

EMAK

Sector: Industrials

OUTPERFORM

Price: Eu0.92 - Target: Eu1.60

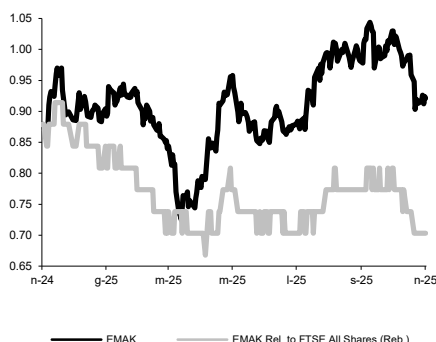
Cash Strength Emerges amid Market Softness

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	-3.3%	-2.3%	-3.9%

EMAK - 12M Performance



Stock Data

Reuters code:	EM.MI		
Bloomberg code:	EM IM		
Performance	1M	3M	12M
Absolute	-10.6%	-6.7%	4.8%
Relative	-11.1%	-8.8%	-25.1%
12M (H/L)	1.04/0.72		
3M Average Volume (th):	142.03		

Shareholder Data

No. of Ord shares (mn):	164
Total no. of shares (mn):	164
Mkt Cap Ord (Eu mn):	151
Total Mkt Cap (Eu mn):	151
Mkt Float - Ord (Eu mn):	47
Mkt Float (in %):	31.1%
Main Shareholder:	
YAMA	68.9%

Balance Sheet Data

Book Value (Eu mn):	277
BVPS (Eu):	1.72
P/BV:	0.5
Net Financial Position (Eu mn):	-198
Enterprise Value (Eu mn):	353

■ **P&L figures slightly below expectations, but strong cash generation.** While sales and divisional contributions were somewhat softer than anticipated, the sharp improvement in working capital dynamics enabled the group to report net debt of €201mn as at end-September, meaningfully better than our €209mn estimate. Deleveraging therefore remained strong, with net debt down €19mn QoQ, and LTM leverage easing to 2.9x from 3.2x at the end of June. Given that cash generation has been the company's soft spot in recent quarters, we view this as the most encouraging element of the quarter. On the P&L, sales declined 2.6% YoY to €125.5mn, 1.4% shy of our forecast, as OPE (-7.6% YoY) and Components & Accessories (-2.0% YoY) were weighed down by exceptionally tough comps after double-digit growth last year and a strong start to 2025. Pumps, by contrast, returned to marginal growth (+0.2% YoY) and outperformed our expectations, partly compensating for the shortfall at the other divisions. Adj. EBITDA was broadly in line with our estimate at €12.1mn, with the margin stable at 9.7% (-0.1pp YoY), broadly reflecting the usual seasonal pattern of lower profitability in 2H. Net income of €1.3mn exceeded our €0.5mn projection thanks to lower financial charges.

■ **Outlook a bit more cautious.** Looking ahead, Emak acknowledges a shift in market conditions after a robust first half, as demand softened in 2H amid a weaker macro backdrop and more cautious ordering patterns across the distribution chain. Management notes that the cost-containment and efficiency measures implemented earlier in the year are helping to protect margins, and this disciplined approach should continue to mitigate the effects of a more challenging environment. Importantly, the group's diversified end-markets remain a strategic advantage: professional product lines are holding up well and partly offsetting the weakness seen in consumer demand, providing a degree of resilience to the overall revenue mix. Based on performance year-to-date and current visibility on orders and channel inventories, Emak expects to close the year with top-line growth and improvements to both profitability and leverage.

■ **Estimates fine-tuned.** We are making a modest downward adjustment to our estimates to reflect the weaker exit speed from 3Q, primarily driven by softer demand in the most consumer-oriented applications. The impact on earnings, however, is more limited, as lower net financial charges, supported by easing interest rates and a slightly better year-end NFP, help cushion the reduction on the operating line. Our revisions for the outer years follow a similar pattern, largely mirroring the lower starting point while maintaining the broader trajectory of gradual margin and cash-flow improvement.

■ **OUTPERFORM confirmed; TP €1.60 confirmed.** While P&L results were slightly lower than expectations, we welcome the improvement in cash generation: in our view, this is the key catalyst that may drive a re-rating of stock multiples, which currently remain rather compressed (stock trading at 5.3x EV/EBITDA 2025 and 9.3x P/E). Our target price, calculated as the average of a DCF and an SOP valuation, remains unchanged at €1.60.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	566	602	616	635	654
EBITDA Adj (Eu mn)	68	62	67	72	77
Net Profit Adj (Eu mn)	19	9	16	21	25
EPS New Adj (Eu)	0.118	0.054	0.099	0.126	0.153
EPS Old Adj (Eu)	0.118	0.054	0.102	0.129	0.159
DPS (Eu)	0.045	0.025	0.035	0.051	0.061
EV/EBITDA Adj	5.5	6.1	5.3	4.7	4.2
EV/EBIT Adj	9.6	14.8	10.4	8.6	7.3
P/E Adj	7.8	17.0	9.3	7.3	6.0
Div. Yield	4.9%	2.7%	3.8%	5.5%	6.6%
Net Debt/EBITDA Adj	2.8	3.4	3.0	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)

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Frequency of research: quarterly.

Reports on all companies listed on the FTSEIMIB40 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.

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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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OUTPERFORM:	37.12%
NEUTRAL:	30.30%
UNDERPERFORM:	00.76%
SELL:	00.00%

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BUY:	50.65%
OUTPERFORM:	29.87%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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