord shares (mn):	88
Total no. of shares (mn):	88
Mkt Cap Ord (Eu mn):	101
Total Mkt Cap (Eu mn):	101
Mkt Float - Ord (Eu mn):	40
Mkt Float (in %):	39.6%
Main Shareholder:	
Aquafin Holding	58.9%

Balance Sheet Data	
Book Value (Eu mn):	164
BVPS (Eu):	1.88
P/BV:	0.6
Net Financial Position (Eu mn):	-191
Enterprise Value (Eu mn):	291

- **4Q results show clear YoY improvements, but don't match expectations:** although there were clear signs of improvement YoY, Aquafil's 4Q results came in below our expectations and company targets on profitability, with a cascade effect on the rest of the P&L and the NFP. Net revenues in absolute terms were quite close to our forecast, closing at Eu126mn (Eu129mn exp.), with the incidence of Econyl again on the rise (57.4% of fibre sales in 4Q vs. 49.3% last year). However, the less favourable product mix (more polymers and less fibres) combined with the surge in energy costs in November and December, translated into adj. EBITDA of Eu14.3mn, which despite rising 36.0% YoY (margin +3.1pp) was below our Eu17.6mn estimate, which was aligned to recent BP targets. The lower-than-expected adj. EBITDA inevitably had an impact on the rest of the P&L, with the net loss narrowing slightly to €-7.5mn, compared to €-8.8mn in 4Q23, but not by as much as we estimated (net loss of Eu-2.2mn forecast). Finally, Aquafil's financial position improved significantly over the quarter, supported by the successful completion of its €40mn capital raise, which strengthened the company's balance sheet. As a result, net debt decreased to €213mn (€208mn exp.), with the NFP/EBITDA ratio improving to 3.42x, from 5.11x in 2023.
- **2025 Plan targets confirmed:** management reaffirmed the economic and financial targets included in its 2024-2026 Industrial Plan, emphasising debt reduction and the pursuit of strategic goals in technological innovation. For 2025 the business plan projects growth in volumes across all product lines, a trend supported by strong order intake in the early months of the year and the advantages of competitors exiting the market. For the current year, EBITDA is expected to increase, driven by rising volumes and the implementation of additional efficiency measures outlined in the Plan. As a reminder, the 2025 Plan foresees revenues between Eu600mn and Eu623mn, adj. EBITDA between Eu80mn and Eu87mn and net debt between Eu185mn and Eu190mn, with net debt/EBITDA therefore decreasing to between 2.4x and 2.1x.
- **Estimates:** at this stage we are only making minor adjustments to our estimates for 2025 and the following years, remaining slightly below the mid-point of the guidance range provided in company's Industrial Plan. While energy prices should certainly be monitored, gas prices coming down from the February peak should bode well for the return to a normal level on average in 2025, limiting the downside on margins.
- **OUTPERFORM; target Eu2.1 confirmed:** we confirm our OUTPERFORM rating and a TP of Eu2.1, deriving from a DCF model, which implies an EV/EBITDA target of 4.6x in 2025 and 4.0x in 2026 (on our estimates, the stock is currently trading at 3.6x and 3.0x respectively). Even if FY24 results were below our expectations, there were still clear YoY improvements, showing that numbers are gradually moving in the right direction. We acknowledge the execution risks inherent in the Industrial Plan, and Aquafil needs to build up a track record in combining growth with FCF generation to regain investors' confidence. However, based on the expected de-leverage, we think the stock has significant upside potential and the risk/return looks attractive.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	581	551	612	633	647
EBITDA Adj (Eu mn)	48	62	82	90	92
Net Profit Adj (Eu mn)	-18	-12	9	16	18
EPS New Adj (Eu)	-0.354	-0.228	0.103	0.185	0.210
EPS Old Adj (Eu)	-0.354	-0.126	0.108	0.188	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.2	5.5	3.6	3.0	2.7
EV/EBIT Adj	nm	nm	9.4	6.8	6.0
P/E Adj	nm	nm	11.2	6.2	5.5
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	5.2	3.4	2.3	1.9	1.6

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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&PMIB40 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.
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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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BUY:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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