

# EMAK

Sector: Industrials

# OUTPERFORM

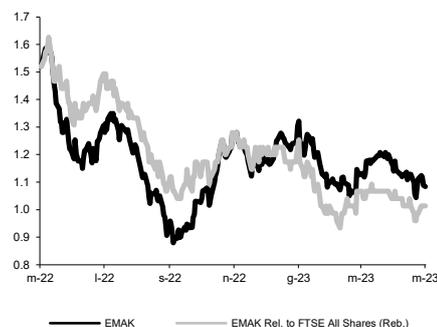
Price: Eu1.08 - Target: Eu1.80

## Greater Caution in Our Estimates as Outlook Remains Volatile

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 1.90 to 1.80		
	2023E	2024E	2025E
Chg in Adj EPS	-14.2%	-13.0%	-8.9%

### EMAK - 12M Performance



Stock Data			
Reuters code:	EM.MI		
Bloomberg code:	EM IM		
Performance	1M	3M	12M
Absolute	-4.9%	-1.1%	-28.7%
Relative	-3.4%	0.3%	-36.3%
12M (H/L)	1.60/0.88		
3M Average Volume (th):	145.39		

Shareholder Data	
No. of Ord shares (mn):	164
Total no. of shares (mn):	164
Mkt Cap Ord (Eu mn):	177
Total Mkt Cap (Eu mn):	177
Mkt Float - Ord (Eu mn):	62
Mkt Float (in %):	34.8%
Main Shareholder:	
YAMA	65.2%

Balance Sheet Data	
Book Value (Eu mn):	282
BVPS (Eu):	1.75
P/BV:	0.6
Net Financial Position (Eu mn):	-179
Enterprise Value (Eu mn):	361

■ **Soft 1Q results, in line with expectations:** the company reported results that were in line with our estimates. Specifically, revenues came to Eu171.8mn (vs. our estimate of Eu170.5mn), down 9.7% YoY. This decline was primarily due to the OPE business (-19.7% YoY), which faced an extremely tough comparison in 1Q (1Q22 +31%, after +39% in 1Q21), while the Pumps and Components division held up much better (-1.8% and -5.4% respectively) also thanks to the contribution from acquisitions. The lower volumes led to a decline in adj. EBITDA to Eu25.3mn (vs. our estimate of Eu24.4mn), down from Eu27.3mn in 1Q22. Nevertheless, we highlight the slight margin expansion (from 14.4% to 14.7%) as the reduced operating leverage was offset by the price hikes introduced in recent months. This is even more evident looking at the OPE business, where there was a sharp increase in the EBITDA margin, from 9.3% last year to 12.8% this year. Down the line, higher financial charges brought net profit to Eu11.1mn, down from Eu16.6mn in 1Q last year, although that figure was inflated by Eu2.1mn of ForEx gains. Finally, the net financial position stood at Eu227mn (in line), up from Eu177mn at YE22 due to the usual seasonal NWC trends and the c.Eu21mn outlay for the purchase of BestWay.

■ **Short term outlook remains volatile.** The near-term scenario remains clouded by various elements of uncertainty that could influence performance in the coming months. As shown by 1Q results, the measures adopted by management since the scenario started to deteriorate are allowing the Group to minimise the negative impact of the decline in volumes, ensuring satisfactory profitability levels are maintained. As far as the short term is concerned, in our opinion 2Q is also facing a very challenging comparison base, as the second quarters of the past 3 years have shown strong YoY growth, benefiting from the stay-at-home trend that emerged with the pandemic (+ 7.3%/+31.3%/+4.6% respectively).

■ **Estimates include greater caution:** in light of the trends that emerged from 1Q results and a short-term outlook still fraught with uncertainty, we are adopting greater caution in our estimates, which now show a -1.5% YoY drop in turnover (+1.5% previously) in 2023 and a 30bp decline in the EBITDA margin to 12.0% (12.4% previously). This also lowers our cash generation expectations, with net debt expected to remain flat YoY, implying that FCF will substantially be absorbed by the BestWay acquisition and dividend payments. With growth assumptions for the following years broadly unchanged, but building on a lower starting point, this results in a cut of around 12% on average in adjusted net profit over the three-year period.

■ **OUTPERFORM reaffirmed; target from Eu1.90 to Eu1.80.** Although the short-term scenario is likely to remain volatile, we remain positive on the stock as we believe investments in product innovation carried out in recent years will allow the company to address the market with a complete range of products and thus potentially gain market share. Even after the cut in estimates implemented in this report, which drives our target price down to Eu1.80, we believe 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	596	614	633
EBITDA Adj (Eu mn)	77	77	71	76	80
Net Profit Adj (Eu mn)	37	32	24	28	32
EPS New Adj (Eu)	0.224	0.195	0.147	0.172	0.198
EPS Old Adj (Eu)	0.224	0.195	0.172	0.197	0.217
DPS (Eu)	0.075	0.065	0.059	0.069	0.000
EV/EBITDA Adj	5.4	5.3	5.0	4.5	4.0
EV/EBIT Adj	7.9	8.0	8.4	7.1	6.1
P/E Adj	4.8	5.6	7.4	6.3	5.5
Div. Yield	6.9%	6.0%	5.4%	6.3%	0.0%
Net Debt/EBITDA Adj	1.9	2.3	2.5	2.1	1.8