

AQUAFIL

UNDER REVIEW

Sector: Industrials

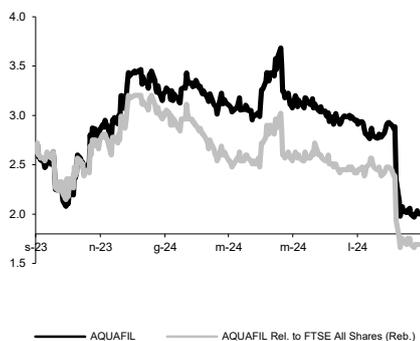
Price: Eu2.00 - Target: Under Review

Soft 2Q; Capital Raise and New 3-Year Plan Announced

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Stock Rating			
Rating:	from OUTPERFORM to U.R.		
Target Price (Eu):	from 4.40 to U.R.		
	2024E	2025E	2026E
Chg in Adj EPS	-213.8%	-57.8%	-27.6%

AQUAFIL - 12M Performance



Stock Data			
Reuters code:	ECNL.MI		
Bloomberg code:	ECNL IM		
Performance	1M	3M	12M
Absolute	-31.7%	-34.1%	-25.4%
Relative	-31.7%	-34.9%	-42.9%
12M (H/L)	3.69/1.97		
3M Average Volume (th):	80.33		

Shareholder Data	
No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	102
Total Mkt Cap (Eu mn):	102
Mkt Float - Ord (Eu mn):	43
Mkt Float (in %):	42.0%
Main Shareholder:	
AquaFin Holding	58.0%

Balance Sheet Data	
Book Value (Eu mn):	114
BVPS (Eu):	2.22
P/BV:	0.9
Net Financial Position (Eu mn):	-247
Enterprise Value (Eu mn):	354

■ **2Q results short of our estimates due to US:** results came in below our estimates, with the recovery in volumes in both Europe (+15.8%) and Asia (+16.6%) offset by a slowdown in USA (-11.1%) and a price-mix that remained negative. As a consequence, total turnover came in at Eu142.3mn, down 2.9% YoY (previous quarters showed declines of around 15%) and 6% below our estimate. In 2Q Econyl represented 53.5% of revenues from fibre sales, up from 48.8% last year. As for profitability, adj. EBITDA stood at Eu17.4mn (vs. our estimate of Eu18.1mn), implying a margin of 12.2% on revenues, up 5.4pp YoY and 2.0pp QoQ. Sharp growth in adj. EBITDA mainly came from: i) a realignment of raw material unit costs booked to inventories at market value; ii) a drop in raw material prices; iii) reduced personnel costs. Finally, as at 30 June net debt was Eu243.0mn, slightly lower than at YE23 and broadly in line with our estimate.

■ **New 3-year business plan:** the main differences to the business plan presented in November last year are: 1) greater caution on 2024 volumes expectations (worse-than-expected demand trend in the North American market), while a rebound is expected in 2025, with 2026 showing a return to normal rates (low-to-mid single-digit volume expansion), and 2) a higher investment profile (CapEx of Eu90-100mn over the 3-year period) with the aim of optimising and expanding the current production footprint. According to management's indications, the bulk of the CapEx should involve the expansion of production facilities in China, while other investments include capacity improvements in Engineering Plastics, the development of new high-performance fibre for specific applications and the development of new technology for recycling multi fibre fabrics.

■ **Capital raise to support CapEx and increase flexibility.** To support the important investments outlined in the plan and improve the group's financial flexibility in order to pursue any opportunities that may emerge on the market, a Eu40mn capital raise will be proposed to shareholders at the next EGM, convened on 10th October. The largest shareholder, AquaFin Holding, has expressed its intention to subscribe the capital raise pro-rata. The involvement of potential industrial partners should not be ruled out.

■ **Estimates revised downwards.** We are revising our estimates to bring them into line with company guidance, cutting adj. EBITDA by 7% on average over the three-year period, which at bottom line level translates into the expectation of breakeven being postponed to 2025 and a return to positive ground in 2026 (we are raising D&A and financial charges in our model). We underline that our current estimates do not yet incorporate the effects of the capital raise, pending further details.

■ **Recommendation and target price UNDER REVIEW:** in our opinion, plan targets are achievable but challenging in a highly volatile macroeconomic context. While awaiting more details on the upcoming capital raise in order to assess its likely impact, we are placing our recommendation and target price under review.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	697	581	577	632	646
EBITDA Adj (Eu mn)	92	48	65	82	90
Net Profit Adj (Eu mn)	34	-18	-7	6	13
EPS New Adj (Eu)	0.670	-0.354	-0.138	0.114	0.251
EPS Old Adj (Eu)	0.670	-0.354	0.121	0.270	0.347
DPS (Eu)	0.240	0.000	0.000	0.000	0.000
EV/EBITDA Adj	6.2	9.7	5.4	4.1	3.4
EV/EBIT Adj	12.9	nm	32.4	12.1	8.9
P/E Adj	3.0	nm	nm	17.6	8.0
Div. Yield	12.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.7	5.2	3.8	2.8	2.3

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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)

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.

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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:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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