

AQUAFIL

Sector: Industrials

OUTPERFORM

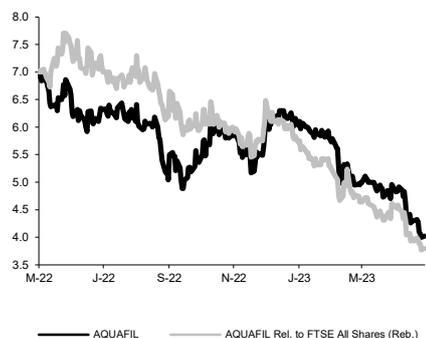
Price: Eu4.02 - Target: Eu8.70

We Confirm Our Estimates Despite Short-Term Uncertainty

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

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

AQUAFIL - 12M Performance



Stock Data			
Reuters code:	ECNL.MI		
Bloomberg code:	ECNL IM		
Performance	1M	3M	12M
Absolute	-19.0%	-30.7%	-42.0%
Relative	-17.1%	-27.2%	-48.8%
12M (H/L)	7.00/4.00		
3M Average Volume (th):	35.09		

Shareholder Data	
No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	206
Total Mkt Cap (Eu mn):	206
Mkt Float - Ord (Eu mn):	86
Mkt Float (in %):	42.0%
Main Shareholder:	
AquaFin Holding	58.0%

Balance Sheet Data	
Book Value (Eu mn):	175
BVPS (Eu):	3.43
P/BV:	1.2
Net Financial Position (Eu mn):	-217
Enterprise Value (Eu mn):	427

■ **Mixed 1Q: EBITDA lower than expected, but cash generation better.** The company reported a mixed set of results, as EBITDA was below our expectations, also due to some non-recurring items, while cash generation was better than expected in a seasonally unfavourable quarter. In detail:

- Total revenues of Eu169.5mn, down 1.7% YoY (vs Eu177.8mn est.) as volumes decreased by 9.5%, offsetting the higher selling price. Geographically, the trends seen in previous quarters continued, with North America strong (volumes +10%) and APAC holding up reasonably well, while Europe remained rather weak (volumes -20%) across almost all end markets (except automotive). On the bright side, we underline that Econyl's proportion of revenues continues to increase, reaching 46.9% of fibre revenues (42.2% in 1Q22).
- Adj. EBITDA of Eu21.6mn vs estimate of Eu24.0mn. Margin down from 14.5% to 12.9% due to lower operational leverage and the high unit cost of goods in warehouses. A significant part of the difference between our EBITDA estimate and actual numbers appears to be due to an incident at one of the ACR in the USA, which stopped production at the facility for almost an entire quarter (impact of ~Eu1mn). Excluding this impact, margin dilution would have been more limited (at ~1pp) and aligned to our expectations for the year.
- Net debt as at end-March was Eu247mn, a slight improvement on end-2022 (Eu248mn) and better than our estimate (Eu257mn) thanks to limited absorption from NWC (Eu3mn), a remarkable result bearing in mind that 1Q is generally unfavourable from a cash generation point of view.

■ **Short-term scenario still clouded in uncertainty.** Trends seen in 1Q are substantially continuing in 2Q, which should therefore see a continuation of the weakness in Europe, while North America and APAC should continue to perform better. The scenario for the remainder of 2023 is thus marked by uncertainty: we therefore think that the caution implicit in our estimates for FY23 is justified. As a reminder, we estimate that adj. EBITDA will decline by -6.3% YoY in 2023 with a 12.2% margin, a 1pp drop on 2022. As for net debt, we would expect a Eu30mn decline thanks to a material release of NWC.

■ **OUTPERFORM reaffirmed; target still Eu8.7.** While we believe the uncertain short-term outlook may weigh on the stock performance, we believe the results achieved by the company in uncertain times such as 2022 are confirmation of management's ability to react quickly to sudden changes in any scenario, as well as its commitment to achieve the sustainability targets presented to the market last year (especially the target for Econyl to reach 60% of fibre turnover). We reaffirm our positive view on the stock, which at our target would trade at 7.8x 2023 EV/EBITDA, with a 9.7% FCF yield.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	574	697	706	720	738
EBITDA Adj (Eu mn)	72	92	86	95	100
Net Profit Adj (Eu mn)	15	34	17	25	28
EPS New Adj (Eu)	0.287	0.670	0.329	0.480	0.550
EPS Old Adj (Eu)	0.287	0.670	0.329	0.480	0.550
DPS (Eu)	0.120	0.240	0.121	0.196	0.231
EV/EBITDA Adj	7.2	6.2	4.9	4.1	3.6
EV/EBIT Adj	19.1	12.9	12.1	8.9	7.6
P/E Adj	14.0	6.0	12.2	8.4	7.3
Div. Yield	3.0%	6.0%	3.0%	4.9%	5.7%
Net Debt/EBITDA Adj	2.5	2.7	2.5	1.9	1.6