AQUAFIL

OUTPERFORM

Sector: Industrials

Price: Eu1.39 - **Target: Eu1.80**

Guidance Cut, but Cost Actions Support 2026 Recovery

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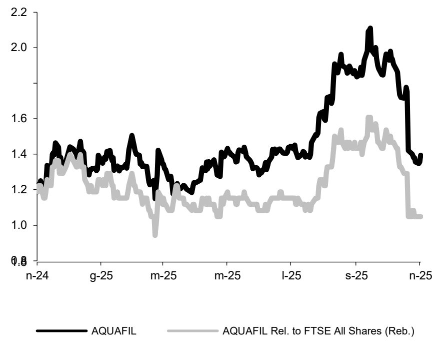
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 2.20 to 1.80
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-72.9%	-35.7%	-15.2%

AQUAFIL - 12M Performance



Stock Data			
Reuters code:			ECNL.MI
Bloomberg code:			ECNL IM
Performance	**1M**	**3M**	**12M**
Absolute	-29.0%	-12.9%	17.3%
Relative	-30.5%	-14.0%	-12.2%
12M (H/L)			2.11/1.15
3M Average Volume (th):			341.47

Shareholder Data	
No. of Ord shares (mn):	88
Total no. of shares (mn):	88
Mkt Cap Ord (Eu mn):	122
Total Mkt Cap (Eu mn):	122
Mkt Float - Ord (Eu mn):	48
Mkt Float (in %):	39.6%
Main Shareholder:	
Aquafin Holding	58.9%

Balance Sheet Data	
Book Value (Eu mn):	156
BVPS (Eu):	1.78
P/BV:	0.8
Net Financial Position (Eu mn):	-210
Enterprise Value (Eu mn):	332

- **3Q25 below estimates:** the company's 3Q results fell short of our expectations, mainly due to weaker-than-anticipated volumes affecting all 3 business lines: the quarter showed a sequential weakening in both BCF, which declined -6.2% versus -0.9% in 2Q, and Polymers, down -7.7% versus -5.6% in 2Q. The NTF segment recorded a slight improvement compared with the previous quarter, although it remained lower YoY (-1% vs. -7.3% in 2Q). Net revenues came in at €120.9mn, down 5.8% YoY and 4.5% below our estimate. The contribution from Econyl continued to increase on a YoY basis and now represents 59% of revenues, albeit growing at a more modest pace than in 1H. Adj. EBITDA came to €16.1mn, below our €19.1mn forecast, reflecting the impact of weaker volumes and the resulting lower operating leverage, only partially mitigated by lower raw material costs and the first benefits of personnel cost efficiencies. Net debt stood at €227mn at the end of September, approximately €8mn above our estimate due to the lower EBITDA contribution and higher working capital.
- **Guidance revised downwards mainly on lower volumes:** the softer market environment has led the company to lower the 2025 targets outlined in last year's Business Plan. Management now expects stable volumes for BCF (vs. +7%/+9% prev.) and NTF (vs. +15%/+18% prev.) and a 15% increase for Polymers (vs. +45/+55% prev.). The EBITDA target has been reduced to €70mn, mainly due to weaker volumes (-€9mn impact), higher energy costs (-€2mn) and ForEx (-€1mn), partly offset by €3mn of personnel cost savings from the US restructuring. Net debt is now expected at €208-212mn, above the previous €185-195mn range, despite CapEx being lowered to €21mn, as lower EBITDA, more NWC absorption, new IFRS16 contracts, ForEx and redundancy costs are affecting cash generation. This represents an improvement from 3.4x at the end of 2024, but remains well above the 2.4x envisaged in the business plan, which would have ensured greater financial flexibility. More positively, management expects efficiency measures to deliver around €20mn of structural annual savings (gross of inflation) vs. 2024, enhancing visibility on a continuation of the gradual margin recovery in 2026.
- **Estimates trimmed:** we are aligning our 2025 estimates to the updated guidance, meaning a c.13% cut in our EBITDA estimates and c.€15mn more debt than previously assumed. For 2026 we are adopting a more prudent approach, assuming that the expected improvement in EBITDA is entirely due to the cost saving initiatives launched by management, eliminating any improvement deriving from better market volumes, which are now foreseen flat YoY. Improvements in EBITDA and cash generation would therefore bring financial leverage to a more comfortable 2.3x.
- **OUTPERFORM; target €1.80:** the downward revision to guidance is undoubtedly bad news, and the magnitude is surprising. Nevertheless, we appreciate the company's decision to shift its focus to factors within its control (restructuring and cost discipline) rather than relying on hypothetical rebounds in a market that remains volatile and still shows no tangible signs of material volume recovery. In our view, the recent share price correction already fully reflects the impact of the guidance revision. We therefore reaffirm our recommendation on the stock, while acknowledging that any re-rating will depend on the company's ability to regain investor confidence through the delivery of the anticipated improvements.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	581	551	533	536	553
EBITDA Adj (Eu mn)	48	62	70	80	85
Net Profit Adj (Eu mn)	-18	-12	3	10	16
EPS New Adj (Eu)	-0.354	-0.228	0.034	0.119	0.184
EPS Old Adj (Eu)	-0.354	-0.228	0.126	0.186	0.216
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.2	5.5	4.7	3.9	3.4
EV/EBIT Adj	nm	nm	21.1	10.3	7.8
P/E Adj	nm	nm	40.7	11.7	7.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	5.2	3.4	3.0	2.4	2.0

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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)

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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.

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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:	37.12%
NEUTRAL:	30.30%
UNDERPERFORM:	00.76%
SELL:	00.00%

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BUY:	50.65%
OUTPERFORM:	29.87%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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