

EMAK

Sector: Industrials

OUTPERFORM

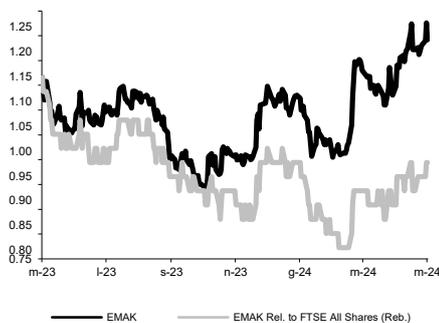
Price: Eu1.19 - Target: Eu1.85

2Q Outlook Bolsters Growth Expectations

 Carlo Maritano +39-02-77115.358
 carlo.maritano@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

EMAK - 12M Performance



Stock Data			
Reuters code:	EM.MI		
Bloomberg code:	EM IM		
Performance	1M	3M	12M
Absolute	8.6%	24.8%	6.8%
Relative	9.0%	20.1%	-19.8%
12M (H/L)	1.23/0.89		
3M Average Volume (th):	199.87		

Shareholder Data	
No. of Ord shares (mn):	164
Total no. of shares (mn):	164
Mkt Cap Ord (Eu mn):	195
Total Mkt Cap (Eu mn):	195
Mkt Float - Ord (Eu mn):	68
Mkt Float (in %):	34.8%
Main Shareholder:	
YAMA	65.2%

Balance Sheet Data	
Book Value (Eu mn):	294
BVPS (Eu):	1.82
P/BV:	0.7
Net Financial Position (Eu mn):	-190
Enterprise Value (Eu mn):	389

■ **1Q in line with estimates.** Emak closed 1Q with revenues of €170.1mn vs. €171.7mn expected, down slightly YoY due to a 5.5% organic decline, almost entirely offset by the contributions of BestWay (1 month) and PNR (3 months). On a divisional basis, OPE was down -6.7% YoY, Pumps was down -2.6% YoY (-7.8% organic) and Components & Accessories was up +9.8% (+0.8% organic). Adjusted EBITDA for the quarter was €21.8mn, aligning exactly with our forecast, with the EBITDA margin contracting by 2pp YoY. This reduction was driven by lower sales volumes coupled to increased labour and marketing expenses, which put pressure on profitability. Net profit for the quarter stood at €7.6mn, slightly below our estimate of €7.9mn. Regarding the NFP, Emak's net debt increased to €231.5mn, marginally better than our projection of €235 million. The rise of approximately €40mn from the previous quarter is primarily due to seasonal absorption of NWC in the first quarter, alongside the impact of €14.1mn for the acquisition of PNR. We highlight how this marks an improvement compared to the €50mn absorption of 1Q23, possible thanks to a shrewd NWC management.

■ **Encouraging outlook for 2Q.** Emak's results were in line with our estimates, but more important in our view is the encouraging outlook provided, which suggests a good start to 2Q. As a matter of fact, management stated that customer orders have risen since the start of the year, particularly in the gardening segment, benefitting both OPE and Components & Accessories in terms of divisions and OEM, distributors and aftersales in terms of clients. This was not particularly evident in 1Q numbers as tensions in the Red Sea region have disrupted supply chains, causing delivery delays that impacted 1Q revenue. However, the Group has adapted to the new logistical challenges and managed to recover from the delays early in 2Q. Given the results achieved so far and the current market conditions, management is confident that sales for 1H24 will surpass those of 1H23 (in organic terms on our understanding). This implies at least high single-digit organic growth in 2Q.

■ **Estimates confirmed on the back of expected acceleration.** We confirm our estimates, which for 2024 see above-average organic growth at +7%, to which a 3% contribution from acquired companies is added, taking total turnover growth to 10.0%. As for profitability, we expect growth of the EBITDA margin (+0.6pp YoY) thanks to the higher volumes expected and the consequent operating leverage. Finally, net debt is foreseen decreasing slightly YoY, with FCF therefore expected to entirely finance the dividend distribution and PNR acquisition (~€14mn). As a result, net debt/EBITDA should come down YoY, from 2.8x to 2.4x.

■ **OUTPERFORM confirmed; TP €1.85.** We confirm our positive view on the stock as we believe that 2024 will mark the return to growth after a transitional 2023, with EBITDA expected to reach a new record for the company. On top of this, the expected improvement in FCF generation (c. €24mn expected in 2024), should enable Emak to continue to invest in its product offering, seek bolt-on acquisitions, and remunerate shareholders, while also de-leveraging its balance sheet. Our valuation, based on the average of a DCF and a SOP, yields a TP of €1.85, unchanged since our last report.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	606	566	623	648	674
EBITDA Adj (Eu mn)	77	68	78	84	90
Net Profit Adj (Eu mn)	32	19	26	31	36
EPS New Adj (Eu)	0.195	0.118	0.161	0.190	0.219
EPS Old Adj (Eu)	0.195	0.118	0.161	0.190	0.219
DPS (Eu)	0.065	0.045	0.064	0.076	0.000
EV/EBITDA Adj	5.3	5.5	5.0	4.4	4.0
EV/EBIT Adj	8.0	9.6	8.0	6.8	5.9
P/E Adj	6.1	10.1	7.4	6.3	5.5
Div. Yield	5.5%	3.8%	5.4%	6.4%	0.0%
Net Debt/EBITDA Adj	2.3	2.8	2.4	2.1	1.7

DISCLAIMER (for more details go to [DISCLAIMER](#))

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certifies that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

GUIDE TO FUNDAMENTAL RESEARCH

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 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.

Explanation of our ratings system:

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte is acting as financial advisor to SGG Holding S.p.A. in relation to the voluntary public tender offer launched on SAES Getters S.p.A.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, EL.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, Go Internet, GPI, Greenthesis (formerly Ambientthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luve, Matica Fintec, Mondadori, Notorious Pictures, Omer, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Finenco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifire S.P.A., B&C Speakers, Cleanbnb, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxee, Edilizacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, Intercos, Intred, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Notorious Pictures, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, Solid World Group, Spindox Digital Soul, Tamburi, Tesmec, Tinexta, Tps Group, Trendevice, Ulisse Biomed, Wiit. Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emitente	%	Long/Short
----------	---	------------

© Copyright 2024 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available