

EMAK

Sector: Industrials

OUTPERFORM

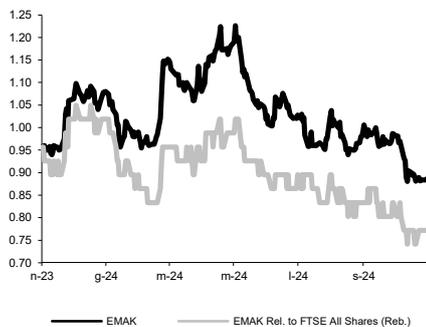
Price: Eu0.89 - Target: Eu1.45

Margins Turn the Corner as Revenue Growth Continues

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 1.60 to 1.45		
	2024E	2025E	2026E
Chg in Adj EPS	-28.2%	-20.4%	-17.9%

EMAK - 12M Performance



Stock Data			
Reuters code:	EM.MI		
Bloomberg code:	EM IM		
Performance	1M	3M	12M
Absolute	-10.0%	-13.4%	-7.7%
Relative	-5.8%	-12.1%	-20.3%
12M (H/L)	1.23/0.88		
3M Average Volume (th):	76.04		

Shareholder Data	
No. of Ord shares (mn):	164
Total no. of shares (mn):	164
Mkt Cap Ord (Eu mn):	145
Total Mkt Cap (Eu mn):	145
Mkt Float - Ord (Eu mn):	51
Mkt Float (in %):	34.8%
Main Shareholder:	
YAMA	65.2%

Balance Sheet Data	
Book Value (Eu mn):	279
BVPS (Eu):	1.73
P/BV:	0.5
Net Financial Position (Eu mn):	-209
Enterprise Value (Eu mn):	358

■ **3Q results: profitability no longer deteriorating, but NWC absorption higher.** 3Q results came in slightly below estimates, mainly due to a weaker performance in the Pumps division, while both OPE and Components & Accessories continued the recovery paths embarked upon in 2Q. Revenues reached Eu128.9mn, up +8.5% (slightly below our Eu130.2mn estimate), with OPE up +14.4%, Components up +16.9% (+6.2% organic), but Pumps down -0.4%, penalised by the weakness of the Agriculture end-market. As for profitability, adj. EBITDA came in at Eu12.6mn, -3.9% below our Eu13.1mn estimate but with profitability no longer deteriorating, as the EBITDA margin rose +0.4pp YoY. Reflecting the top line, there were good messages from OPE, where the margin expanded by c.4pp, while Pumps is currently the weak spot, posting a 2.4pp deterioration. At bottom line, Emak reported a net loss of Eu0.5mn (vs. our forecast for net profit of Eu0.1mn). As for the NFP, net debt came to Eu215mn, worse than our forecast of Eu205mn, due to higher NWC absorption to support expected revenue growth for the coming quarters.

■ **Confident outlook for the coming months:** the expansion of the commercial offering has positively influenced sales performance during the first nine months of the year, despite a challenging macroeconomic environment featuring cautious consumer behavior, exacerbated by disruptions in international supply chains, which have hindered the achievement of projected earnings. Strong turnover growth in the third quarter reinforced the positive sales trend observed over the nine-month period and bodes well for the months ahead. In a highly uncertain market landscape, the Group remains confident in its forecast of a gradual increase in turnover compared to 2023.

■ **Estimates:** We are lowering our guidance as we only expect a partial materialisation of the recovery in profitability we were forecasting for the second half of the year. Nevertheless, we still expect 4Q to continue to show important revenue growth (8.0% YoY) with a slight YoY margin improvement, resulting in an improvement on last year's numbers across the board. Overall, we are cutting our adj. EBITDA numbers by 6.5% on average for the 2024-2026 period, although our estimates are still well above the company's pre-Covid figures. Debt, while higher than previously expected, should allow the company to remain within its covenants, before improving to 2.4x EBITDA over the next two years in the absence of further M&A.

■ **OUTPERFORM confirmed; target €1.45.** Positive recommendation confirmed. 3Q delivered positive results, with a continuation of the revenue growth trend that began in 2Q and a YoY margin improvement after the contraction seen in recent quarters. Continuation of these trends in the coming quarters will be key to driving a stock re-rating, with EMAK currently trading at attractive multiples of c. 5x EV/EBITDA 2025 and c.8x P/E. Our valuation, based on the average of a DCF and an SOP, yields a TP of €1.45, down from Eu1.60 following the cut in estimates implemented with this report.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	606	566	600	624	649
EBITDA Adj (Eu mn)	77	68	66	72	77
Net Profit Adj (Eu mn)	32	19	12	18	23
EPS New Adj (Eu)	0.195	0.118	0.073	0.112	0.138
EPS Old Adj (Eu)	0.195	0.118	0.102	0.141	0.168
DPS (Eu)	0.065	0.045	0.028	0.045	0.000
EV/EBITDA Adj	5.3	5.5	5.4	4.8	4.3
EV/EBIT Adj	8.0	9.6	11.0	9.0	7.7
P/E Adj	4.6	7.5	12.1	7.9	6.4
Div. Yield	7.3%	5.1%	3.2%	5.1%	0.0%
Net Debt/EBITDA Adj	2.3	2.8	3.2	2.7	2.4

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- 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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 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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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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