

# ELICA

Sector: Consumers

# OUTPERFORM

Price: Eu1.93 - Target: Eu2.30

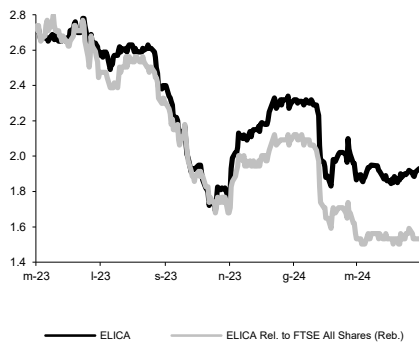
## Investments in 2024 to Establish a Full-Range Cooking Brand

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 2.40 to 2.30		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	-35.6%	-17.9%	-9.1%

### ELICA - 12M Performance



### Stock Data

Reuters code:	ELC.MI		
Bloomberg code:	ELC IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	3.8%	-0.5%	-29.8%
Relative	0.7%	-11.8%	-55.4%
12M (H/L)	2.78/1.69		
3M Average Volume (th):	46.77		

### Shareholder Data

No. of Ord shares (mn):	63
Total no. of shares (mn):	63
Mkt Cap Ord (Eu mn):	122
Total Mkt Cap (Eu mn):	122
Mkt Float - Ord (Eu mn):	33
Mkt Float (in %):	27.2%
Main Shareholder:	
F.A.N. (Casoli family)	52.8%

### Balance Sheet Data

Book Value (Eu mn):	147
BVPS (Eu):	2.32
P/BV:	0.8
Net Financial Position (Eu mn):	-56
Enterprise Value (Eu mn):	197

**Revenues improving QoQ. Margins penalized by Cooking transformation efforts.** As expected, 1Q saw the continuation of trends seen in preceding quarters (weak market demand and prices down due to intensive marketing activity aimed at maintaining volumes and market share), albeit with a slight improvement QoQ at both divisions. Specifically, turnover was Eu117.2mn, slightly above our estimate of Eu115.2mn and down 9.2% YoY (from -12.7% in 4Q23), following a 6.2% decline at the Cooking business, with B2C down 11.3% and B2B up 2.2%, and a 18% drop at Motors, which confirmed the deterioration seen in 2H23 (but improving QoQ). Geographically, we highlight the good performance of the North American region, up 9.6% YoY thanks to the new distribution strategy, the launch of new products (hobs) and new OEM customer activations. As for profitability, adj. EBIT was Eu1.8mn (in line), with a 1.5% margin, down -3.7pp YoY. As forecast, margins were under pressure due to: 1) higher commercial investments; 2) lower selling prices; 3) a less favourable mix; and 4) high raw material prices. Finally, net debt was slightly better than forecast thanks to efficient working capital management (net debt of Eu43.2mn vs Eu45.5 expected).

**Tough 2024 in sight, but bright mid-term potential.** For 2024, management provided outlook indicating turnover expected between Eu465mn and Eu470mn based on weak industry demand in 1H (2Q turnover expected to improve slightly further QoQ but seen down by about 5% YoY) and flat industry dynamics in 2H, a trend that could be outperformed by ELC thanks to new product launches in both Cooking and Motors (i.e. LHOV and components for heat pumps). At the same time, margins are expected to decrease due to continuing price pressure (promotional activities to protect market share) and due to significant strategic investments to position ELC as a credible brand in the full-range cooking industry. 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, the target is 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 the main messages outlined by the guidance are fully aligned to our estimates for turnover and cash generation, our pre-release margin assumptions now look quite challenging, prompting us to take a more cautious approach for 2024: we now estimate the adj. EBIT margin at about 3% from the previous 3.9%; the updated figure implies a 2Q margin in line with 1Q, with a gradual improvement in 2H (4.3% margin). For the following years, we forecast a gradual improvement in margins to match management's expectations for the mid-term.

**OUTPERFORM confirmed; target Eu2.3 from Eu2.4.** While the challenges are real, the Group's proactive approach through expansion of the product range, rebranding, and strategic investments holds out the hope of weathering the storm and potentially emerging stronger. The success of Elica's stand at the recent Eurocucina fair seems to confirm that customers have responded positively to the new commercial offering, strengthening our conviction that the measures adopted by the company go in the right direction. The TP, based on a DCF, goes from Eu2.40 to Eu2.30 to reflect the cut to estimates.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	549	473	467	483	499
EBITDA Adj (Eu mn)	57	48	38	44	52
Net Profit Adj (Eu mn)	21	12	5	10	15
EPS New Adj (Eu)	0.328	0.188	0.083	0.159	0.244
EPS Old Adj (Eu)	0.328	0.188	0.128	0.194	0.269
DPS (Eu)	0.070	0.050	0.050	0.060	0.080
EV/EBITDA Adj	4.3	4.9	5.2	4.3	3.4
EV/EBIT Adj	7.4	9.6	14.0	9.1	6.2
P/E Adj	5.9	10.3	23.4	12.1	7.9
Div. Yield	3.6%	2.6%	2.6%	3.1%	4.1%
Net Debt/EBITDA Adj	0.8	1.1	1.5	1.1	0.7

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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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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:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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

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Emitente	%	Long/Short
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