

ELICA

Sector: Consumers

BUY

Price: Eu2.56 - Target: Eu3.40

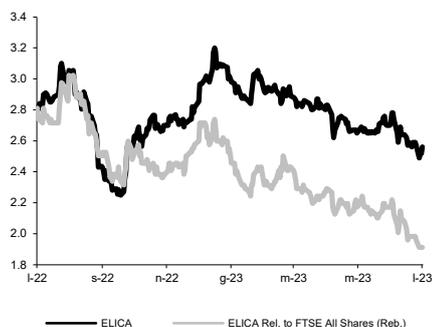
2Q Gives Further Proof of Great Operating Flexibility

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-2.2%	-0.4%	-0.1%

ELICA - 12M Performance



Stock Data

Reuters code: ELC.MI
 Bloomberg code: ELC IM

Performance	1M	3M	12M
Absolute	-5.9%	-9.5%	-8.9%
Relative	-13.3%	-17.4%	-43.1%
12M (H/L)		3.20/2.25	
3M Average Volume (th):		23.90	

Shareholder Data

No. of Ord shares (mn):	63
Total no. of shares (mn):	63
Mkt Cap Ord (Eu mn):	162
Total Mkt Cap (Eu mn):	162
Mkt Float - Ord (Eu mn):	44
Mkt Float (in %):	27.2%
Main Shareholder:	
F.A.N. (Casoli family)	52.8%

Balance Sheet Data

Book Value (Eu mn):	152
BVPS (Eu):	2.39
P/BV:	1.1
Net Financial Position (Eu mn):	-44
Enterprise Value (Eu mn):	224

- Top line trends in line with expectations:** as expected, Elica faced a tough environment in 2Q, which led to the top line decreasing 14.1% YoY to Eu125.4mn (-13.6% organic/ForEx -0.6%), a deceleration compared to 1Q (when it was down -10.4%). This was the result of a -15.7% decline in the Cooking business, once again more accentuated in B2B than in B2C (-23.2% and -10.3% YoY respectively), and -8.4% in the Motors business, which from May started to suffer from a de-stocking phase, mainly in the heating segment. The trend was similar across geographical markets, with EMEA declining by -14.1%, North America by -13.2% and Asia by -16.7%.
- Margin resilience the main highlight:** the biggest positive of the release was the resilience shown by margins despite the negative volumes trend. This is further proof that the measures implemented in recent years, including the greater flexibility allowed by the new production footprint and the focus on Own Brands, are bearing fruit. As a matter of fact, adj. EBIT came to Eu7.5mn (7% above our estimates), a 6.0% margin, down just by 0.5pp YoY, and improving by 0.8pp QoQ. Below the line, flat D&A YoY and higher net financial charges led to adj. net profit of Eu4.7mn. Finally, net debt remained well under control despite the tough scenario, with NFP standing at Eu36.8mn at the end of the period, a slight increase from Eu32.9mn at the end of March, but with net debt/EBITDA remaining stable at 0.8x.
- 2023 guidance points to Cooking's stabilisation in 2H:** along with results, management provided updated guidance for the current year, disclosing expectations for a decrease of around 8% in revenues based on stabilisation in the Cooking market in 2H, with no YoY upturn in demand but a slight overall improvement expected thanks to the launch of new products and the acquisition of new clients, and a soft trend in the Motors business, penalised by the expected de-stocking at heating segment customers, awaiting the launch of new products for Heat Pumps, which should make a material contribution as of 1Q24. As for profitability, the operating margin is expected to improve by ~10-20bp YoY from a combination of: i) the cost efficiencies implemented, ii) the reversal of some headwinds that dented results last year (i.e. lower raw material and logistics costs) which could contribute Eu4-5mn in 2H, iii) a more favourable business mix (aspiration hobs expected to perform better in 2H, new products boasting high margins). Finally, financial leverage is expected to be in line with 2022 at ~0.8x.
- Estimates only fine-tuned:** we are merely adjusting our estimates to reflect a slightly different business mix (Cooking OEM improved, Motors worsened), and a lower tax rate, due to decreased activity in 1H in North America, the area with the highest tax rate. Our estimates are aligned to company guidance.
- BUY confirmed; target Eu3.4:** 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 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. ELC is also trading at attractive multiples (7.2 EV/ADJ. EBIT 2023, at a 40% discount to peers).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	541	549	507	525	539
EBITDA Adj (Eu mn)	57	57	55	61	65
Net Profit Adj (Eu mn)	16	21	18	22	25
EPS New Adj (Eu)	0.252	0.328	0.289	0.344	0.390
EPS Old Adj (Eu)	0.252	0.328	0.296	0.345	0.391
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	7.2	5.5	4.5
P/E Adj	10.2	7.8	8.9	7.4	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