ELICA

OUTPERFORM

Sector: Consumers

Price: Eu1.83 - **Target: Eu2.15**

Fighting Headwinds, Investing for the Future

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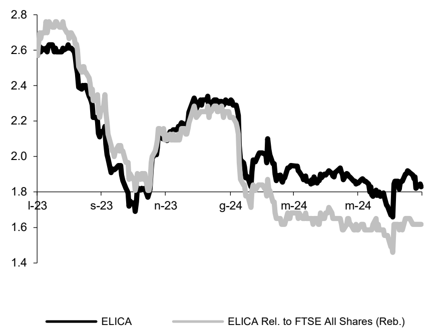
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 2.30 to 2.15
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-32.0%	-22.5%	-16.7%

ELICA - 12M Performance



Stock Data			
Reuters code:			ELC.MI
Bloomberg code:			ELC IM
Performance	**1M**	**3M**	**12M**
Absolute	6.4%	-3.4%	-28.8%
Relative	4.2%	-3.9%	-43.3%
12M (H/L)			2.63/1.66
3M Average Volume (th):			34.94

Shareholder Data	
No. of Ord shares (mn):	63
Total no. of shares (mn):	63
Mkt Cap Ord (Eu mn):	116
Total Mkt Cap (Eu mn):	116
Mkt Float - Ord (Eu mn):	32
Mkt Float (in %):	27.2%
Main Shareholder:	
F.A.N. (Casoli family)	52.8%

Balance Sheet Data	
Book Value (Eu mn):	145
BVPS (Eu):	2.28
P/BV:	0.8
Net Financial Position (Eu mn):	-56
Enterprise Value (Eu mn):	191

- **Results sequentially improving, albeit still down YoY.** Elica reported a set of results that confirmed a sequential improvement in top line trends in both divisions, as a slight improvement in sales volumes was offset by pricing remaining under pressure on intense promotional activities. Therefore, turnover came at Eu120.1mn, down -4.3% YoY (vs -5.2% expected), but up 2.5% QoQ. By division, Cooking was down 2.1% YoY due to a decline by Own Brands (-9.3%), but a continuation of improvements for OEM, which was up 9.3% in 2Q, partly thanks to a less challenging comparison base, while Motors shrunk by -11.3%, penalised by heating segment demand trends. As a positive surprise Adj. EBIT came at Eu3.3mn, much better than our Eu2.3mn estimate, with a 2.8% margin, down 3.2pp YoY but improving 1.3pp QoQ, as a reduction in costs and raw materials helped to at least partially relieve the impact caused by the ongoing commercial investments and the unfavourable price/mix. Finally, net debt stood at Eu44.9mn (vs Eu44.6mn expected), with just a marginal increase QoQ (was Eu43.1mn as at end-March), thanks to good management of working capital.
- **Weak market demand expected to persist in 2H24.** Management updated its 2024 outlook now indicating a turnover expected between Eu460mn and Eu465mn (from Eu465mn-Eu470mn) based on a delay in recovery of demand in the industry and a persisting negative price-mix. At the same time, margins are expected to remain under pressure due to the negative price/mix and the significant strategic investments for the cooking transformation plan. For 2H, an improvement of ~0.5pp compared to the 2.8% EBIT Adj. margin registered in 2Q is deemed as reasonable, as things stand, thanks to cost take out management. Finally, the NFP is expected to remain at the level of 2023 as a consequence of shrewd NWC management. Extending the reference horizon to the mid-term, management confirmed its ambition to reach turnover above Eu500mn, an adj. EBIT margin above 6%, and leverage below 0.5x, on condition of a neutral market dynamic.
- **Estimates.** While for 2024 we are substantially aligning our estimates to management's indications, for the following years we are taking a more prudent approach on margins evolution and as a result our EBIT adj. is cut by ~11% on average on the 3 years period.
- **OUTPERFORM confirmed; target Eu2.15 from Eu2.3.** In the short term, risks persist, mainly linked to the induction hobs market in Europe that is expected to remain very difficult with sector's players not showing discipline on the pricing side, while the American market appears more disciplined and promising, despite being in an initial development phase for Elica. On the contrary, the group's positioning in the hood sector is instead so strong that it is not subject to such significant price wars. In this context, the company continues to invest in the repositioning plan in the Cooking business, confident in the opportunity to improve its positioning thanks to a more complete product offering. Albeit it is unlikely that the difficulties will dissipate in the short term, we believe that in the medium-long term there is potential to emerge from the storm as a more solid and complete company. The TP, based on a DCF, goes from Eu2.30 to Eu2.15 to reflect the cut to estimates at operating level, while further downside is limited by a solid cash flow management.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	549	473	460	476	492
EBITDA Adj (Eu mn)	57	48	36	42	49
Net Profit Adj (Eu mn)	21	12	4	8	13
EPS New Adj (Eu)	0.328	0.188	0.056	0.123	0.204
EPS Old Adj (Eu)	0.328	0.188	0.083	0.159	0.244
DPS (Eu)	0.070	0.050	0.050	0.060	0.080
EV/EBITDA Adj	4.3	4.9	5.3	4.4	3.5
EV/EBIT Adj	7.4	9.6	15.4	9.9	6.6
P/E Adj	5.6	9.7	32.6	14.8	9.0
Div. Yield	3.8%	2.7%	2.7%	3.3%	4.4%
Net Debt/EBITDA Adj	0.8	1.1	1.6	1.2	0.8

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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.

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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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BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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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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