Intermonte

Milan, 01 September 2025

Italian Equity Research – 2Q25 Results

AQUAFIL

OUTPERFORM

Sector: Industrials

Price: Eu1.72 - **Target: Eu2.20**

Numbers Moving in the Right Direction

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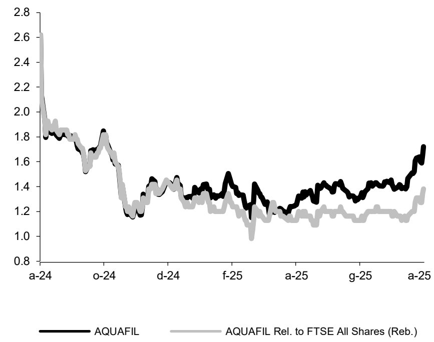
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 2.10 to 2.20
	2025E	**2026E**	**2027E**
Chg in Adj EPS	22.7%	0.3%	3.2%

AQUAFIL - 12M Performance



Stock Data			
Reuters code:			ECNL.MI
Bloomberg code:			ECNL IM
Performance	**1M**	**3M**	**12M**
Absolute	18.5%	22.9%	-34.3%
Relative	16.1%	17.4%	-57.4%
12M (H/L)			2.13/1.15
3M Average Volume (th):			167.36

Shareholder Data	
No. of Ord shares (mn):	88
Total no. of shares (mn):	88
Mkt Cap Ord (Eu mn):	151
Total Mkt Cap (Eu mn):	151
Mkt Float - Ord (Eu mn):	60
Mkt Float (in %):	39.6%
Main Shareholder:	
Aquafin Holding	58.9%

Balance Sheet Data	
Book Value (Eu mn):	165
BVPS (Eu):	1.89
P/BV:	0.9
Net Financial Position (Eu mn):	-195
Enterprise Value (Eu mn):	345

- **Profitability surprises on the upside.** The company reported results that highlight a strong recovery by profitability, more than compensating for a slower-than-expected top-line performance. Revenue came in at €140.5mn, down 1.2% YoY and below expectations of €151.8mn. This decline was primarily attributable to lower selling prices (indexed to declining raw material prices), and a less favourable product mix. These effects more than offset the positive contribution from higher sales volumes, which rose by 7.3% YoY in 2Q. The results underline solid momentum in the North American market (revenues +10.1% YoY), while NTF continued to underperform. Econyl accounted for 60.9% of fibre revenues, sharply higher compared to 53.5% last year. On the profitability front, adjusted EBITDA reached €21.3mn, with margins expanding to 15.1% from 12.2% a year earlier. This figure came in 3.6% above estimates, reflecting both the benefit of lower raw material prices and the initial impact of cost-efficiency initiatives introduced in recent months. Finally, net debt reduced slightly to €219mn from €222mn as at the end of March. As a result, the net debt/adj. EBITDA ratio improved to 3.2x from 3.5x.
- **More efficiencies to come from reorganization in the US.** Cost-efficiency initiatives, including the reorganization of carpet collection and recycling facilities in the United States, are expected to generate substantial savings in the second half of the year and even more significantly in the following years. Despite more limited visibility on the second half, the actions undertaken indicate a management approach focused on safeguarding efficiency and profitability, even in an uncertain macroeconomic environment.
- **EBITDA estimates confirmed.** In light of the 2Q results, we broadly confirm our estimates for adjusted EBITDA in absolute terms. However, this outcome is based on different margin assumptions, given that margins are affected by the indexation of the top line to raw material prices (mainly caprolactam). Specifically, we are lowering the top line to reflect lower caprolactam prices, while at the same time reducing raw material costs. As a result, we see an apparent decrease in the top line and an improvement in margins, while EBITDA in absolute terms remains essentially unchanged. Below adjusted EBITDA, we include non-recurring charges related to the restructuring of US operations, though these are more than offset by higher FX gains and lower financial expenses. Finally, we slightly increase our debt estimate due to higher working capital requirements. In the second half, stronger cash generation will be necessary to achieve the business plan targets, to which our estimates remain aligned.
- **OUTPERFORM; target Eu2.2.** We confirm our OUTPERFORM rating and lift the TP to Eu2.2 (rollover of model), which implies an EV/EBITDA target of 4.8x in 2025 and 4.1x in 2026 (on our estimates, the stock is currently trading at 4.2x and 3.5x respectively). 2Q25 results confirm clear YoY improvements, with numbers that are gradually moving in the right direction. Consistent delivery, quarter after quarter, will be key to driving a re-rating of multiples and reducing the execution risk associated with the Industrial Plan, rebuilding the company's track record and enabling management to regain investors' confidence. Based on the expected de-leverage, we think the stock has significant upside potential and the risk/return looks attractive.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	581	551	571	595	614
EBITDA Adj (Eu mn)	48	62	81	89	92
Net Profit Adj (Eu mn)	-18	-12	11	16	19
EPS New Adj (Eu)	-0.354	-0.228	0.126	0.186	0.216
EPS Old Adj (Eu)	-0.354	-0.228	0.103	0.185	0.210
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.2	5.5	4.3	3.6	3.3
EV/EBIT Adj	nm	nm	12.5	8.6	7.4
P/E Adj	nm	nm	13.6	9.3	8.0
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	5.2	3.4	2.4	1.9	1.6

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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)

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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 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.

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

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BUY:	31.34%
OUTPERFORM:	37.31%
NEUTRAL:	31.35%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (78 in total) is as follows:

BUY:	50.00%
OUTPERFORM:	29.49%
NEUTRAL:	20.51%
UNDERPERFORM:	00.00%
SELL:	00.00%

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