

## SABAF

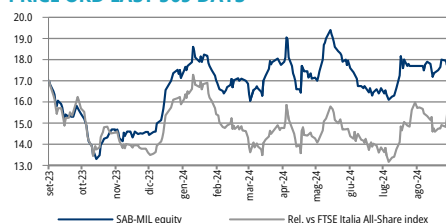
## Earnings Review

**BUY ord.** (Unchanged)Target: **€ 23.00** (Prev. € 22.00)

Risk: High

STOCKDATA		ORD		
Price (as of 06 Sep 2024)		18.6		
Bloomberg Code		SAB IM		
Market Cap (€ mn)		231		
Free Float		46%		
Shares Out (mn)		12.4		
52 week Range		€ 13.3 - 19.4		
Daily Volume		4,115		
Performance (%)	1M	3M	1Y	
Absolute	5.1	3.3	8.8	
Rel to FTSE Italia All-Share	-1.4	8.2	-7.2	
MAIN METRICS	2023	2024E	2025E	
SALES Adj	238	285	301	
EBITDA Adj	33.1	45.7	51.5	
EBIT Adj	17.5	24.5	29.7	
NET INCOME Adj	14.2	15.6	18.9	
EPS Adj - €c	119	125	152	
DPS Ord - €c	54.0	55.0	56.0	
MULTIPLES	2023	2024E	2025E	
P/E ord Adj	14.6x	14.8x	12.3x	
EV/EBITDA Adj	8.9x	6.6x	5.6x	
EV/EBIT Adj	16.8x	12.3x	9.8x	
REMUNERATION	2023	2024E	2025E	
Div. Yield ord (A)	3.4%	3.0%	3.0%	
FCF Yield Adj	9.2%	6.3%	7.9%	
INDEBTEDNESS	2023	2024E	2025E	
NFP Adj	-73.2	-65.4	-53.9	
D/Ebitda Adj	2.2x	1.4x	1.0x	

## PRICE ORD LAST 365 DAYS

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## SELF-HELP IS BOOSTING STRONG GROWTH ACROSS THE P&amp;L

*Sabaf delivered strong 2Q results across the board, well above our expectations, mostly driven by double-digit organic volume growth achieved thanks to market share gain. FY24 guidance points to 2H similar to 1H for both sales and EBITDA, and prompts us to raise 2024-25 sales by 4%/3% and EPS by 7%/2%. Target raised by 5% to € 23PS. We see self-help initiatives to continue to drive performance in 2H24 and 2025 well above market trends and EU market recovery likely during 2025.*

### 2Q results strong and well above expectations driven by market share gains

**Sabaf 2Q results were well above our expectations across the board**, driven in particular by **stronger organic volumes** achieved thanks to **market share gains**:

- **Revenues** € 74.1mn vs € 70.3mn exp, a 30.5% YoY growth of which 18.2% organic (12.4% expected) and 12% from M&A (in line);
- **EBITDA** € 12.4mn vs. € 11.7mn exp, up 46% YoY (+37% YoY organic);
- **Adj NI** € 3.8mn vs. € 2.6mn exp (+108% YoY).

Despite a continued sluggish environment for end markets (2Q24 European large appliances shipments were down -3% YoY, 12<sup>th</sup> quarter in a row of market decline), **Sabaf delivered strong volume growth, taking market share across all major geographies**. EBITDA was boosted by **volumes, Raw Materials, operating leverage** and **M&A**, partly offset by **start-up costs** (fully included in 2024 Adj. EBITDA in 2024, while excluded from 2023 Adj. EBITDA) and **labour costs**. Price impact was almost neutral.

### FY24 outlook: 2H expected to confirm 1H levels

**Management expects 2H to be similar to 1H in absolute terms** (sales/EBITDA), with **good progress in self-help initiatives supporting further market share gain**. 2H will have less support on profitability from RM and some pressure on labour costs (both in Italy and Turkey), offset by production ramp-up in Indian and Mexican plants (well on track) and by cost efficiencies.

### Key industry players see global demand stabilized, but driven by replacement

According to Electrolux and Whirlpool, the **replacement market in EU/NA has recovered but new housing and demand related to remodelling is still quite subdued**. This is **putting pressure on price/mix (replacement is more promotional), while volumes are expected to be globally pretty stable, with LatAm among the best regions**.

### Estimates: we raise 2024-25 sales by 4%/3% and EPS by 7%/2%

**We raise our 2024 estimates by 4% at top-line level to € 285mn, by 3% at EBITDA to € 45.7mn and 7% at NI to € 15.6mn**. Our projections imply a 2H24 very similar to 1H24, both in terms of sales (€ 142mn vs. € 143mn in 1H) and EBITDA (€ 22.7mn vs. € 22.9mn in 1H). **As regards 2025, revisions are more contained** as visibility on some dynamics (market demand, prices, FX, induction pick-up) is still limited: **we have raised revenues by 3% to € 301mn (+5.4% YoY), confirmed EBITDA** (€ 51.5mn with margin at 17.1% vs. previous 17.7% and vs. 16.0% in 2024) and **increased Adj. EPS by 2%** to € 1.5. We are now assuming a € 3mn sales contribution from induction in 2025, from previous € 9mn, sharply **derisking the ramp-up of induction**, which is progressing but at a slower pace than initially expected.

### BUY confirmed: self-help drives 2H24 and 2025 growth well above market trends

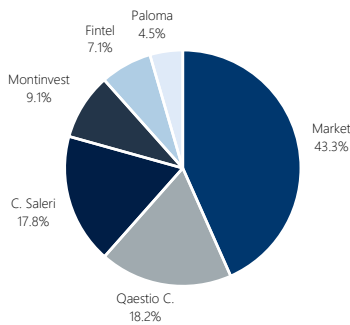
**We raised our target to € 23PS post announcement of results**, set as the average between DCF (based on WACC = 8.6% and g = 2.0%) and multiple valuation (14x Adj. PE and 11x Adj. EBIT applied to 2025 estimates and discounted to 12M from now).

The stock at current prices trades at **5.6x EV/EBITDA, 9.8x EV/EBIT and 12.3x PE 2025, attractive multiples considering that estimates are mostly supported by self-help initiatives** (new plant in Mexico and India, MEC integration, entry in induction) **and are not factoring in any rebound in market demand, which should instead materialise at some point during 2025** thanks to falling interest rates and today's compressed levels (2Q market demand is 11% below pre-Covid levels in Europe).

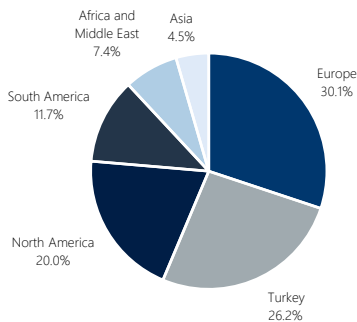
MAIN FIGURES - EURmn	2021	2022	2023	2024E	2025E	2026E
SALES Adj	263	253	238	285	301	314
Growth	42.4%	-3.9%	-6.0%	20.0%	5.4%	4.2%
EBITDA Adj	54.1	36.3	33.1	45.7	51.5	54.8
Growth	45.9%	-32.9%	-9.0%	38.2%	12.7%	6.5%
EBIT Adj	37.5	19.9	17.5	24.5	29.7	32.4
Growth	86.7%	-47.0%	-11.9%	40.1%	21.1%	9.1%
PBT Adj	29.7	12.2	12.0	21.1	25.7	29.0
Growth	104.6%	-58.9%	-1.8%	76.3%	21.5%	12.9%
Net Income Adj	26.5	22.1	14.2	15.6	18.9	21.3
Growth	87.9%	-16.6%	-35.9%	10.3%	20.9%	12.8%
MARGIN - %	2021	2022	2023	2024E	2025E	2026E
EBITDA Adj Margin	20.6%	14.4%	13.9%	16.0%	17.1%	17.5%
Ebit Adj margin	14.2%	7.9%	7.4%	8.6%	9.9%	10.3%
Pbt Adj margin	11.3%	4.8%	5.0%	7.4%	8.5%	9.3%
Net Income Adj margin	10.1%	8.7%	5.9%	5.5%	6.3%	6.8%
SHARE DATA	2021	2022	2023	2024E	2025E	2026E
EPS Adj - €c	236	196	119	125	152	171
Growth	89.1%	-17.1%	-39.2%	5.3%	20.9%	12.8%
DPS ord(A) - €c	60.0	0.0	54.0	55.0	56.0	57.0
BVPS	10.8	13.8	14.2	14.9	15.8	17.0
VARIOUS	2021	2022	2023	2024E	2025E	2026E
Capital Employed	195	245	254	255	256	254
FCF	-0.5	3.4	17.5	14.5	18.4	23.2
CAPEX	23.8	20.9	18.6	14.0	16.5	17.2
Working capital	68.5	78.2	77.0	86.2	93.2	97.7
Trading Working capital	77.4	84.0	82.9	91.0	97.3	101
INDEBTNESS	2021	2022	2023	2024E	2025E	2026E
Nfp Adj	-67.6	-84.4	-73.2	-65.4	-53.9	-37.7
D/E Adj	0.55	0.54	0.42	0.35	0.27	0.18
Debt / EBITDA Adj	1.2x	2.3x	2.2x	1.4x	1.0x	0.7x
Interest Coverage	45.9x	21.8x	8.6x	13.5x	12.9x	16.3x
MARKET RATIOS	2021	2022	2023	2024E	2025E	2026E
P/E Ord Adj	10.2x	8.5x	14.6x	14.8x	12.3x	10.9x
PBV	2.2x	1.6x	1.1x	1.3x	1.2x	1.1x
EV FIGURES	2021	2022	2023	2024E	2025E	2026E
EV/Sales	1.3x	1.1x	1.2x	1.1x	1.0x	0.9x
EV/EBITDA Adj	6.3x	7.6x	8.9x	6.6x	5.6x	5.0x
EV/EBIT Adj	9.1x	14.0x	16.8x	12.3x	9.8x	8.5x
EV/CE	1.8x	1.1x	1.2x	1.2x	1.1x	1.1x
REMUNERATION	2021	2022	2023	2024E	2025E	2026E
Div. Yield ord	2.6%	0.0%	3.4%	3.0%	3.0%	3.1%
FCF Yield Adj	-0.2%	1.4%	9.2%	6.3%	7.9%	10.0%
Roce Adj	15.1%	6.8%	5.3%	7.1%	8.5%	9.3%

Source: Company data and Equita SIM estimates

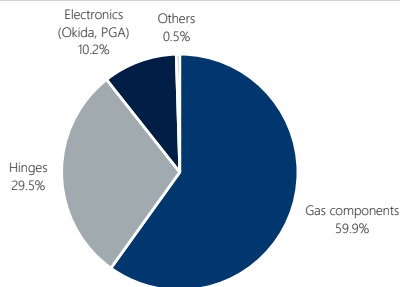
SHAREHOLDERS



SALES BY GEOGRAPHY



SALES BY DIVISION



BUSINESS DESCRIPTION

**Sabaf (SAB) is one of the world’s leading manufacturers of components for household gas cooking appliances** (60% of 2023 group sales and a market share of around 50% in Europe and a global share of about 10%), and **in the manufacturing of hinges for consumer appliances** (30% of 2023 group sales and undisputed worldwide leader with size c2x the second player). The company is also expanding its presence in **electronic components** (10% of group sales in 2023) made of electronic control boards, timers, display and power supply units for ovens, kitchen hoods, vacuum cleaners, refrigerators and freezers. The company has also developed internally competencies to **enter the induction hob segment**, with initial sales expected in 2023 and a target to reach a 5% market share in the medium term. The majority of Sabaf’s sales consist of original equipment supply.

The group **generated 30% of its 2023 revenues in Europe, 26% in Turkey, 20% in North America, 12% in LatAm, 7% in MENA and 4% in APAC.** The Group is characterised by a **high revenue concentration**, with some 50% arising from sales to its ten largest customers.

**The Group in the last 5 years made acquisitions** to enter the market of **electric components** (10% of 2023 sales) and strengthened its presence in the market of hinges for consumer appliances (30% of 2023 sales).

**SAB main production facilities are in Italy, Brazil, Turkey and more recently in Mexico and India.** The company is also present in Poland and China.

7-YEAR BUSINESS TRENDS (€ mn)

	2017	2018	2019	2020	2021	2022	2023
Adj. SALES	150	151	156	185	263	252	238
- gas components	141	136	122	130	182	157	143
- hinges	9	10	24	41	58	69	70
- electronics	0	4	10	14	22	26	25
Adj. EBITDA	31.0	30.0	27.0	37.1	54.1	36.3	33.1
Adj. EBITDA margin	20.6%	19.9%	17.3%	20.1%	20.6%	14.4%	13.8%
Adj. Net Income	12.4	11.5	8.1	14.1	26.5	22.1	14.2

Source: Company data

**In 2016-2019 SAB set the base for a stronger business diversification, expanding the relation with strategic clients (Whirlpool NA, Electrolux, Mabe), entering in new markets (electronics) and strengthening the presence in hinges.** The strategy was led by the **CEO Pietro Iotti**, former head of Interpump Hydraulics. **2020-2021 saw strong growth in sales and margins**, thanks to a **sharp increase in market demand** boosted by higher spending on household appliances during the pandemic and the **first contribution of new projects with strategic clients.** **The spending in household appliances normalized in 2022-23**, driving declining organic sales and margins in the industry. 4Q23 was the first quarter with a return to positive organic growth since 2Q22.

**Post 2023 reserved capital increase to finance MEC acquisition, Sabaf’s largest shareholders are: the Saleri family (17.9% of capital and 23.9% of voting rights) and Qaestio Capital (18.2% of capital and 24.7% of voting rights)** due to a loyalty share mechanism for investors keeping the shares for at least 2 years.

STRENGTHS / OPPORTUNITIES

- Strong leadership in Europe
- High quality and efficiency, innovation skills
- Direct manufacturing presence in key countries
- Development of new markets and clients
- Track record of inorganic expansion

WEAKNESSES /THREATS

- Concentration of revenues with large appliances manufacturers
- Exposure to mature markets (WE), where induction is taking share from gas cooking
- Volatility of commodity and energy prices
- Client consolidation

## 2Q24 RESULTS: STRONG ABOVE-EXPECTATION GROWTH ACROSS THE BOARD

**Sabaf 2Q24 results showed strong growth, well above our expectations, at all levels,** driven in particular by **higher organic volumes** achieved thanks to **market share gains**.

2Q RESULTS (€ mn)						
	2Q23	EXPECTED		ACTUAL		Abs Δ
		2Q24	YoY Δ%	2Q24	YoY Δ%	
Adj. Revenues	56.8	70.3	24%	74.1	30%	56.8
Adj. EBITDA	8.5	11.2	32%	12.4	46%	8.5
Adj. EBITDA Margin	14.9%	15.9%	-	16.7%	-	14.9%
Adj. EBIT	4.2	5.9	38%	7.7	81%	4.2
Adj. EBIT Margin	7.5%	8.3%	-	10.4%	-	7.5%
Adj. Net income	1.8	2.6	43%	5.4	199%	1.8
Adj. NI Margin	3.2%	3.7%	-	7.3%	-	3.2%
NFP	-73.8	-77.2	n.m.	-74.8	n.m.	-73.8

Source: Equita SIM estimates and company data

1H RESULTS (€ mn)						
	1H23	EXPECTED		ACTUAL		Abs Δ
		1H24	YoY Δ%	1H24	YoY Δ%	
Adj. Revenues	114.9	139.3	21%	143.1	25%	114.9
Adj. EBITDA	15.6	21.7	39%	22.9	47%	15.6
Adj. EBITDA Margin	13.6%	15.6%	-	16.0%	-	13.6%
Adj. EBIT	7.1	11.7	64%	13.5	90%	7.1
Adj. EBIT Margin	6.2%	8.4%	-	9.4%	-	6.2%
Adj. Net income	3.2	7.2	122%	10.1	213%	3.2
Adj. NI Margin	2.8%	5.2%	-	7.1%	-	2.8%
NFP	-73.8	-77.2	5%	-74.8	1%	-73.8

Source: Equita SIM estimates and company data

In more details (with 2Q24 number adjusted only for hyperinflationary impact of Turkey and 2Q23 numbers adjusted also for € 0.8mn start-up costs in India and Mexico):

- **Adj. Revenues** € 74.1mn vs € 70.3mn exp., a +30.5% growth YoY of which 18.2% organic (12.4% expected) and 12% from M&A (in line);
- **Adj. EBITDA** € 12.4mn vs. € 11.7mn exp., up 46% YoY (+37% YoY organic). EBITDA margin at 16.7% (+140bps QoQ and +180bps YoY). Organic margin at 17.3%;
- **Adj. EBIT** € 7.7mn vs. € 5.9mn exp., +81% YoY;
- **Adj. NI** € 3.8mn vs. € 2.6mn exp. (+108% YoY).

Despite a continued sluggish environment for end markets (large appliances European shipments were -3% in 2Q24, 12<sup>th</sup> quarter in a row of market decline), **Sabaf delivered strong volume growth, taking market share across all major geographies.**

**At geographic level,** 2Q24 sales grew strongly in Turkey (+28%), WE (+9%), LatAm (+72%, thanks to market rebound and easy comps but also market shares gains) and APAC (+68%), while MENA (-11%) and NA (+62% reported but we estimate -2% organic) were negative.

2Q SALES BREAKDOWN BY GEOGRAPHY (€ mn)				
	2Q23	2Q24	YoY change	
Europe	19.2	20.8	9%	
Turkey	14.4	18.5	28%	
South America	6.2	10.7	72%	
North America	9.7	15.8	62%	
Africa and Middle East	4.8	4.3	-11%	
Asia	2.4	4.1	68%	
<b>Total sales</b>	<b>56.8</b>	<b>74.1</b>	<b>30.5%</b>	

Source: Company data

1H SALES BREAKDOWN BY GEOGRAPHY (€ mn)				
	1H23	1H24	YoY change	
Europe	39.0	41.5	7%	
Turkey	31.4	36.9	18%	
South America	12.9	17.6	36%	
North America	17.5	30.4	74%	
Africa and Middle East	10.1	9.2	-9%	
Asia	4.1	7.5	81%	
<b>Total sales</b>	<b>114.9</b>	<b>143.1</b>	<b>24.5%</b>	

Source: Company data

**At product level**, in 2Q24 gas components sales grew by +21%, hinges by +68% (+17% organic), electronic components were flat, and induction started to contribute with initial revenues of € 0.2mn.

2Q SALES BREAKDOWN BY PRODUCT (€ mn)				
	2Q23	2Q24	YoY change	organic
Gas components	36.3	44.1	21%	21%
Hinges	13.7	23.0	68%	17%
Electronic components	6.8	6.8	0%	0%
Induction	0.0	0.2	n.m.	n.m.
<b>Total sales</b>	<b>56.8</b>	<b>74.1</b>	<b>30.5%</b>	<b>18.2%</b>

Source: Company data

1H SALES BREAKDOWN BY PRODUCT (€ mn)				
	1H23	1H24	YoY change	organic
Gas components	72.6	84.8	17%	17%
Hinges	29.0	43.9	51%	4%
Electronic components	13.4	14.2	6%	6%
Induction	0.0	0.2	n.m.	
<b>Total sales</b>	<b>114.9</b>	<b>143.1</b>	<b>24.5%</b>	<b>12.5%</b>

Source: Company data

The increase in EBITDA YoY (€ +7.3mn in 1H24) resulted mainly from **volumes** (€ +3.7mn), **RM** (€ +2.2mn), **productivity** (€ +2.1mn) and **M&A** (€ 1.6mn), partly offset by **start-up costs** now more excluded from Adj. EBITDA (€ -1.1mn) and **labour costs** (€ -1mn). Price impact was almost neutral (€ -0.2mn). Higher EBITDA (€ 1.2mn beat) and lower-than-expected D&A led to an even stronger beat on EBIT (€ 1.8mn). NI benefitted also from revision of the value of the put/call options for the acquisition of the remaining stake in MEC.

**FCF was € 7.5mn in 1H**, despite € 11mn absorption from TWC due to volume rebound, partly offset by positive trend in other payables/receivables and by lower CAPEX (€ 6.2mn).

**NFP remained pretty stable compared to December level (€ -1.6mn), with positive FCF used to finance the dividend payment.**

CASHFLOW STATEMENT (€ mn)		
	1H23	1H24
<b>Cashflow provided by operations</b>	13.7	18.3
(Increase) decrease in NWC	10.8	-4.6
(Purchase of fixed assets)	-11.1	-6.2
<b>FCF</b>	<b>13.5</b>	<b>7.5</b>
(Other net investments)	0.0	0.0
(Distribution of dividends)	0.0	-7.2
Right issue / (buy-back)	-0.4	0.0
Others	-2.5	-1.9
<b>(Increase) decrease in net debt</b>	<b>10.6</b>	<b>-1.6</b>

Source: Company data

NWC/sales (calculated on annualized last reported sales) was running at 35.8% in June 2024, in line with March and above December level due to seasonality.

NET WORKING CAPITAL TREND (€ mn)										
	2Q23	% 4xQ Sales	3Q23	% 4xQ Sales	4Q23	% 4xQ Sales	1Q24	% 4xQ Sales	2Q24	% 4xQ Sales
receivables	52.8	23.2%	63.8	26.0%	55.8	23.3%	66.5	27.8%	65.6	27.4%
inventories	59.5	26.2%	67.4	27.5%	62.0	25.9%	63.4	26.5%	71.1	29.7%
payables	-45.8	-20.2%	-40.3	-16.4%	-42.5	-17.8%	-44.5	-18.6%	-51.0	-21.3%
<b>TWC</b>	<b>66.5</b>	<b>29.3%</b>	<b>91.0</b>	<b>37.1%</b>	<b>75.3</b>	<b>31.5%</b>	<b>85.4</b>	<b>35.7%</b>	<b>85.7</b>	<b>35.8%</b>

Source: company data

Here below we present the reported and adjusted P&L view. The main adjustment is due to the accounting of Turkey as hyperinflationary economy (IAS 29).

ADJUSTED AND REPORTED 2Q AND 1H P&L				
Quarterly results Data in thousands of €	Q2 2024 (*)	Q2 2023 (*)	Change 2024 – 2023	% change
Sales revenue	75,816	50,899	24,917	+49.0%
Hyperinflation – Turkey	(1,703)	5,899		
Start-up revenue	-	-		
<b>Normalised revenue</b>	<b>74,113</b>	<b>56,798</b>	<b>17,315</b>	<b>+30.5%</b>
EBITDA	13,106	4,885	8,221	+168.3%
EBTIDA %	17.3	9.6		
Start-up costs	-	800		
Hyperinflation – Turkey	(719)	2,778		
<b>Normalised EBITDA</b>	<b>12,387</b>	<b>8,463</b>	<b>3,924</b>	<b>+46.4%</b>
<b>Normalised EBITDA%</b>	<b>16.7</b>	<b>14.9</b>		
EBIT	7,421	358	7,063	n/a
EBIT %	9.8	0.7		
Start-up costs	-	983		
Hyperinflation – Turkey	260	2,897		
<b>Normalised EBIT</b>	<b>7,681</b>	<b>4,238</b>	<b>3,443</b>	<b>+81.2%</b>
<b>Normalised EBIT%</b>	<b>10.4</b>	<b>7.5</b>		
Net result	4,093	(631)	4,724	n/a
Net result %	5.4	-1.2		
Start-up costs	-	936		
Hyperinflation – Turkey	1,354	1,517		
<b>Normalised result of the Group</b>	<b>5,447</b>	<b>1,822</b>	<b>3,625</b>	<b>+199.0%</b>
<b>Normalised result %</b>	<b>7.3</b>	<b>3.2</b>		
Half-year results Data in thousands of €	H1 2024	H1 2023	2024-2023 change	% change
Sales revenue	144,677	108,962	35,715	+32.8%
Hyperinflation – Turkey	(1,566)	5,983		
Start-up revenue	-	-		
<b>Normalised revenue</b>	<b>143,111</b>	<b>114,945</b>	<b>28,166</b>	<b>+24.5%</b>
EBITDA	23,674	11,414	12,260	+107.4%
EBTIDA %	16.4	10.5		
Start-up costs	-	1,154		
Hyperinflation – Turkey	(734)	3,029		
<b>Normalised EBITDA</b>	<b>22,940</b>	<b>15,597</b>	<b>7,343</b>	<b>+47.1%</b>
<b>Normalised EBITDA%</b>	<b>16.0</b>	<b>13.6</b>		
EBIT	12,394	1,855	10,539	+568.1%
EBIT %	8.6	1.7		
Start-up costs	-	1,466		
Hyperinflation – Turkey	1,099	3,795		
<b>Normalised EBIT</b>	<b>13,493</b>	<b>7,116</b>	<b>6,377</b>	<b>+89.6%</b>
<b>Normalised EBIT%</b>	<b>9.4</b>	<b>6.2</b>		
Net result	8,363	(1,422)	9,785	n/a
Net result %	5.8	-1.3		
Start-up costs	-	1,373		
Hyperinflation – Turkey	1,779	3,286		
<b>Normalised result of the Group</b>	<b>10,142</b>	<b>3,237</b>	<b>6,905</b>	<b>+213.3%</b>
<b>Normalised result %</b>	<b>7.1</b>	<b>2.8</b>		

Source: SAB press release

## FY24 OUTLOOK: 2H24 EXPECTED TO CONFIRM 1H24 LEVELS

Based on current level of sales backlog, **management expects 2H to be similar to 1H in absolute terms**, with good progress in company-specific initiatives supporting further market share gain:

- **India is picking up**, with € 2-2.5mn sales expected in 2H from the new plant vs. modest contribution in 1H.
- **The Mexican plant is now fully on stream**, with 3 shifts introduced in the plant on all machineries.
- **Induction**: the first customer generated the sales booked in 2Q. Other 8/10 customers are now testing the product and are expected to support sales as of late 2024, early 2025.
- **Electronics**: divisional sales were flat in 2Q due to decline in sales linked to the weak hoods market. The pipeline of new projects in electronics is rich and is expected to support 2025 sales.

We remind that SAB top line could also structurally benefit as of 2025 from the exit from the Brazilian market of a competitor and from the Chapter 11 of large competitor Robertshaw.

The outlook suggests revenues in the € 286mn area (€ 143mn in 1H24) with an EBITDA margin similar to 1H (16.0%). **3Q/4Q top-line** should be slightly below 2Q24 level (€ 74mn), due to unfavourable seasonality (August and December being lighter months) but **to remain around € 71-72mn per quarter, with very high visibility on 3Q** given order backlog at the end of August.

**On profitability, 2H will have less support from RM** (around flattish vs. € 2.2mn tailwind in 1H) and some **further pressure on labour costs** (both in Italy and Turkey) but this is expected to be offset by **production ramp-up for plants in India and Mexico** (well on track) and by some **efficiencies** (MEC margin for example has improved by 400-500bps in 1H24 but is still below 12%).

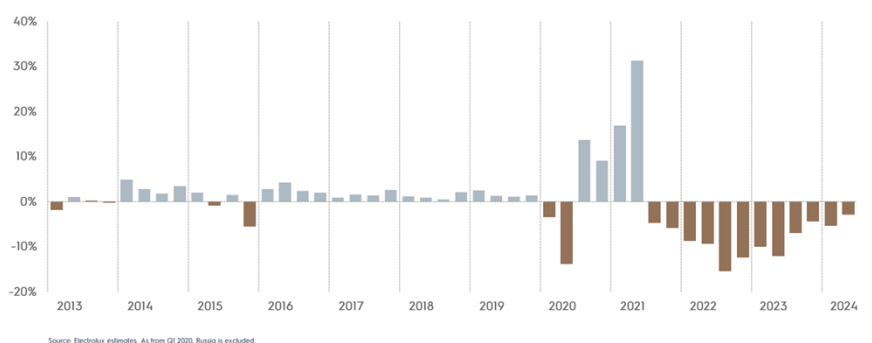
## MESSAGES FROM KEY INDUSTRY PLAYERS STILL PRUDENT

### ■ 2Q industry shipments

2Q industry shipments were down -3% in Europe, 11% below pre-Covid levels as in previous quarters and 12<sup>th</sup> quarter in a row of negative market performance.

#### QUARTERLY INDUSTRY SHIPMENTS IN EUROPE

Total European shipments, quarterly unit comparison y-o-y



Source: Electrolux 2Q24 presentation

Arcelik highlighted some areas of recovery in demand in some Western European countries (UK, Spain, the Netherlands) offset by still sluggish trend in Italy, France and Belgium. EE demand has continued to grow.

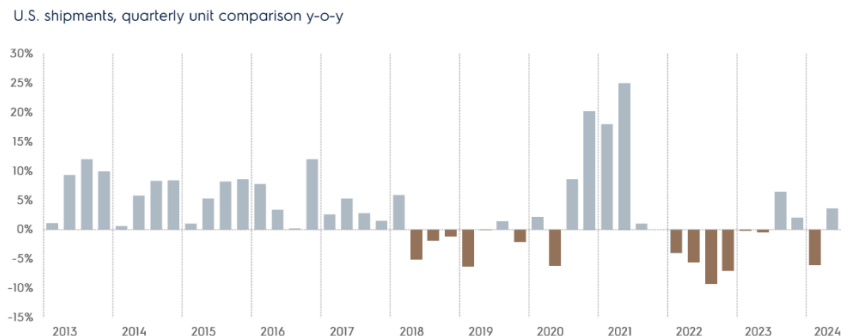


WESTERN AND ESTERN EUROPE MARKET DEMAND (5M24)



In NA, industry shipments in 2Q were positive (+4%), moving 1H to around -1%. Market was driven by **solid replacement demand**, partly offset by **weak discretionary purchases**. Price/mix is negatively impacted by this trend, given the more promotional nature of replacement demand.

QUARTERLY INDUSTRY SHIPMENTS IN NORTH AMERICA



\*Source: Based on the AHAM Factory Shipment Report. Q2 2024 is a comparison of weeks between March 31, 2024 - June 29 30, 2024 vs April 2, 2023 - July 1, 2023. Core appliances include AHAM 6 (Washers, Dryers, Dishwashers, Refrigerators, Freezers, Ranges, and Ovens) and Cooktops. AHAM data for 2023 has been restated.

Source: Electrolux 2Q24 presentation

■ **Market outlook: still lacklustre in main geographies but LatAm**

For FY24, Whirlpool confirmed flat global demand with **NA lowered to flat from 0/+2%**, **LatAm raised to +5/7% from +0/3%** and **Asia confirmed at +4/6%**. Profitability guidance was lowered by -80bps due to unfavourable price/mix in NA (driven by weak discretionary demand while replacement demand remains solid) and FX headwinds.



2024 INDUSTRY SHIPMENTS FORECASTS AND PROFITABILITY GUIDANCE

2024 Segment Guidance



	Industry		EBIT %	
	Previous	Current	Previous	Current
MDA North America	0 - 2%	~Flat	~9%	~7%
MDA Latin America	0 - 3%	5 - 7%	~6.5%	~7%
MDA Asia	4 - 6%	4 - 6%	~3%	~4%
SDA Global	2 - 4%	~Flat	~15.5%	~15.5%
MDA Europe (Q1 Actuals)	(1)%	(1)%	(1.1)%	(1.1)%
<b>Total</b>	<b>~0 - 2%</b>	<b>~0 - 1%</b>	<b>~6.8%</b>	<b>~6.0%</b>

Source: Whirlpool 2Q24 presentation

From the call:

“Turning to our full year guidance. We are reiterating flat net sales of \$16.9 billion driven by new product launches, **strong replacement demand**, previously announced **MDA North America pricing actions** and continued **strength in our international businesses**, offsetting the **challenging macro environment in the US** given elevated mortgage rates, which have led to **continued weakness in home sales and overall discretionary demand**. [...] We are revising our ongoing EBIT margin to 6% from 6.8% previously as we expect **continued discretionary demand pressure from a soft housing market impacting full year price/mix negatively**. However, at the same time, a previously announced pricing and **cost takeout actions are expected to deliver sequential margin expansion** with a solid exit rate of approximately 7.5% ongoing EBIT margin in Q4.”

Electrolux is similarly projecting a flattish market in NA and positive in LatAm while is projecting a negative performance in Europe/APAC.

QUARTERLY INDUSTRY SHIPMENTS IN EUROPE AND NORTH AMERICA

Market outlook FY 2024 per region



Electrolux estimates for industry shipments of core appliances, units year-over-year. Latin America includes the ABC-countries, Asia-Pacific includes ANZ and SEA. In line with our new organizational structure, we have combined the outlook for Europe and Asia-Pacific from Q1 2024. Note: Market outlook assumes no significant additional impact from the global geopolitical situation. Presented July 16, 2024. AB ELECTROLUX - Q2 2024.

Source: Electrolux 2Q24 presentation

As regards the main assumptions under the new guidance, the message is similar to what expressed by Whirlpool. From the Electrolux 2Q call:

“**We do expect that the housing market has or is bottoming out** and interest rates will come down. **So that will have a positive impact on demand**. [...] We saw the continued weakness in built-in kitchen in Q2, and this really is a built-in kitchen issue. **The replacement market has recovered**, it's quite normalized, let's say, even though, as always, the replacement market is quite promotionally driven. **But new housing and demand related to remodelling is still quite subdued** and we expect that recovery to be pushed out a bit.”

**ESTIMATES: WE RAISE 2024-25 SALES BY 4%/3% AND EPS BY 7%/2%**

**We raise our 2024 estimates by 4% for revenues to € 285mn, 3% for EBITDA to € 45.7mn, and 7% for NI to € 15.6mn.** Our projections imply a 2H24 very similar to 1H24, both in terms of sales (€ 142mn vs. € 143mn in 1H) and EBITDA (€ 22.7mn vs. € 22.9mn in 1H) or EBITDA margin (16.0%, in line with 1H).

We have changed the mix of 2024 revenues, with Gas components raised by 6.8% to € 167.3mn, Hinges raised by 2.8% to € 87.7mn, Electronics confirmed at €29.4mn and induction lowered to € 1mn from € 2.5mn.

**As regards 2025, estimate revisions are more contained** as visibility on some dynamics (market demand, price environment, FX, induction pick-up) is still limited: we have raised revenues by 3% to € 301mn (+5.4% YoY), but without raising EBITDA (€ 51.5mn with margin at 17.1% vs. previous 17.7% and vs. 16.0% in 2024). At the moment we assume a slightly negative price impact (-1%), a flattish FX impact and stable RM costs, with inflationary pressure on labour cost at 2% and some efficiencies due to be extracted from MEC integration and ramp-up of Indian and Mexican plants. Adj. EPS was improved by 2% to € 1.5 thanks to the lower cost of debt. We are assuming a € 3mn sales contribution from induction in 2025, from previous € 9mn.

CHANGE IN ESTIMATES (€ mn)						
	2024E	2024E	2025E	2025E	2026E	2026E
	Prev.	Curr.	Prev.	Curr.	Prev.	Curr.
<b>Adj. Revenues</b>	273.8	285.4	291.4	300.8	303.7	313.6
% chg		4.2%		3.2%		3.3%
Abs chg		11.5		9.4		9.9
<b>Adj. EBITDA</b>	44.2	45.7	51.5	51.5	54.9	54.8
% chg		3.4%		0.0%		-0.1%
Abs chg		1.5		0.0		-0.1
<b>Adj. EBIT</b>	23.0	24.5	29.7	29.7	32.5	32.4
% chg		6.5%		-0.1%		-0.2%
Abs chg		1.5		0.0		-0.1
<b>Adj. Net income</b>	14.5	15.6	18.5	18.9	20.7	21.3
% chg		7.3%		1.8%		2.6%
Abs chg		1.1		0.3		0.5
<b>Net income</b>	14.5	15.6	18.5	18.9	20.7	21.3
% chg		7.3%		1.8%		2.6%
Abs chg		1.1		0.3		0.5
<b>Adj. EPS (€ cents)</b>	116.9	125.4	149.0	151.6	166.7	171.1
% chg		7.3%		1.8%		2.6%
Abs chg		8.5		2.6		4.3
<b>NFP</b>	-63.5	-65.4	-52.4	-53.9	-36.1	-37.7
% chg		3.0%		2.7%		4.4%
Abs chg		-1.9		-1.4		-1.6
<b>FCF</b>	16.5	14.5	17.9	18.4	23.3	23.2
% chg		-11.7%		2.8%		-0.7%
Abs chg		-1.9		0.5		-0.2
<b>CAPEX</b>	15.1	14.0	16.0	16.5	16.7	17.2
% chg		-7.0%		3.2%		3.3%
Abs chg		-1.1		0.5		0.5
<b>DPS</b>	55.0	55.0	56.0	56.0	57.0	57.0
% chg		0.0%		0.0%		0.0%
Abs chg		0		0		0

Source: Equita SIM estimates

## BUY CONFIRMED: SELF-HELP GROWTH WHILE WAITING FOR A REBOUND IN MARKET DEMAND

**1H results and FY24 guidance significantly increase visibility on 2025 projections**, also because of the lower contribution to growth from induction, which is in a phase of ramp-up that is slower than initially expected (2025 sales now projected at € 3mn vs. previous € 9mn), that is more than offset by more visible market share gain in Mexico, India, Brazil and by new projects in electronics.

**We raised our target to € 23PS post announcement of results**, as the average between DCF (based on WACC = 8.6% and g = 2.0%) and multiple valuation (14x Adj. PE and 11x Adj. EBIT applied to 2025 estimates and discounted to 12M from now).

PE MULTIPLE VALUATION		TARGET PRICE SENSITIVITY			
(A) 2025E multiple	14 x	(A) 2025E multiple	12 x	14 x	16 x
(B) 2025 EPS (€)	1.5	(B) 2025 EPS (€)	1.5	1.5	1.5
(C) synergies EPS contribution post 2025 (€)	0.1	(C) synergies EPS contribution post 2025 (€)	0.1	0.1	0.1
<b>(D)=(A)x[(B)+(C)] Stock value (€)</b>	<b>23</b>	<b>(D)=(A)x[(B)+(C)] Stock value (€)</b>	<b>19</b>	<b>23</b>	<b>26</b>
(E) Dividends to be cashed-in (€)	0.6	(E) Dividends to be cashed-in (€)	0.6	0.6	0.6
<b>(F) = (D)+(E) Total stock value (€ PS)</b>	<b>23</b>	<b>(F) = (D)+(E) Total stock value (€ PS)</b>	<b>20</b>	<b>23</b>	<b>26</b>
(G) Discount (1+Ke)	1.03	(G) Discount (1+Ke)	1.03	1.03	1.03
<b>(H)=(F)/(G) Target (€ PS)</b>	<b>22</b>	<b>(H)=(F)/(G) Target (€ PS)</b>	<b>19</b>	<b>22</b>	<b>26</b>

Source: Equita SIM estimates

EV/EBIT MULTIPLE VALUATION (€ mn)		TARGET PRICE SENSITIVITY (€ mn)			
(A) 2025E multiple	11.0 x	(A) 2025E multiple	9 x	11 x	13 x
(B) 2025 EBIT	30	(B) 2025 EBIT	30	30	30
(C) synergies post 2025	1	(C) synergies post 2025	1	1	1
<b>(D)=(A)x[(B)+(C)] EV</b>	<b>336</b>	<b>(D)=(A)x[(B)+(C)] EV</b>	<b>275</b>	<b>336</b>	<b>397</b>
(E) NFP 2025E	-54	(E) NFP 2025E	-54	-54	-54
(F) minorities	-4	(F) minorities	-4	-4	-4
(G) Dividends to be cashed-in	7	(G) Dividends to be cashed-in	7	7	7
<b>(H) = (D)+(E)+(F)+(G) Total stock value</b>	<b>284</b>	<b>(H) = (D)+(E)+(F)+(G) Total stock value</b>	<b>223</b>	<b>284</b>	<b>346</b>
(I) Discount (1+Ke)	1.03	(I) Discount (1+Ke)	1.03	1.03	1.03
<b>(J)=(H)/(I) Target (€ PS)</b>	<b>276</b>	<b>(J)=(H)/(I) Target (€ PS)</b>	<b>217</b>	<b>276</b>	<b>335</b>
(K) shares (mn)	12.4	(K) shares (mn)	12.4	12.4	12.4
<b>(L)=(J)/(K) Target (€ PS)</b>	<b>22</b>	<b>(L)=(J)/(K) Target (€ PS)</b>	<b>17</b>	<b>22</b>	<b>27</b>

Source: Equita SIM estimates

DCF (€ mn)							
Assumptions			2025E	2026E	2027E	2028E	Perpetuity
G	2.0%	Sales	301	314	323	333	339
WACC	8.6%	Change %	5.4%	4.2%	3.0%	3.0%	2.0%
		EBITDA	51	55	57	59	60
		Change %	12.7%	6.5%	4.2%	3.0%	2.0%
		Margin	17.1	17.5	17.7	17.7	17.7
		D&A	-21.8	-21.9	-21.0	-21.6	-22.1
		EBIT	30	32	36	37	38
		Change %	21.1%	9.1%	11.6%	3.0%	5.1%
		Margin	9.9	10.3	11.2	11.2	11.2
		Taxes	-8	-9	-10	-10	-10
<b>Valuation (€ mn)</b>		<b>EBIT after Tax</b>	<b>22</b>	<b>24</b>	<b>26</b>	<b>27</b>	<b>28</b>
NPV of FCF (2025-28)	78	Change %	21.1%	9.1%	11.6%	3.0%	5.1%
NPV of Terminal Value	291						
<b>Estimated Enterprise Value</b>	<b>369</b>	Capex/acquisitions	-17	-17	-21	-22	-22
2024E NFP	-65	(increase) decrease in NWC	-7	-5	-3	-3	-2
Adjustment to NFP	0	<b>Free Cash Flow before minorities</b>	<b>20</b>	<b>24</b>	<b>23</b>	<b>24</b>	<b>25</b>
<b>SAB IM Equity</b>	<b>304</b>	<b>Free Cash Flow</b>	<b>20</b>	<b>24</b>	<b>23</b>	<b>24</b>	<b>25</b>
Minorities & Peripheral	-5						
<b>Total Equity</b>	<b>299</b>						
Adj. # of shares (mn)	12.4	Discount Factor	1.0	1.1	1.2	1.3	1.3
		<b>PV of FCF</b>	<b>19</b>	<b>21</b>	<b>19</b>	<b>18</b>	<b>19</b>
<b>Target Price (€ PS)</b>	<b>24</b>						

Source: Equita SIM estimates and company data

DCF SENSITIVITY ANALYSIS				
		Perpetual growth G		
		1.5%	2.0%	2.5%
WACC	8.1%	25	27	28
	8.6%	23	24	26
	9.1%	21	22	23

Source: Equita SIM estimates

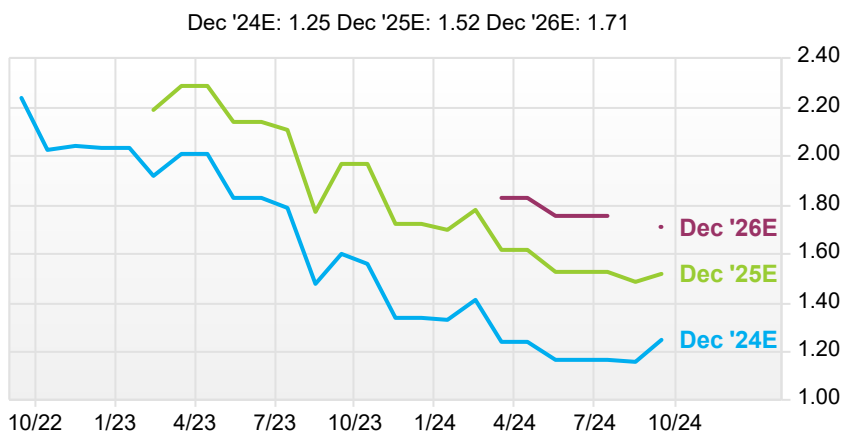
SABAF VALUATION			
	Weight	Target multiple	Valuation (€ PS)
PE multiple valuation	33%	14x	22
EV/EBIT valuation	33%	11x	22
DCF valuation	33%	n.m.	24
<b>Target price</b>			<b>23</b>

Source: Equita SIM estimates

The stock at current prices trades at **5.6x EV/EBITDA, 9.8x EV/EBIT and 12.3x PE 2025**, attractive multiples considering that estimates are mostly supported by self-help initiatives (new plant in Mexico and India, MEC integration, entry in induction) and are not factoring in any rebound in market demand, which should instead materialise at some point during 2025 thanks to falling interest rates and today's compressed levels (2Q market demand is 11% below pre-Covid levels in Europe).

**EPS revision has recently turned positive after several negative quarters driven by negative market cycle.**

EPS REVISION: TURNING POSITIVE AFTER SEVERAL QUARTERS OF NEGATIVE TREND



Source: Factset

Blended forward **Adj. PE is line with historical average** (around 13x), an attractive opportunity given that **market cycle is still at the bottom** in 2024-25 and **earnings revision has turned positive**.

ADJ. PE (Blended forward 12M): IN LINE WITH HISTORICAL AVERAGE



Source: Bloomberg

## STATEMENT OF RISKS FOR SABAF

The main factors that could negatively affect SAB are the following:

- Weaker market demand
- Higher competitive pressures
- Sharp increase in aluminium and steel prices
- Inability to acquire and integrate companies
- Inability to enter new markets
- Inability to protect its product exclusivity
- Development of alternative technologies

P&L - €mn	2021	2022	2023	2024E	2025E	2026E
<b>SALES Rep</b>	<b>263</b>	<b>253</b>	<b>238</b>	<b>285</b>	<b>301</b>	<b>314</b>
Growth	42.4%	-3.9%	-6.0%	20.0%	5.4%	4.2%
<b>EBITDA Rep</b>	<b>54.1</b>	<b>40.1</b>	<b>29.6</b>	<b>45.7</b>	<b>51.5</b>	<b>54.8</b>
Growth	45.9%	-25.9%	-26.2%	54.3%	12.7%	6.5%
Margin	20.6%	15.8%	12.4%	16.0%	17.1%	17.5%
<b>D&amp;A</b>	<b>-16.6</b>	<b>-18.2</b>	<b>-18.5</b>	<b>-21.2</b>	<b>-21.8</b>	<b>-22.5</b>
<b>EBIT Rep</b>	<b>37.5</b>	<b>21.9</b>	<b>11.1</b>	<b>24.5</b>	<b>29.7</b>	<b>32.4</b>
Growth	86.7%	-41.6%	-49.5%	121.6%	21.1%	9.1%
Margin	14.2%	8.6%	4.6%	8.6%	9.9%	10.3%
Net Interest Charges	-1.2	-1.8	-3.4	-3.4	-4.0	-3.4
<b>Financial Expenses</b>	<b>-7.8</b>	<b>-9.7</b>	<b>-11.1</b>	<b>-3.4</b>	<b>-4.0</b>	<b>-3.4</b>
Non Recurrings	0.0	0.0	0.0	0.0	0.0	0.0
<b>PBT Rep</b>	<b>29.7</b>	<b>12.2</b>	<b>-0.1</b>	<b>21.1</b>	<b>25.7</b>	<b>29.0</b>
Growth	104.6%	-58.9%	n.m.	n.m.	21.5%	12.9%
Income Taxes	-5.0	3.0	3.4	-5.5	-6.8	-7.7
Tax rate	16.8%	-24.9%	5643.3%	26.2%	26.6%	26.6%
<b>Minority Interest</b>	<b>-0.8</b>	<b>0.0</b>	<b>-0.2</b>	<b>-1.0</b>	<b>-1.2</b>	<b>-1.2</b>
Discontinued Operations	0.0	0.0	0.0	1.0	1.2	1.2
<b>Net Income Rep</b>	<b>23.9</b>	<b>15.2</b>	<b>3.1</b>	<b>15.6</b>	<b>18.9</b>	<b>21.3</b>
Growth	71.2%	-36.2%	-79.7%	403.0%	20.9%	12.8%
Margin	9.1%	6.0%	1.3%	5.5%	6.3%	6.8%
<b>Net Income Adj</b>	<b>26.5</b>	<b>22.1</b>	<b>14.2</b>	<b>15.6</b>	<b>18.9</b>	<b>21.3</b>
Growth	87.9%	-16.6%	-35.9%	10.3%	20.9%	12.8%
Margin	10.1%	8.7%	5.9%	5.5%	6.3%	6.8%
<b>CF Statement</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
FFO	41.6	33.5	23.4	37.8	41.9	44.9
Chg. in Working Capital	-18.3	-9.3	12.7	-9.2	-7.0	-4.5
Other chg. in OCF	0.0	0.0	0.0	0.0	0.0	0.0
<b>NCF from Operations</b>	<b>23.2</b>	<b>24.2</b>	<b>36.1</b>	<b>28.5</b>	<b>34.9</b>	<b>40.4</b>
CAPEX	-23.8	-20.9	-18.6	-14.0	-16.5	-17.2
Financial Investments	0.0	-9.8	-21.2	0.0	0.0	0.0
Other chg in investments	0.0	0.0	0.0	0.0	0.0	0.0
<b>NCF from Investments</b>	<b>-23.8</b>	<b>-30.6</b>	<b>-39.8</b>	<b>-14.0</b>	<b>-16.5</b>	<b>-17.2</b>
Dividends paid	-6.2	-6.7	0.0	-6.7	-6.8	-7.0
Capital Increases	0.0	0.2	16.9	0.0	0.0	0.0
Other changes in financing	-4.6	-3.9	-2.0	0.0	0.0	0.0
<b>CHG IN NFP</b>	<b>-11.3</b>	<b>-16.8</b>	<b>11.2</b>	<b>7.8</b>	<b>11.5</b>	<b>16.2</b>

Source: Company data and Equita SIM estimates

## INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)

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In the past EQUITA SIM has published studies on Sabaf

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The prices of the financial instruments shown in the report are the closing prices of the date indicated in the first page stock data table.

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## EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE

RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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## Ord SAB IM MOST RECENT CHANGES IN RECOMMENDATION AND/OR IN TARGET PRICE:

Date	Rec.	Target Price	Risk.	Comment
September 5, 2024	Buy	23.00	High	-
January 15, 2024	Buy	22.00	High	change in estimates/valuation
October 25, 2023	Buy	20.00	High	-

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(art. 6, par. 3 Delegated Regulation (EU) 2016/958 of 09 March 2016)

	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	55.4%	59.7%
HOLD	42.0%	36.4%
REDUCE	1.3%	1.3%
NOT RATED	1.3%	2.6%

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