

# AQUAFIL

Sector: Industrials

## OUTPERFORM

Price: Eu1.31 - Target: Eu2.10

### Broader Shoulders to Support Growth after the Capital Increase

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#### Stock Rating

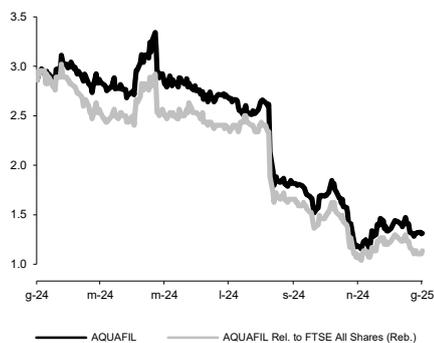
Rating: OUTPERFORM (New Coverage)

Target Price (Eu): 2.10 (New Coverage)

#### Next Event

Results Out March 18<sup>th</sup>

#### AQUAFIL - 12M Performance



#### Stock Data

Reuters code: ECNL.MI  
Bloomberg code: ECNL IM

Performance	1M	3M	12M
Absolute	-1.6%	-22.7%	-54.0%
Relative	-7.6%	-26.0%	-71.9%
12M (H/L)	3.34/1.16		
3M Average Volume (th):	272.60		

#### Shareholder Data

No. of Ord shares (mn):	88
Total no. of shares (mn):	88
Mkt Cap Ord (Eu mn):	115
Total Mkt Cap (Eu mn):	115
Mkt Float - Ord (Eu mn):	46
Mkt Float (in %):	39.6%
Main Shareholder:	
AquaFin Holding	58.9%

#### Balance Sheet Data

Book Value (Eu mn):	159
BVPS (Eu):	1.81
P/BV:	0.7
Net Financial Position (Eu mn):	-191
Enterprise Value (Eu mn):	306

- A leading global producer of nylon fibres.** Aquafil is a leading player in the production of polyamide 6 fibres and polymers, with final applications in high-end textile flooring (contract, automotive and residential segments), and specialised clothing (underwear, hosiery, swimwear, sportswear, and leisurewear). Aquafil boasts a unique positioning in the market, as it is a pioneer in circularity with Econyl, a unique regeneration system to produce sustainable fibre and polymers from nylon 6 waste. The company has been listed on the STAR segment of the Milan Stock Exchange since 2017 following a business combination with the Space 3 SPAC.
- Econyl, a key differentiating factor.** Econyl, Aquafil's innovative recycled nylon product, stands out as a key differentiating factor for the company, setting it apart from competitors. First launched in 2011, Econyl is a nylon that can be endlessly regenerated without losing quality. The process involves collecting assorted nylon waste worldwide which is then purified, depolymerized, and transformed back into high-quality nylon. As consumer demand for sustainable products grows, Econyl's role in circular economy practices positions Aquafil for long-term growth and a competitive edge on the market.
- 2024-2026 business plan.** Aquafil's 2024-2026 business plan focuses on strengthening its European market presence while driving growth in North America and Asia Pacific, targeting increased revenues across its business segments. Key drivers include expanding regenerated and Econyl-branded products, which are expected to account for 60% of fibre revenue by 2025, capitalizing on rising demand for sustainable solutions. The company plans sizeable investments in production capacity, technological improvements, and automation, with €60-65 million earmarked for expanding production and for new product development. These efforts are aimed at enhancing operational efficiency, optimizing costs, and improving margins. The planned initiatives are expected to increase adj. EBITDA significantly from Eu65mn in 2024 to Eu90-96mn in 2026, at the same time as enabling a hefty reduction of financial leverage.
- Successful completion of rights issue.** The capital increase of approximately Eu40mn announced last August and carried out between the end of November and the beginning of December has been successfully concluded, with 30,269,432 new ordinary shares and 6,048,008 new class B shares subscribed, representing 99.99% of the total number of shares offered under option, for a total amount of ~Eu40mn. The aims of the capital increase were to strengthen the Company's capital and financial structure, to obtain the financial resources needed to support the implementation of actions in the Industrial Plan, and in particular to contribute to the financing of investments, as well as to raise the funds to position the company to seize opportunities for external growth.
- Reinitiating with Outperform, TP Eu2.10:** We reinitiate our coverage on the stock with an Outperform rating and a TP of Eu2.1, derived 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 currently trades at 3.8x and 3.2x respectively). We acknowledge that the plan has execution risks, 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	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	697	581	555	615	637
EBITDA Adj (Eu mn)	92	48	66	82	90
Net Profit Adj (Eu mn)	34	-18	-6	9	16
EPS New Adj (Eu)	0.670	-0.354	-0.126	0.108	0.188
EPS Old Adj (Eu)					
DPS (Eu)	0.240	0.000	0.000	0.000	0.000
EV/EBITDA Adj	5.9	9.3	5.1	3.7	3.1
EV/EBIT Adj	12.2	nm	28.6	9.7	7.1
P/E Adj	2.0	nm	nm	12.2	7.0
Div. Yield	18.3%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.7	5.2	3.2	2.3	1.9

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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&PMB40 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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OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
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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Emittente	%	Long/Short
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