

# ELICA

Sector: Consumers

**BUY**

Price: Eu2.59 - Target: Eu3.40

## A Well Managed Company Navigating Difficult Markets

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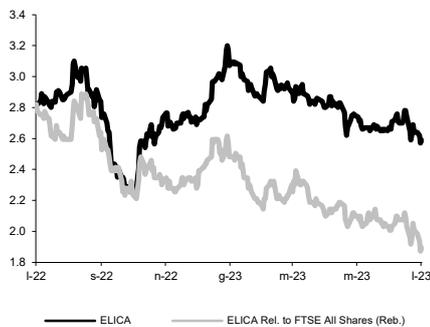
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 3.80 to 3.40		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	-12.3%	-14.0%	-12.9%

### Next Event

 Results Out July 27<sup>th</sup>

### ELICA - 12M Performance



### Stock Data

Reuters code:	ELC.MI		
Bloomberg code:	ELC IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-3.0%	-7.5%	-8.2%
Relative	-5.5%	-9.6%	-44.4%
12M (H/L)	3.20/2.25		
3M Average Volume (th):	24.09		

### Shareholder Data

No. of Ord shares (mn):	63
Total no. of shares (mn):	63
Mkt Cap Ord (Eu mn):	164
Total Mkt Cap (Eu mn):	164
Mkt Float - Ord (Eu mn):	45
Mkt Float (in %):	27.2%
Main Shareholder:	
F.A.N. (Casoli family)	52.8%

### Balance Sheet Data

Book Value (Eu mn):	152
BVPS (Eu):	2.40
P/BV:	1.1
Net Financial Position (Eu mn):	-44
Enterprise Value (Eu mn):	226

**■ Still-challenging scenario in 2Q:** we expect results to reflect a tough quarter, as the continuation of soft demand trends in the Cooking business should have been accompanied by a slowdown in the Motors business, where we would expect heating-related products, which have supported results so far, to have experienced the first signs of a slowdown. We therefore expect a further deceleration in the top line, with 2Q closing at Eu124.7mn, down -14.7% YoY (-10.4% YoY in 1Q), as a result of an -18.4% decline in the Cooking business, more accentuated in B2B than in B2C (-36.5% and -5% YoY exp. respectively), and -1.7% in the Motors business. By geographical area, the decline is expected to have been heavier in North America than in Europe (-22.8%/-12.5% exp. respectively), as it will have been more heavily penalised by its greater exposure to the B2B segment. These trends would mark a deterioration compared to the outlook provided by the management in May, which pointed to a 2Q23 revenue contraction ranging from 7% to 8%.

**■ Margins expected to show resilience:** Despite the negative volumes trend, we expect margins to have held up relatively well thanks to the measures implemented in recent years, including the greater flexibility allowed by the new production footprint. As a matter of fact, we expect adj. EBIT to have come to Eu7.0mn, a 5.6% margin, down ~0.9pp YoY, but improving 0.4pp QoQ. Following fairly flat D&A YoY and higher net financial charges, we expect adj. net profit to have come in at Eu4.1mn. FCF is forecast to have remained positive at Eu0.3mn, following Eu4mn of CapEx and NWC absorption to the tune of Eu6mn, enabling net debt to remain broadly stable QoQ at Eu33.2mn (from Eu32.9mn at the end of March).

**■ Prudent approach on 2H23 estimates:** in light of the expected deterioration in the Motors business scenario, coupled with a Cooking market that is still not improving, we believe management's FY guidance may prove difficult to achieve (management indicated 2023 in line with consensus, meaning a slight YoY drop in revenues and an adj. EBIT margin of around 6.5%). In this report we are taking a more prudent approach on the second half of the year, assuming ELC will achieve revenues in line with 2H22, with a slight increase in Cooking, as the comparison will become much easier and the launch of new products should provide some support, and a double-digit decline in Motors. Nevertheless, we expect adj. EBIT margin to increase substantially compared to 1H, reaching 7.2% vs 5.4%. This prudent approach leads us to cut our 2023 adj. EBITDA/adj. EBIT estimates by 6%/10%, while for the following years we are leaving our growth estimates unchanged, but given the lower starting point this results in a similar decrease.

**■ BUY confirmed; target from Eu3.8 to Eu3.4:** we reaffirm our view on the stock as we believe that as soon as the market rebounds from the current low level, the company will immediately be able to reap the benefits from the measures implemented by management in recent years (introduction of an innovative product line-up in B2C, roll-out of the new production footprint, proven cost-control ability), which have allowed Elica to improve its profitability profile and gain market share in Europe. Even after the estimates revision implemented in this report, ELC is trading at attractive multiples (7.0 EV/ADJ. EBIT 2023, at a 40% discount to peers).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	541	549	508	526	540
EBITDA Adj (Eu mn)	57	57	55	61	65
Net Profit Adj (Eu mn)	16	21	19	22	25
EPS New Adj (Eu)	0.252	0.328	0.296	0.345	0.391
EPS Old Adj (Eu)	0.252	0.328	0.337	0.402	0.449
DPS (Eu)	0.060	0.070	0.080	0.090	0.100
EV/EBITDA Adj	4.7	4.4	4.1	3.4	2.9
EV/EBIT Adj	8.3	7.5	7.0	5.5	4.5
P/E Adj	10.3	7.9	8.8	7.5	6.6
Div. Yield	2.3%	2.7%	3.1%	3.5%	3.9%
Net Debt/EBITDA Adj	0.6	0.8	0.8	0.4	0.2