Milan, 14 February 2024

Italian Equity Research – Change in View/4Q23 Results

ELICA

OUTPERFORM

Sector: Consumers

Price: Eu1.94 - **Target: Eu2.40**

1H24 Poses Challenges but ELC Investing to Overcome Them

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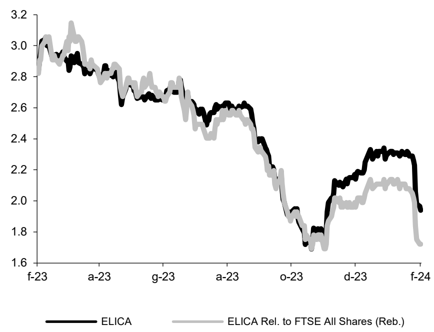
Stock Rating			
Rating:		from BUY to OUTPERFORM	
Target Price (Eu):		from 2.80 to 2.40	
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-39.7%	-28.4%	

ELICA - 12M Performance



Stock Data			
Reuters code:			ELC.MI
Bloomberg code:			ELC IM
Performance	**1M**	**3M**	**12M**
Absolute	-15.7%	9.6%	-31.9%
Relative	-17.7%	1.8%	-44.0%
12M (H/L)			3.06/1.69
3M Average Volume (th):			39.82

Shareholder Data	
No. of Ord shares (mn):	63
Total no. of shares (mn):	63
Mkt Cap Ord (Eu mn):	123
Total Mkt Cap (Eu mn):	123
Mkt Float - Ord (Eu mn):	33
Mkt Float (in %):	27.2%
Main Shareholder:	
F.A.N. (Casoli family)	52.8%

Balance Sheet Data	
Book Value (Eu mn):	150
BVPS (Eu):	2.37
P/BV:	0.8
Net Financial Position (Eu mn):	-55
Enterprise Value (Eu mn):	196

- **Sequential top-line improvement vs 3Q.** 4Q results were substantially aligned in terms of the top line, while profitability was lower than expected as it was penalized by a worse mix (less B2C, more B2B) and by the pressure on prices brought about by the increase in promotional activities. At Cooking, revenues declined by -9.8% in 4Q (B2C -16.4%/B2B +1.4%) on weak demand and price cuts, as stiffer competition led to greater promotional activities, while at Motors, the deterioration seen from 3Q continued in 4Q (-22.2% YoY) due to the ongoing slowdown in the heating segment. Overall, turnover reached Eu113mn in 4Q, down 12.7% YoY. As a positive, we note that North America grew by 6.0% thanks to the new distribution strategy adopted in the region.
- **Margins impacted by a less favourable mix.** Profitability in 4Q was lower than our expectations as it was impacted by a less favourable revenue mix and price pressure brought on by more intense promotional activities. However, the efficiencies introduced in recent years at least made it possible to mitigate the impact on the adj. EBIT margin, which was 4.3%, down 1.4pp YoY, with adj. EBIT of Eu4.9mn (versus our estimate of Eu5.8mn). Finally, net debt stayed well under control: the NFP was Eu41.3mn with net debt/EBITDA remaining fairly flat vs 2022 at 0.9x.
- **2024 still expected tough, but company investing for brand repositioning.** The coming months pose potential challenges for the Group, with both the Cooking and Motors segments predicted to experience a further decline in demand and market prices contracting due to heightened competition. However, the Group is committed to safeguarding market share and operating margin also thanks to the expansion of the product range through initiatives like the "LHOV" launch in Cooking and pursuing opportunities in Motors like heat pumps, alongside brand repositioning initiatives. Significant investments are planned for 2024 across various markets to support new product launches, brand repositioning, and pave the way for future revenue growth.
- **Estimates.** While we are leaving our 2024 top-line forecast broadly unchanged, we are reassessing our profitability estimates to reflect a less favourable mix (-0.6pp off the adj. EBIT margin) and to incorporate higher investments for commercial initiatives supporting the launch of new products and brand awareness (-1pp off the margin), such as the recent partnership announced with Ducati. Despite a 29% cut to the adj. EBIT estimate for 2024, we forecast the NFP will remain well under control, only slightly expanding vs 2023. We note that our estimates do not include the potential contribution from the sale of the residual stake in the Indian company, which may happen later in the year (we estimate a potential capital gain in the Eu5mn region).
- **OUTPERFORM from BUY; target Eu2.4 from Eu2.8.** While the challenges are real, the Group's proactive approach through product expansion, brand repositioning, and strategic investments offers promise for weathering the storm and potentially emerging stronger. We believe that the next catalyst for the company is the upcoming EuroCucina fair, at which the company should present the new medium-term strategy, providing more colour on the initiatives that will be undertaken in the coming months and years. The TP, based on a DCF, goes from Eu2.80 to Eu2.40 to reflect the cut to estimates and a lower risk-free rate (4.0% from 4.5% as per Intermonte's new assumptions).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	549	473	470	487	504
EBITDA Adj (Eu mn)	57	48	42	48	54
Net Profit Adj (Eu mn)	21	12	8	12	17
EPS New Adj (Eu)	0.328	0.188	0.128	0.194	0.269
EPS Old Adj (Eu)	0.328	0.214	0.213	0.270	
DPS (Eu)	0.070	0.050	0.050	0.060	0.080
EV/EBITDA Adj	4.3	4.9	4.7	3.9	3.1
EV/EBIT Adj	7.4	9.6	10.8	7.8	5.6
P/E Adj	5.9	10.3	15.1	10.0	7.2
Div. Yield	3.6%	2.6%	2.6%	3.1%	4.1%
Net Debt/EBITDA Adj	0.8	1.1	1.3	0.9	0.6