

ELICA

Sector: Consumers

BUY

Price: Eu2.90 - Target: Eu3.80

4Q Results In Line, Margins to Remain Resilient in 1H23

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Stock Rating

Rating: Unchanged

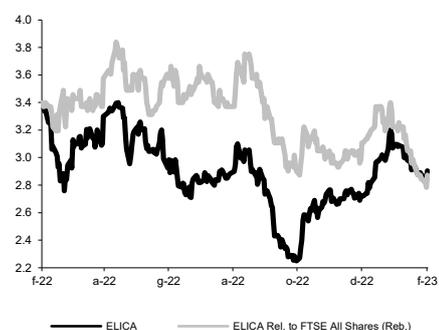
Target Price (Eu): from 4.00 to 3.80

	2023E	2024E	2025E
Chg in Adj EPS	-6.3%	-6.4%	

Next Event

 1Q23 Results Out April 27th 2023

ELICA - 12M Performance



Stock Data

Reuters code: ELC.MI

Bloomberg code: ELC IM

Performance	1M	3M	12M
Absolute	-5.4%	5.1%	-14.6%
Relative	-12.1%	-6.4%	-16.0%
12M (H/L)		3.40/2.25	
3M Average Volume (th):		34.41	

Shareholder Data

No. of Ord shares (mn):	63
Total no. of shares (mn):	63
Mkt Cap Ord (Eu mn):	184
Total Mkt Cap (Eu mn):	184
Mkt Float - Ord (Eu mn):	50
Mkt Float (in %):	27.2%
Main Shareholder:	
F.A.N. (Casoli family)	52.8%

Balance Sheet Data

Book Value (Eu mn):	158
BVPS (Eu):	2.52
P/BV:	1.2
Net Financial Position (Eu mn):	-29
Enterprise Value (Eu mn):	230

■ **4Q22 results in line:** 4Q sales fell -4% YoY to €130mn (vs. our estimate/ consensus of €128/129mn) as shrinking hoods market demand primarily hit B2B (-23%), whereas Motors/B2C (+18%/+2%) showed the expected resilience. The resulting positive mix effect delivered adj. EBIT of €7.4mn, flat YoY, with the margin even up +0.2pp YoY to 5.7% (our estimates €7.4mn/5.8%, consensus €7.1mn/5.5%). Adj. net income of €4.7mn beat forecasts (our estimate/ consensus €4.0/3.2mn) amid lower taxes. Cash generation was solid, as expected, bringing net debt to €30mn post-IFRS16 (our estimate €29mn) down from €39mn at 3Q, helped by reduced working capital amid declining volumes.

■ **2023 guidance matches consensus, reflecting 2H improvement:** 2023 guidance confirmed the current consensus range, pointing to i) sales “slightly down to flat”; ii) adj. EBIT margin up over 0.5pp YoY to the “6.5-7.0% range”; and iii) improving net debt position. Negative 4Q22 market trends (hoods markets in Europe/North America -16%/-8%), are set to continue in early 2023, continuing to affect B2B most of all, and driving -8/-10% top line declines in 1H23, but the 1H adj. EBIT margin contraction is set to remain limited (c.5.5-6.0% expected vs. 6.4% in 1H22), helped by a leaner cost structure and improving mix. A rebound is expected from 2H23, due to: i) normalising market conditions, ii) new B2C products and iii) onboarding of new B2B clients. Sales guidance includes an estimated €10-12mn in total in 2H for the latter two elements (+4%/+2% on 2H/FY). The adj. EBIT margin is expected to stand above 7.0% towards YE23.

■ **Past strategic decisions expected to yield margin resilience in rough 1H:** in our view, expectations for continued margin enhancement despite the challenging demand environment entering 2023 show ELC’s recent strategic decisions in a good light: i) ELC enters 2023 with a leaner cost structure thanks to the re-organisation plan and ongoing cost-control efforts executed in 2021-2022 (+1pp margin gain target confirmed) while peers Electrolux and Whirlpool will rush to execute more swingeing cost-cutting actions in 2023 (they target savings worth between +3pp and +5pp of margin), ii) the strategic focus on own-brand, high-end innovative products offers greater short-term top line and margin resilience, and iii) the same applies for the enhanced presence in the motors segment (especially heating), achieved through the successful integration of EMC.

■ **Change in estimates:** we are cautiously trimming our above-consensus estimates, cutting FY23 forecasts to reflect a slightly declining top line amid lower volumes in 1H. Consequently, we are also shaving 0.2bp off our FY23E adj. EBIT margin forecast (6.8%, +0.8pp YoY, within guidance range), resulting in a -6% cut to our FY23E EPS (it was 16% above pre-release FactSet consensus).

■ **BUY rating confirmed; target €3.8 (from €4.0):** we are slightly lowering our DCF-Based target price, reflecting the cautious estimate cut. We re-iterate our BUY rating, reflecting our positive view on the stock, as the key pillars of ELC’s equity story (innovative product line-up in B2C, growth opportunities in North America, roll-out of the new production footprint, proven cost-control ability) will be crucial to building greater resilience and consolidating management’s solid track record. ELC is trading at 6.2x EV/adj. EBIT and 8.2x P/E 2023E, discounts of c.50% and c.40% respectively to peers.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	541	549	546	565	580
EBITDA Adj (Eu mn)	57	57	61	65	70
Net Profit Adj (Eu mn)	16	21	22	25	28
EPS New Adj (Eu)	0.252	0.328	0.355	0.402	0.449
EPS Old Adj (Eu)	0.252	0.313	0.379	0.429	
DPS (Eu)	0.060	0.070	0.080	0.090	0.100
EV/EBITDA Adj	4.7	4.4	3.8	3.3	2.8
EV/EBIT Adj	8.3	7.5	6.2	5.1	4.2
P/E Adj	11.5	8.9	8.2	7.2	6.5
Div. Yield	2.1%	2.4%	2.8%	3.1%	3.4%
Net Debt/EBITDA Adj	0.6	0.8	0.5	0.2	-0.1