

AQUAFIL

Sector: Industrials

OUTPERFORM

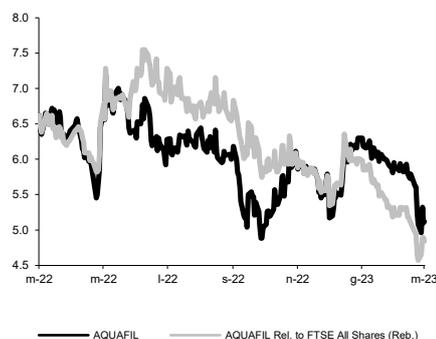
Price: Eu5.12 - Target: Eu8.70

Stronger End to the Year Than Expected

 Carlo Maritano +39-02-77115.358
 carlo.maritano@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	

AQUAFIL - 12M Performance



Stock Data			
Reuters code:	ECNL.MI		
Bloomberg code:	ECNL IM		
Performance	1M	3M	12M
Absolute	-13.1%	-1.0%	-22.7%
Relative	-6.3%	-10.1%	-28.4%
12M (H/L)	7.20/4.88		
3M Average Volume (th):	27.31		

Shareholder Data	
No. of Ord shares (mn):	51
Total no. of shares (mn):	51
Mkt Cap Ord (Eu mn):	262
Total Mkt Cap (Eu mn):	262
Mkt Float - Ord (Eu mn):	110
Mkt Float (in %):	42.0%
Main Shareholder:	
AquaFin Holding	58.0%

Balance Sheet Data	
Book Value (Eu mn):	175
BVPS (Eu):	3.43
P/BV:	1.5
Net Financial Position (Eu mn):	-217
Enterprise Value (Eu mn):	483

■ **Better-than-expected end to the year:** 4Q results came in above our estimates, both in terms of growth and margins, confirming the validity of the measures adopted by management in 2022 to navigate in a volatile macro environment. In detail:

- **Total revenues** came in at Eu158.7mn, up +5.5% and higher than our Eu151.9mn estimate (we were expecting flattish revenues in 4Q). At divisional level, BCF drove the top line, posting a 13.3% increase YoY, while NTF (-10.8%) and Polymers (-31.3%) were down as expected. Geographically speaking, the trends were basically the same as the previous 9 months, with North America remaining the fastest-growing area, Asia holding up well end EMEA decreasing.
- It was noteworthy that **Econyl** revenues reached 43.8% of total revenues from fibre, much higher than the 38.6% recorded in 4Q21 and on track to meet the ~60% target for 2025.
- **Adj. EBITDA** stood at Eu18.9mn, 9.9% higher than our estimate, with a healthy 11.9% margin and posting a +51.6% YoY increase. We remind that the comparison was easy, as 4Q21 was hit by the sudden increase in production costs, only efficiently passed on to customers as of 1Q22.
- As expected, **cash generation** was the negative point of the release, penalised by rising inventories (both in quantity and average cost) in order to secure caprolactam in a challenging environment, which brought net debt up to Eu248mn (in line with our estimate).
- Finally, the BoD will propose a **DPS** of Eu0.24 (4.6% yield at current price).

■ **1Q trends in line with previous months, remarkable deleverage expected in 2023:** the start of the year is in line with the company's budget (not publicly available) with trends not differing significantly from previous months, meaning the business outside of Europe is performing well, while Europe remains soft. The effects of reopening in China are yet to be seen, but it should be borne in mind that 1Q is seasonally affected by the traditional Lunar New Year festivities, so the recovery is more likely to become evident later. As for cash generation, 2023 should show a much more favourable trend, thanks to stable investments and a significant release of NWC, leading to a remarkable decrease in financial leverage. Based on these indications, we feel confident in confirming our recently-updated estimates.

■ **Update on Indian acquisition:** due diligence was completed in January, without any substantial critical issues being identified. The company is currently engaged in final negotiations.

■ **OUTPERFORM reaffirmed; target still Eu8.7.** We believe 2022 results confirmed management's ability to react quickly to sudden changes in any scenario, as well as its commitment to achieve the sustainability targets presented to the market last year (especially the target for Econyl to reach 60% of fibre turnover). We also believe that the potential presentation of medium-term targets, as hinted at by management during the presentation of results, could be a significant catalyst for the stock in the coming months. We reaffirm our positive view on the stock, which at our target would trade at 7.8x 2023 EV/EBITDA, with a 9.7% FCF yield.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	574	697	706	720	738
EBITDA Adj (Eu mn)	72	92	86	95	100
Net Profit Adj (Eu mn)	15	34	17	25	28
EPS New Adj (Eu)	0.287	0.670	0.329	0.480	0.550
EPS Old Adj (Eu)	0.287	0.599	0.330	0.480	
DPS (Eu)	0.120	0.240	0.121	0.196	0.231
EV/EBITDA Adj	7.2	6.2	5.6	4.7	4.2
EV/EBIT Adj	19.1	12.9	13.7	10.1	8.7
P/E Adj	17.9	7.6	15.5	10.7	9.3
Div. Yield	2.3%	4.7%	2.4%	3.8%	4.5%
Net Debt/EBITDA Adj	2.5	2.7	2.5	1.9	1.6