

# ELICA

Sector: Consumers

**BUY**

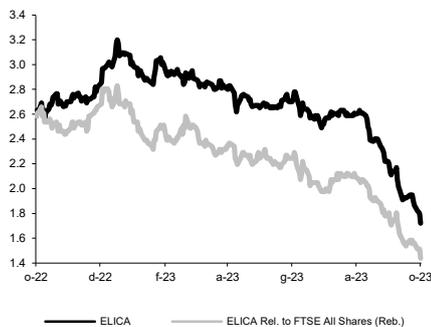
Price: Eu1.72 - Target: Eu2.80

## Soft Short-Term Demand, Brighter Medium-Term Outlook

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-0.2%	0.3%	0.2%

### ELICA - 12M Performance



Stock Data			
Reuters code:	ELC.MI		
Bloomberg code:	ELC IM		
Performance	1M	3M	12M
Absolute	-21.8%	-31.7%	-33.5%
Relative	-19.5%	-26.1%	-53.5%
12M (H/L)	3.20/1.72		
3M Average Volume (th):	23.36		

Shareholder Data	
No. of Ord shares (mn):	63
Total no. of shares (mn):	63
Mkt Cap Ord (Eu mn):	109
Total Mkt Cap (Eu mn):	109
Mkt Float - Ord (Eu mn):	30
Mkt Float (in %):	27.2%
Main Shareholder:	
F.A.N. (Casoli family)	52.8%

Balance Sheet Data	
Book Value (Eu mn):	147
BVPS (Eu):	2.32
P/BV:	0.7
Net Financial Position (Eu mn):	-51
Enterprise Value (Eu mn):	178

- No surprises from 3Q top line trends:** 3Q results were as weak as expected, marked by the continuation of ongoing demand pressure in the Cooking division and by the decline of Motors following the slowdown of the Heating-related part of the business. Overall, the top line decreased by 18.0% YoY to Eu105.6mn (-15.8% organic/ ForEx -2.2%), the result of a -13.9% decline in the Cooking business, once again more accentuated in B2B than in B2C (-18.3% and -10.6% YoY respectively), and -30.8% in the Motors business, which from late 2Q started to suffer from a de-stocking phase, mainly in the heating segment. There were negative trends in all geographical markets, with declines in EMEA (-15.8%), North America (-26.3%) and Asia (-22.1%).
- Margin resilience again the bright spot:** margin resilience was again the biggest positive, benefiting from the efficiencies implemented in recent years, including the greater flexibility allowed by the new production footprint. Indeed, adj. EBIT was Eu5.2mn (vs. Eu5.3mn est.), a 5.0% margin, down just ~0.5pp YoY despite the drop in volumes. Finally, net debt stayed well under control, with NFP at Eu47mn at the end of the period, up from Eu36.8mn at the end of June, due to the dividend payment, seasonal NWC absorption and accelerated CapEx, but with net debt/EBITDA remaining fairly flat at 0.9x.
- 2023 guidance confirms persisting weak demand in 4Q23...**as demand is expected to contract again in 4Q23 in both businesses, management has updated its 2023 guidance, now aiming for a ~-15% decline in revenues (implying -17% in 4Q), a ~50bp YoY reduction in the adj. EBIT margin and financial leverage in line with 9M23 (0.9x net debt/EBITDA). Our estimates are consistent with the guidance.
- ...but medium-term outlook much brighter.** From a longer-term perspective, the initiatives introduced in recent years are now complete and are expected to bear fruit. The new production footprint allows greater flexibility in times of fluctuating demand and to seize any market opportunities that may arise. Moreover, the launch of new products (i.e. LHOV, induction, wine cellars), the entry into new market segments, the acquisition of new clients and a new commercial structure in the US should support revenues and margins in the not-too-distant future. Finally, the motors division will finally enjoy the benefits from the launch of fans for heat pumps that may contribute ~Eu3mn to the 2024 top line, with production starting from December 2023.
- Estimates merely fine-tuned, but consensus lagging behind:** following the release, we are merely fine tuning our estimates, which were already materially revised in our 3Q preview. Nevertheless, we note that our EPS estimates were around 20% below pre-release consensus numbers, so we would expect consensus to come down substantially following the release.
- BUY confirmed; target still Eu2.8:** we reaffirm our view on the stock as we believe that as soon as the market rebounds from its current low level, the company will immediately be able to reap the benefits of 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.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	541	549	468	471	487
EBITDA Adj (Eu mn)	57	57	49	50	55
Net Profit Adj (Eu mn)	16	21	14	13	17
EPS New Adj (Eu)	0.252	0.328	0.214	0.213	0.270
EPS Old Adj (Eu)	0.252	0.328	0.215	0.212	0.270
DPS (Eu)	0.060	0.070	0.070	0.070	0.080
EV/EBITDA Adj	4.7	4.4	3.6	3.3	2.7
EV/EBIT Adj	8.3	7.5	7.1	6.3	4.8
P/E Adj	6.8	5.2	8.0	8.1	6.4
Div. Yield	3.5%	4.1%	4.1%	4.1%	4.7%
Net Debt/EBITDA Adj	0.6	0.8	1.0	0.7	0.4