EMAK

OUTPERFORM

Sector: Industrials

Price: Eu1.08 - **Target: Eu1.70**

Partial Recovery Expected in 2H

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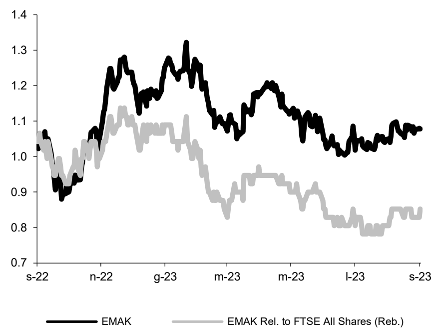
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 1.80 to 1.70
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-9.5%	-8.3%	-7.0%

EMAK - 12M Performance



Stock Data			
Reuters code:			EM.MI
Bloomberg code:			EM IM
Performance	**1M**	**3M**	**12M**
Absolute	2.9%	2.9%	3.5%
Relative	4.2%	-0.8%	-25.4%
12M (H/L)			1.32/0.88
3M Average Volume (th):			133.90

Shareholder Data	
No. of Ord shares (mn):	164
Total no. of shares (mn):	164
Mkt Cap Ord (Eu mn):	176
Total Mkt Cap (Eu mn):	176
Mkt Float - Ord (Eu mn):	61
Mkt Float (in %):	34.8%
Main Shareholder:	
YAMA	65.2%

Balance Sheet Data	
Book Value (Eu mn):	280
BVPS (Eu):	1.74
P/BV:	0.6
Net Financial Position (Eu mn):	-186
Enterprise Value (Eu mn):	366

- **2Q in line with estimates:** Emak's 2Q results were in line with our estimates, with revenues at Eu159.4mn (vs est. of Eu160.2mn), down 10.4% YoY, basically confirming the -9.7% of the previous quarter. As in 1Q, the reduction was mainly driven by the OPE business, down 24.4% YoY due to a combination of macro trends (inflation and interest rates affecting demand) and sector-specific trends (high stock levels at distributors and adverse weather delaying the start of the gardening season). Pumps rose 2.8%, although they were down 10.1% in organic terms as they were still penalized by negative trends at the cleaning-related side of the business, while the industrial side is performing better. Components and accessories dropped 11.5%, reflecting the lower volumes in both the OPE and Pump segments.
- **Profitability holding up well**. Profitability, albeit penalised by the lower volumes registered in the quarter, was helped by the increase in selling prices implemented in 2022 and the reduction in energy and logistics costs, thus yielding adj. EBITDA of Eu24.1mn, a margin of 15.1%, slightly above 15.0% last year and in line with our estimate of Eu24.2mn. Down the line, net profit was Eu10.4mn, slightly better than our estimate of Eu10.2mn, mainly thanks to a lower tax rate. Finally, net debt was Eu213mn, slightly better than our Eu215mn and down from Eu227mn as at end-March thanks to better NWC management.
- **Partial recovery expected in 2H.** Management said that despite the economic framework still featuring strong uncertainty, a recovery in sales is expected for 2H23, even if insufficient to make up the accumulated delay compared to last year. The priorities will continue to be the strengthening of the market position, cost efficiency, structural flexibility and improving cash generation through careful management of invested capital.
- **EPS trimmed due to higher D&A and financial charges.** In light of the trends that emerged from 1H and management indications, we are revising our estimates to incorporate softer top-line trends but higher margins, resulting in substantial confirmation of our EBITDA estimates. Down the line, higher D&A and financial charges prompt us to cut our adj. EPS estimates by 8% on average for the 3-year period. The result is an implied 2H that should see a 5% increase in revenues as a consequence of flattish organic growth and the contribution from newly acquired companies. We believe that expectations of a halt to the decreasing top line are reasonable: 2H23 will be helped by a much easier comparison as 2H22 was already penalized by the same trends that affected 1H23 results (2H22 revenues declined by 7% YoY).
- **OUTPERFORM reaffirmed; target Eu1.70.** 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 enable the company to offer the market a full range of products and thus potentially gain market share. Even after the cut to estimates implemented in this report, which drives our target price down to Eu1.70 from 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	580	598	616
EBITDA Adj (Eu mn)	77	77	71	76	80
Net Profit Adj (Eu mn)	37	32	22	26	30
EPS New Adj (Eu)	0.224	0.195	0.133	0.157	0.184
EPS Old Adj (Eu)	0.224	0.195	0.147	0.172	0.198
DPS (Eu)	0.075	0.065	0.054	0.063	0.000
EV/EBITDA Adj	5.4	5.3	5.1	4.6	4.2
EV/EBIT Adj	7.9	8.0	8.7	7.5	6.5
P/E Adj	4.8	5.5	8.1	6.9	5.9
Div. Yield	7.0%	6.0%	5.0%	5.8%	0.0%
Net Debt/EBITDA Adj	1.9	2.3	2.6	2.3	1.9

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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)

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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:	52.99 %
NEUTRAL:	22.22 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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