

# EMAK

Sector: *Industrials*

## OUTPERFORM

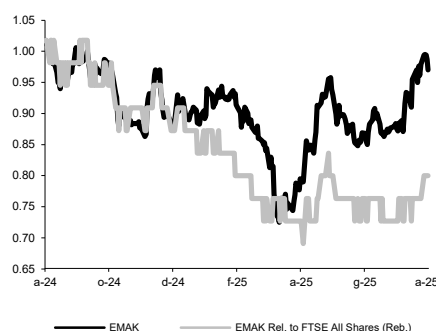
Price: Eu0.97 - Target: Eu1.60

### Operating Leverage and Mix Fuel Better Profit

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 1.45 to 1.60		
	2025E	2026E	2027E
Chg in Adj EPS	8.8%	3.8%	0.9%

EMAK - 12M Performance



Stock Data			
Reuters code:	EM.MI		
Bloomberg code:	EM IM		
Performance	1M	3M	12M
Absolute	9.7%	3.3%	-4.7%
Relative	7.4%	-2.2%	-27.8%
12M (H/L)	1.01/0.72		
3M Average Volume (th):	99.66		

Shareholder Data	
No. of Ord shares (mn):	164
Total no. of shares (mn):	164
Mkt Cap Ord (Eu mn):	159
Total Mkt Cap (Eu mn):	159
Mkt Float - Ord (Eu mn):	49
Mkt Float (in %):	31.1%
Main Shareholder:	
YAMA	68.9%

Balance Sheet Data	
Book Value (Eu mn):	278
BVPS (Eu):	1.72
P/BV:	0.6
Net Financial Position (Eu mn):	-200
Enterprise Value (Eu mn):	363

■ **Profitability boosted by leverage and product mix:** 2Q revenues came to €177.1mn, up 1% YoY but slightly below our estimate (~1%). Among individual divisions, the excellent performance by Components stands out, +11.2% YoY (vs. +8.9% expected), the OPE division grew by a more limited +2.1% (in line with expectations), while the Pumps division tracked a weaker trend, down -6.4% (vs. our estimate of -2.7%), mainly due to the weakness of the cleaning segment. Positive news came in terms of profitability: adj. EBITDA was €25.4mn vs. €24.7mn expected, with the margin up +1.6pp YoY, benefitting from a more favourable mix (Components is the Group's highest margin division) and greater operating leverage. Higher-than-expected margins translated into a better-than-expected bottom line, with net profit reaching €8.7mn vs. €8.1mn expected, despite higher ForEx losses. Finally, net debt came to €219mn, slightly better than the estimated €222mn and down €22mn QoQ, in line with the usual working capital seasonality.

■ **Positioned for growth despite macro headwinds:** the macroeconomic environment creates uncertainty in 2H, reducing visibility on performance. However, ongoing commercial and product initiatives should support sales, while the Group remains focused on capital efficiency and operating with prudence and flexibility, confident in meeting its 2025 growth targets.

■ **Margins estimates lifted on the back of a more favourable mix:** after 2Q25 results, we are keeping our FY25 revenue estimate unchanged. This implies a flat YoY performance in 2H25, which we view as reasonable given tougher comparisons. At the same time, however, we are improving our profitability forecast following the strong performance in the first half of the year. In fact, in the first six months of the year, the company improved its EBITDA margin by approximately 1% YoY thanks to operating leverage and a more favourable sales mix. We are therefore increasing our 2025 margin to 11.1% (from 10.9% previously), thus raising our adjusted EBITDA by 2.4%. For the following years, we are essentially confirming our margin forecast at this stage, with an improvement of 0.4% in 2026 and a further 0.4% in 2027, reaching 11.9% at the end of the forecast period. Finally, we are increasing our net debt estimates reflecting a lower NWC release and the accounting impact of ForEx movements on equity, thus forecasting a decline in the net debt/adjusted EBITDA ratio to 2.9x in 2025 (from 3.4x last year) and a further decrease in the following two years, with the ratio expected to reach 2.2x at the end of 2027.

■ **OUTPERFORM confirmed; target €1.60.** 2Q25 results confirmed the improvement in profitability that started to materialize in 1Q25. A continuation of this trend in the coming quarters, coupled to an improvement in cash generation, will be key to driving a re-rating of stock multiples, which currently remain rather compressed (the stock is trading at 5.2x EV/EBITDA 2025 and 9.9x P/E). Our target price, based on the combination of DCF and SOP models, goes up to €1.60 from €1.45 following slightly increased estimates and the rerating of peers.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	566	602	626	651	671
EBITDA Adj (Eu mn)	68	62	70	75	80
Net Profit Adj (Eu mn)	19	9	17	21	26
EPS New Adj (Eu)	0.118	0.054	0.102	0.129	0.159
EPS Old Adj (Eu)	0.118	0.054	0.094	0.125	0.158
DPS (Eu)	0.045	0.025	0.036	0.052	0.064
EV/EBITDA Adj	5.5	6.1	5.2	4.7	4.2
EV/EBIT Adj	9.6	14.8	9.9	8.4	7.2
P/E Adj	8.2	17.9	9.5	7.5	6.1
Div. Yield	4.6%	2.6%	3.7%	5.3%	6.6%
Net Debt/EBITDA Adj	2.8	3.4	2.9	2.5	2.2

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	31.34%
OUTPERFORM:	37.31%
NEUTRAL:	31.35%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (78 in total) is as follows:

BUY:	50.00%
OUTPERFORM:	29.49%
NEUTRAL:	20.51%
UNDERPERFORM:	00.00%
SELL:	00.00%

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