

EMAK

Sector: *Industrials*

OUTPERFORM

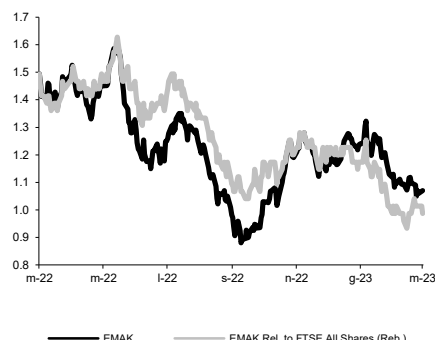
Price: Eu1.07 - Target: Eu1.90

4Q EBITDA above expectations, 2023 estimates confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	3.7%	3.3%	

EMAK - 12M Performance



Stock Data			
Reuters code:	EM.MI		
Bloomberg code:	EM IM		
Performance	1M	3M	12M
Absolute	-5.3%	-8.9%	-28.4%
Relative	-2.3%	-18.9%	-36.6%
12M (H/L)	1.60/0.88		
3M Average Volume (th):	170.88		

Shareholder Data	
No. of Ord shares (mn):	164
Total no. of shares (mn):	164
Mkt Cap Ord (Eu mn):	175
Total Mkt Cap (Eu mn):	175
Mkt Float - Ord (Eu mn):	61
Mkt Float (in %):	34.8%
Main Shareholder:	
YAMA	65.2%

Balance Sheet Data	
Book Value (Eu mn):	286
BVPS (Eu):	1.78
P/BV:	0.6
Net Financial Position (Eu mn):	-159
Enterprise Value (Eu mn):	338

■ **4Q EBITDA better than expected, net debt in line.** Emak reported revenues in line with the preliminary figure released in January, indicating a sequential slowdown in 4Q22 on previous quarters, with turnover falling -8.5% YoY, mainly driven by the decline at the OPE business (-25%), while Pumps and Components were basically at the same level as 4Q21 (-1.3%/+0.7% respectively). Despite the lower top line, adj. EBITDA came to Eu8.0mn, well above our Eu5.1mn estimate and in line with last year's figure. The measures adopted during 2022 to tackle input cost inflation enabled a slight expansion of the margin in 4Q22 from 6.4% to 7.0%, marking an improvement on the previous 9 months, when the margin was 1pp lower. Below EBITDA, a Eu2.9mn goodwill impairment related to a Chinese subsidiary took the net loss to Eu6.0mn vs our Eu5.0mn estimate, net of which the result would have been better. Finally, net debt decreased QoQ to Eu177mn from Eu182mn (in line with our Eu177mn estimate), confirming a stabilization of NWC after the hefty cash absorption seen in the first part of the year. The BoD will propose a DPS of Eu0.065 (6% dividend yield at current price).

■ **Acquisition of Bestway AG.** Emak has closed the acquisition of the business of Bestway AG, which makes and markets agricultural equipment for spraying and weeding and had 2022 revenues of USD32mn and EBITDA of USD2.5mn. The provisional consideration for the deal is USD22.5m. We see a strong rationale for the acquisition, as it will enable completion of Emak's product range at the Pumps Business and stronger penetration of the North American market, with the possibility of extracting commercial synergies in the region.

■ **Estimates:** In this report we substantially confirm our previous P&L estimates, while inclusion of new acquisition Bestway should contribute around Eu27mn/Eu2.5mn to revenues/EBITDA in 2023, leading to a 2.7% average increase in the Group EBITDA estimate for 2023 and 2024. The only material change we make to our estimates concerns cash generation: an improvement based on our estimate of better release of working capital during 2023. As a consequence, our net debt estimate for the end of this year remains broadly unchanged despite a ~Eu23.5mn cash-out for acquisitions (Bestway and a minority stake in Raw Power). Our estimates foresee a slow start to the year (the company sees turnover in 1Q23 in a similar range to that in 1Q21 and 1Q22) and a gradual recovery in the second part of the year.

■ **OUTPERFORM reaffirmed; target Eu1.90.** We remain positive on the stock, which we expect to benefit in the mid-term from the growth forecast for core markets and the recovery of profitability at the OPE business. The continuous investments in R&D aimed at creating new products to respond to customer needs in terms of safety, comfort, and emission reductions should enable Emak to offer the market a wider product range and thus potentially gain market share. The current valuation is very undemanding, supporting our positive view on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	588	606	615	633	652
EBITDA Adj (Eu mn)	77	77	76	81	84
Net Profit Adj (Eu mn)	37	32	28	32	35
EPS New Adj (Eu)	0.224	0.195	0.172	0.197	0.217
EPS Old Adj (Eu)	0.224	0.179	0.166	0.191	
DPS (Eu)	0.075	0.065	0.069	0.079	0.087
EV/EBITDA Adj	5.4	5.3	4.4	4.0	3.5
EV/EBIT Adj	7.9	8.0	7.0	6.0	5.2
P/E Adj	4.8	5.5	6.2	5.4	4.9
Div. Yield	7.0%	6.1%	6.4%	7.4%	8.1%
Net Debt/EBITDA Adj	1.9	2.3	2.1	1.7	1.4