

ALKEMY

Sector: Industrials

OUTPERFORM

Price: Eu11.20 - Target: Eu16.60

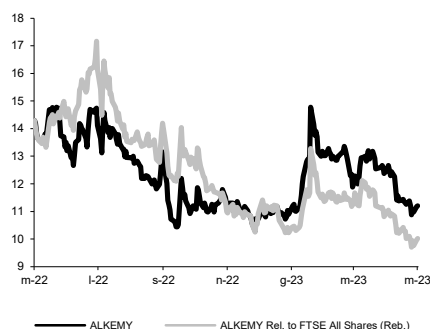
1Q23 Operating Results in Line with Forecast; FY23 Prospects Confirmed

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 16.80 to 16.60		
	2023E	2024E	2025E
Chg in Adj EPS	-5.7%	-2.5%	0.0%

ALKEMY - 12M Performance



Stock Data

Reuters code:	ALKE.MI		
Bloomberg code:	ALK IM		
Performance	1M	3M	12M
Absolute	-9.5%	-14.0%	-21.7%
Relative	-7.1%	-11.4%	-33.5%
12M (H/L)	14.78/10.30		
3M Average Volume (th):	5.27		

Shareholder Data

No. of Ord shares (mn):	5
Total no. of shares (mn):	6
Mkt Cap Ord (Eu mn):	61
Total Mkt Cap (Eu mn):	61
Mkt Float - Ord (Eu mn):	33
Mkt Float (in %):	54.1%
Main Shareholder:	
Vitali Duccio	10.9%

Balance Sheet Data

Book Value (Eu mn):	49
BVPS (Eu):	8.72
P/BV:	1.3
Net Financial Position (Eu mn):	-30
Enterprise Value (Eu mn):	94

- 1Q23 results: adj. EBITDA in line, net profit and NWC impacted by one-offs and NWC respectively.** ALK reported revenues of €28.0mn (vs €27.3mn exp.), up +20% YoY, driven by external growth thanks to the consolidation of InnoCV (closed in 3Q22) and organic growth at existing clients (~+8%). Adj. EBITDA was €2.5mn (vs €2.5mn exp.), up +10% YoY for a 9.0% margin, down 0.8ppt on 1Q22. This was due to the increase in personnel (926 units, +23% YoY, costs +29%) amid the consolidation of InnoCV and investments in the go-to-market, only partly offset by a less-than-proportional increase in the cost of services thanks to the in-sourcing of activities. Reported net profit was €0.6mn (vs €0.9mn exp.), down -40% YoY, burdened by one-offs, while adj. EPS was essentially in line. Net debt was €34.8mn (vs €30.5mn exp.), a slight increase on €34.1mn as at end-4Q22 due to unfavourable timing of invoicing and faster payment terms to suppliers reflecting the in-sourcing of activities.
- 2023 outlook: growth and margin expansion confirmed.** ALK confirmed its expectations of continuing organic growth of turnover and margin. The more proactive approach by new customers and renewed go-to-market should drive organic growth to HSD (vs MSD prev.), though not yet at full potential. The increase in personnel costs should carry over into 2H, but at a slower pace, supporting the return to margin expansion.
- Change in estimates.** In light of 1Q23 developments and indications for the remainder of the year, we broadly confirm our operating forecast on slightly stronger growth, offset by slightly higher personnel costs and D&A. Finally, we lower adj. EPS on slightly higher financial charges.
- OUTPERFORM, TP to €16.6 from €16.8.** ALK reported 1Q23 operating results that were in line with our estimates, while cash generation was impacted by temporary factors as explained above. As clients are adopting a more proactive approach and the investments in the go-to-market are starting to bear fruit, overall confirmation has been given of FY23 outlook that points to double-digit growth (incl. M&A) and margin expansion. In the highly dynamic digital transformation market, we believe ALK has the right portfolio of services and go-to-market strategy to exploit growth opportunities, while enhancing profitability thanks to actions by management. OUTPERFORM confirmed; TP to €16.6 from €16.8 reflecting the change in estimates.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	95	107	121	130	139
EBITDA Adj (Eu mn)	11	12	14	15	17
Net Profit Adj (Eu mn)	5	6	6	8	9
EPS New Adj (Eu)	0.896	1.092	1.118	1.394	1.534
EPS Old Adj (Eu)	0.896	1.092	1.186	1.430	1.533
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.6	9.9	6.8	5.7	4.9
EV/EBIT Adj	13.2	14.2	9.4	7.5	6.5
P/E Adj	12.5	10.3	10.0	8.0	7.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.0	2.9	2.2	1.6	1.1

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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 S&PMB40 Index, most of those on the MIDEX 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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As at 31 March 2023 Intermonte's Research Department covered 119 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	20.83 %
OUTPERFORM:	51.67 %
NEUTRAL:	25.83 %
UNDERPERFORM	01.67 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

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

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Emittente	%	Long/Short
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