Intermonte

Milan, 28 April 2023

Italian Equity Research – 1Q23 Results

ELICA

BUY

Sector: Consumers

Price: Eu2.83 - **Target: Eu3.80**

2023 Outlook Confirmed, Estimates Merely Fine-Tuned

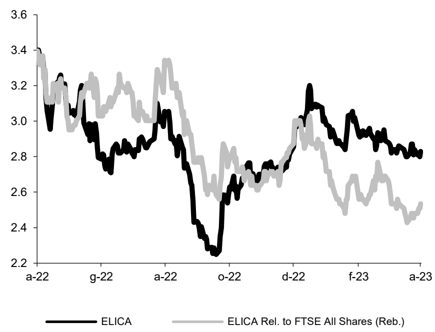
Carlo Maritano +39-02-77115.358
carlo.maritano@intermonte.it
Andrea Randone: +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-5.0%	0.0%	0.0%

Next Event

1H Results Out July 27th

ELICA - 12M Performance



Stock Data			
Reuters code:			ELC.MI
Bloomberg code:			ELC IM
Performance	**1M**	**3M**	**12M**
Absolute	-1.7%	-5.0%	-16.6%
Relative	-5.2%	-7.4%	-29.2%
12M (H/L)			3.40/2.25
3M Average Volume (th):			32.45

Shareholder Data	
No. of Ord shares (mn):	63
Total no. of shares (mn):	63
Mkt Cap Ord (Eu mn):	179
Total Mkt Cap (Eu mn):	179
Mkt Float - Ord (Eu mn):	49
Mkt Float (in %):	27.2%
Main Shareholder:	
F.A.N. (Casoli family)	52.8%

Balance Sheet Data	
Book Value (Eu mn):	157
BVPS (Eu):	2.50
P/BV:	1.1
Net Financial Position (Eu mn):	-30
Enterprise Value (Eu mn):	226

- **B2C and Motors sustain 1Q results:** As widely anticipated by management during its 2022 results presentation, 1Q results were quite soft, penalised by falling demand and a tough comparison base (1Q21 turnover +27.3% organic, 1Q22 +5.7% organic). In detail, turnover came to Eu129mn, down 10.4% due almost entirely to the decline in the Cooking OEM segment (-29.8%/-30.9% organic), while Own Brands and Motors held up better (-0.5%/+3.0% respectively). Geographically, EMEA declined organically by -8.2%, which, despite the QoQ deterioration, allowed ELC to outperform the European cooker hoods industry (-11.3% in 1Q23). Despite the notable top line decline, the company was still able to defend profitability, with adj. EBIT coming to Eu6.7mn (vs. Eu7.5mn expected), showing a 5.2% margin, down 100bp YoY as SG&A control and the positive price mix partially offset the decline in volumes and raw material inflation. Down the line, following higher net financial charges but lower income taxes, adj. net income came in at Eu3.9mn, not far from our Eu4.4mn estimate. Finally, net debt in the quarter came to Eu32.9mn (pre-IFRS16) thanks to good cash generation (Eu9.0mn FCF vs. Eu6.3mn exp.) that was enough to offset the final payment for the acquisition of EMC and CPS (Eu6.5mn).
- **2023 forecasts in line with consensus:** management confirmed expectations for 2023 results to meet consensus expectations, which we remind point to a 1.5% decline in revenues and an adj. EBIT margin of ~6.5%. This is based on expectations for a continuation of the negative demand trend at least until the end of 1H (2Q expected down -7%/8%), while a rebound is expected in 2H thanks to: 1) a resumption of organic growth thanks to the normalisation of market conditions and client's stock levels; 2) the launch of new B2C products (also thanks to the new partnership with ILVE); 3) the onboarding of new B2B clients. As for profitability, besides the efficiencies deriving from the reorganisation and a more favourable business mix (more Own Brands in the mix, less OEMs), starting from the latter part of 2Q, the impact of raw materials should start to turn positive, thus helping the company reach its profitability target.
- **2023 estimates fine-tuned:** following the release of 1Q results we are fine-tuning our 2023 estimates, aligning our adj. EBIT margin to consensus at 6.5% (and therefore also to management indications), while we were previously above consensus at 6.8%. For the following years we are confirming our estimates, as we believe that as soon as volumes normalise, the company will be able to unleash its full potential in terms of both growth and profitability.
- **BUY confirmed; target still €3.8:** We reaffirm 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 6.4x EV/adj. EBIT and 8.4x 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	59	65	70
Net Profit Adj (Eu mn)	16	21	21	25	28
EPS New Adj (Eu)	0.252	0.328	0.337	0.402	0.449
EPS Old Adj (Eu)	0.252	0.328	0.355	0.402	0.449
DPS (Eu)	0.060	0.070	0.080	0.090	0.100
EV/EBITDA Adj	4.7	4.4	3.8	3.2	2.8
EV/EBIT Adj	8.3	7.5	6.4	5.0	4.1
P/E Adj	11.2	8.6	8.4	7.0	6.3
Div. Yield	2.1%	2.5%	2.8%	3.2%	3.5%
Net Debt/EBITDA Adj	0.6	0.8	0.5	0.2	-0.1