

SABAF

Earnings Review

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

Risk: High

STOCKDATA		ORD		
Price (as of 17 May 2024)		19.1		
Bloomberg Code		SAB IM		
Market Cap (€ mn)		237		
Free Float		46%		
Shares Out (mn)		12.4		
52 week Range		€ 13.3 - 19.1		
Daily Volume		4,996		
Performance (%)		1M	3M	1Y
Absolute		10.8	14.1	19.1
Rel to FTSE Italia All-Share		5.3	2.5	-7.2
MAIN METRICS		2023	2024E	2025E
SALES Adj		238	274	291
EBITDA Adj		33.1	44.1	51.5
EBIT Adj		17.5	22.9	29.7
NET INCOME Adj		14.2	14.5	18.5
EPS Adj - €c		119	116	149
DPS Ord - €c		54.0	55.0	56.0
MULTIPLES		2023	2024E	2025E
P/E ord Adj		14.6x	16.4x	12.8x
EV/EBITDA Adj		8.9x	6.9x	5.7x
EV/EBIT Adj		16.8x	13.3x	9.9x
REMUNERATION		2023	2024E	2025E
Div. Yield ord (A)		3.4%	2.9%	2.9%
FCF Yield Adj		9.2%	6.9%	7.5%
INDEBTEDNESS		2023	2024E	2025E
NFP Adj		-73.2	-63.6	-52.5
D/Ebitda Adj		2.2x	1.4x	1.0x

POSITIVE ORGANIC SALES AND 300BPS OF MARGIN EXPANSION

1Q24 was the second quarter in a row of positive YoY organic top-line performance (+7.2%) and margin expansion (+300bps) and the first quarter since the start of the market downturn beating our expectations in terms of profitability. We expect next quarters to consolidate this path, given supportive messages on orders in 2Q24 and growing contribution from company-specific drivers (ramp-up of Mexican and Indian plants, MEC/PGA integration, entry in induction) in 2H24. We confirm our estimates and our BUY rating on the stock, trading at 10x EV/EBIT and 13x Adj PE 2025.

1Q24 results: +7.2% organic sales, +300bps in EBITDA margin

Sabaf (SAB) 1Q24 was the second quarter in a row of positive organic top-line performance and YoY margin expansion (though not yet at the medium-term high-teens target) and was the first quarter since the start of the market downturn delivering a positive surprise on our expectations in terms of profitability.

In more detail:

- **Sales grew by +19%** to € 68.9mn vs. € 69.1mn exp., with **organic +7.2%** vs. 7.0% expected and M&A adding € 6.5mn vs. € 7.0mn expected;
- **Adj. EBITDA jumped by +48%** to € 10.6mn vs. € 10.1mn expected. **Margin reached 15.3%** (excluding hyperinflation impact, but including start-up costs, no more booked as one-off costs as done in 2023) vs. 14.6% expected and **+300bps vs. 12.3% in 1Q23** (+360bps if we include start-up costs in 1Q23 normalized EBITDA, as done in 1Q24);
- **Adj NI more than trebled to € 4.6mn**, benefitting from higher EBITDA, lower D&A, FX gains and lower tax rate;
- **NFP € -77.1mn**, in line with expectations, with **€ 3.9mn cash absorption in 1Q24** due to NWC absorption (higher receivables on lower factoring utilization vs. December).

2024 outlook confirmed, well supported by current trading

In the call **management commented orders in 2Q as "brilliant"**, providing comfort on 2024 outlook. Visibility on 2H24 is limited, as usual, but management indicated that 2Q24 will see sequential organic top-line growth and there are no reasons to expect a deterioration of organic performance in 2H, also considering the growing contribution from Mexico (and to a lower extent India and induction).

Overall, **the tone of the call was very supportive**, with 2Q expected to accelerate vs. 1Q (we were expecting a flattish sequential performance) and message on orders just qualitative but very reassuring.

Too early to revise estimates but visibility on 2024 projections highly improved

The indication on sequential growth in sales in 2Q (well supported by order backlog) and the **growing contribution of strategic initiatives** (starting from Mexico, already in ramp-up phase) is providing **strong support to our FY24 projections**.

We prefer to wait for another quarter of solid execution before revisiting our assumptions, given the still uncertain macro context and prudent start to the year for **key industry players, not yet projecting any market rebound in FY24**. For these reasons, **we do not apply meaningful changes to our FY estimates**, which are implying +8.6% organic sales (+7.2% in 1Q) and +230bps margin expansion (+300bps in 1Q).

BUY confirmed. Improving visibility/momentum at still compressed multiples

We confirm our **BUY rating** with a target of €22, based on an average between multiples (11x EV/EBIT 2025 and 13x Adj PE 2025 discounted to 12M from today) and DCF.

The stock trades at **13-10x EV/EBIT and 16-13x Adj. PE 2024-25**, multiples compressed in what we expected to be the **initial phase of cyclical recovery of the business** and given the **good prospects for organic growth**, also driven by **company-specific elements** (Mexican/Indian plants ramp-up, Induction launch, Mansfield/PGA integration). SAB historical 1-year forward Adj. PE has been indeed more in the 14-18x range at the bottom/initial part of market recovery cycle.

PRICE ORD LAST 365 DAYS

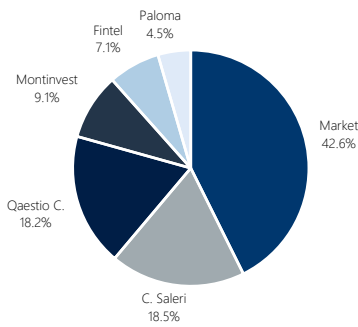


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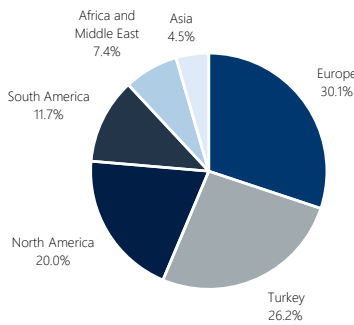
MAIN FIGURES - EURmn	2021	2022	2023	2024E	2025E	2026E
SALES Adj	263	253	238	274	291	304
Growth	42.4%	-3.9%	-6.0%	15.1%	6.4%	4.2%
EBITDA Adj	54.1	36.3	33.1	44.1	51.5	54.9
Growth	45.9%	-32.9%	-9.0%	33.4%	16.8%	6.6%
EBIT Adj	37.5	19.9	17.5	22.9	29.7	32.5
Growth	86.7%	-47.0%	-11.9%	31.0%	29.6%	9.3%
PBT Adj	29.7	12.2	12.0	19.6	25.3	28.3
Growth	104.6%	-58.9%	-1.8%	63.2%	29.1%	12.1%
Net Income Adj	26.5	22.1	14.2	14.5	18.5	20.7
Growth	87.9%	-16.6%	-35.9%	2.3%	28.0%	11.9%
MARGIN - %	2021	2022	2023	2024E	2025E	2026E
EBITDA Adj Margin	20.6%	14.4%	13.9%	16.1%	17.7%	18.1%
Ebit Adj margin	14.2%	7.9%	7.4%	8.4%	10.2%	10.7%
Pbt Adj margin	11.3%	4.8%	5.0%	7.1%	8.7%	9.3%
Net Income Adj margin	10.1%	8.7%	5.9%	5.3%	6.4%	6.8%
SHARE DATA	2021	2022	2023	2024E	2025E	2026E
EPS Adj - €c	236	196	119	116	149	167
Growth	89.1%	-17.1%	-39.2%	-2.3%	28.0%	11.9%
DPS ord(A) - €c	60.0	0.0	54.0	55.0	56.0	57.0
BVPS	10.8	13.8	14.2	14.8	15.7	16.8
VARIOUS	2021	2022	2023	2024E	2025E	2026E
Capital Employed	195	245	254	252	253	250
FCF	-0.5	3.4	17.5	16.4	17.9	23.3
CAPEX	23.8	20.9	18.6	15.1	16.0	16.7
Working capital	68.5	78.2	77.0	82.2	89.8	94.2
Trading Working capital	77.4	84.0	82.9	87.5	94.4	98.2
INDEBTNESS	2021	2022	2023	2024E	2025E	2026E
Nfp Adj	-67.6	-84.4	-73.2	-63.6	-52.5	-36.2
D/E Adj	0.55	0.54	0.42	0.35	0.27	0.17
Debt / EBITDA Adj	1.2x	2.3x	2.2x	1.4x	1.0x	0.7x
Interest Coverage	45.9x	21.8x	8.6x	13.2x	11.6x	13.2x
MARKET RATIOS	2021	2022	2023	2024E	2025E	2026E
P/E Ord Adj	10.2x	8.5x	14.6x	16.4x	12.8x	11.4x
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	6.9x	5.7x	5.1x
EV/EBIT Adj	9.1x	14.0x	16.8x	13.3x	9.9x	8.6x
EV/CE	1.8x	1.1x	1.2x	1.2x	1.2x	1.1x
REMUNERATION	2021	2022	2023	2024E	2025E	2026E
Div. Yield ord	2.6%	0.0%	3.4%	2.9%	2.9%	3.0%
FCF Yield Adj	-0.2%	1.4%	9.2%	6.9%	7.5%	9.8%
Roce Adj	15.1%	6.8%	5.3%	6.7%	8.6%	9.5%

Source: Company data and Equita SIM estimates

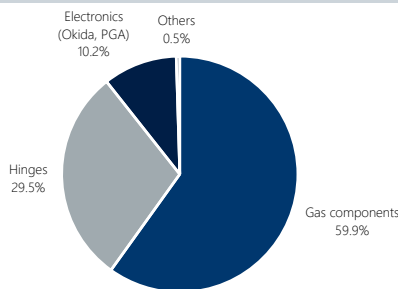
SHAREHOLDERS



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 and Turkey. The company is also present in Poland and China and is building additional plants in India and Mexico.

7-YEAR BUSINESS TRENDS (€ mn)

	2017	2018	2019	2020	2021	2022	2023
Adj. SALES	150	151	156	185	263	252	239
- 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 (18.5% of capital and 24.9% of voting rights) and Quaestio Capital (18.2% of capital and 24.5% 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

1Q24 RESULTS: +7.2% ORGANIC SALES, +300BPS IN EBITDA MARGIN

1Q24 was the second quarter in a row of positive organic top-line performance and YoY margin expansion (though not yet at the medium-term high-teens target).

1Q24 was also the first quarter since the start of the market downturn delivering a positive surprise on our expectations in terms of profitability.

SABAF - 1Q 24 – RESULTS					
	Q1-23	EXPECTED		REPORTED	
		Q1-24E	YoY gr. %	Q1-24E	YoY gr. %
Revenues	58.1	69.1	19%	68.9	19%
Adjusted EBITDA	7.1	10.1	42%	10.6	48%
Margin	12.3%	14.6%		15.3%	-
Adj. EBIT	2.9	4.8	68%	5.8	102%
Margin	5.0%	7.0%	-	8.4%	-
Adj. net income	1.4	2.7	93%	4.6	225%
Margin	2.4%	3.9%	-	6.7%	-
NFP	-86.4	-76.9	-11%	-77.1	n.m.

Source: Equita SIM estimates and Company data

Sales grew by +19% to € 68.9mn vs. € 69.1mn exp., with **organic +7.2%** vs. 7.0% expected and M&A adding € 6.8mn vs. € 7.0mn expected. Management thinks **SAB has gained market share in 1Q24 across all geographies**.

From a geographical standpoint, **EMEA and Turkey showed robust rebounds** (+5% and +9% respectively), NA was up by 90% or we estimate 2% organically. Positive performance was also booked in LatAm (+3%) and Asia (2x on small number, supported by India and China). The only area down YoY was MENA (-7%).

SALES BREAKDOWN BY PRODUCT – FY (€ mn)				
	1Q23	1Q24	YoY change	organic
Europe	19.8	20.7	5%	5%
Turkey	16.9	18.4	9%	9%
North America	6.7	14.7	90%	2%
South America	7.7	7.0	3%	3%
Africa and Middle East	5.3	4.9	-7%	-7%
Asia	1.7	3.4	100%	100%
Total sales	58.1	69.0	19%	7.2%

Source: Company data

From a product standpoint, **gas components grew by 12%** (fully organic), **hinges** grew by 37% but decline by **-7% organically** and **electronics rebounded by 13%** (fully organic).

SALES BREAKDOWN BY PRODUCT – 4Q (€ mn)				
	1Q23	1Q24	YoY change	organic
Gas components	36.2	40.6	12%	12%
Hinges	15.3	20.9	37%	-7%
Electronic components	6.6	7.4	13%	13%
Total sales	58.1	69.0	19%	7.2%

Source: Company data

Adj. EBITDA jumped by +48% to € 10.6mn vs. € 10.1mn expected. **Adj. EBITDA margin reached 15.3%** (excluding hyperinflation impact, but including start-up costs, no more booked as one-off costs as done in 2023) vs. 14.6% expected and +300bps YoY vs. 12.3% in 1Q23 (+360bps YoY if we include 1Q23 start-up costs in normalized EBITDA, as done in 1Q24).

The bridge in EBITDA compared to 1Q23 (€ 3.5mn or +300bps in margin from 12.3% to 15.3% in 1Q24 from 12.3% in 1Q23) was the following:

- higher organic **volumes** (€ 1mn) and better productivity (€ 0.8mn)
- better **Raw Material costs** (€ 1.6mn)

... partly offset by **higher labour costs in Turkey and Italy**.

Adj. EBIT reached € 5.8mn vs. € 4.8mn exp. due to higher EBITDA and lower D&A (not yet affected by amortization of the new Mexican plant and by induction development).

Adj NI more than trebled to € 4.6mn, much higher than our € 2.7mn expectation, benefitting from FX gains and a 22% tax rate (26% expected), on top of EBIT beat.

NFP € -77.1mn, in line with expectations, with **€ 3.9mn cash absorption vs. FY23 due to working capital** (higher receivables due to higher sales and € 6mn lower factoring vs. December). CAPEX were € 2.7mn vs. € 5.4mn in 1Q23, confirming the completion of the major investment program launched in 2022 to ramp-up new capacity in India, Mexico and Turkey and to start-up the induction project.

CASHFLOW STATEMENT (€ mn)

	1Q23	1Q24
Cashflow provided by operations	5.9	8.4
(Increase) decrease in NWC	-0.3	-10.2
(Purchase of fixed assets)	-5.4	-2.7
FCF	0.2	-4.5
(Other net investments)	0.0	0.0
(Distribution of dividends)	0.0	0.0
Right issue / (buy-back)	-0.4	0.0
Others	-1.8	0.6
(Increase) decrease in net debt	-2.0	-3.9

Source: Company data

NET WORKING CAPITAL TREND (€ mn)

	1Q23	% 4xQ Sales	2Q23	% 4xQ Sales	3Q23	% 4xQ Sales	4Q23	% 4xQ Sales	1Q24	% 4xQ Sales
receivables	62.8	27.0%	52.8	23.2%	63.8	26.0%	55.8	23.3%	66.5	27.8%
inventories	65.8	28.3%	59.5	26.2%	67.4	27.5%	62.0	25.9%	63.4	26.5%
payables	-43.9	-18.9%	-45.8	-20.2%	-40.3	-16.4%	-42.5	-17.8%	-44.5	-18.6%
Trade Working Capital	84.7	36.5%	66.5	29.3%	91.0	37.1%	75.3	31.5%	85.4	35.7%

Source: company data

Here below we present the reported and adjusted P&L. The main adjustment is due to the accounting of Turkey as hyperinflationary economy (IAS 29). **Start-up costs related to the new plants and induction launch** (we estimate around € 0.7mn in 1Q24) are no more excluded from Adj. EBITDA, as done in 2023 (€ 0.35mn in 1Q23).

ADJUSTED AND REPORTED 1Q P&L

	Q1 2024	Q1 2023	2024-2023 change	% change	12 MONTHS 2023
Sales revenue	68,861	58,063	10,798	+18.6	237,949
Hyperinflation – Turkey	137	84			1,160
Start-up revenue	-	-			(23)
Normalised revenue	68,998	58,147	10,851	+18.7%	239,086
EBITDA	10,568	6,529	4,039	+61.9%	29,612
EBITDA %	15.3	11.2			12.4
Start-up costs	-	354			2,649
Hyperinflation – Turkey	(15)	251			786
Normalised EBITDA	10,553	7,134	3,419	+47.9%	33,047
Normalised EBITDA%	15.3	12.3			13.8
EBIT	4,973	1,497	3,476	+232.2%	11,062
EBIT %	7.2	2.6			4.6
Start-up costs	-	483			3,724
Hyperinflation – Turkey	839	898			2,710
Normalised EBIT	5,812	2,878	2,934	+101.9%	17,496
Normalised EBIT%	8.4	4.9			7.3
Group net result	4,270	(791)	5,061	+639.8%	3,103
Net result %	6.2	-1.4			1.3
Start-up costs	-	438			3,530
Hyperinflation – Turkey	425	1,769			7,521
Normalised result of the Group	4,695	1,416	3,279	+231.7%	14,154
Normalised result %	6.8	2.4			5.9

Source: SAB press release

2024 OUTLOOK CONFIRMED, WELL SUPPORTED BY CURRENT TRADING

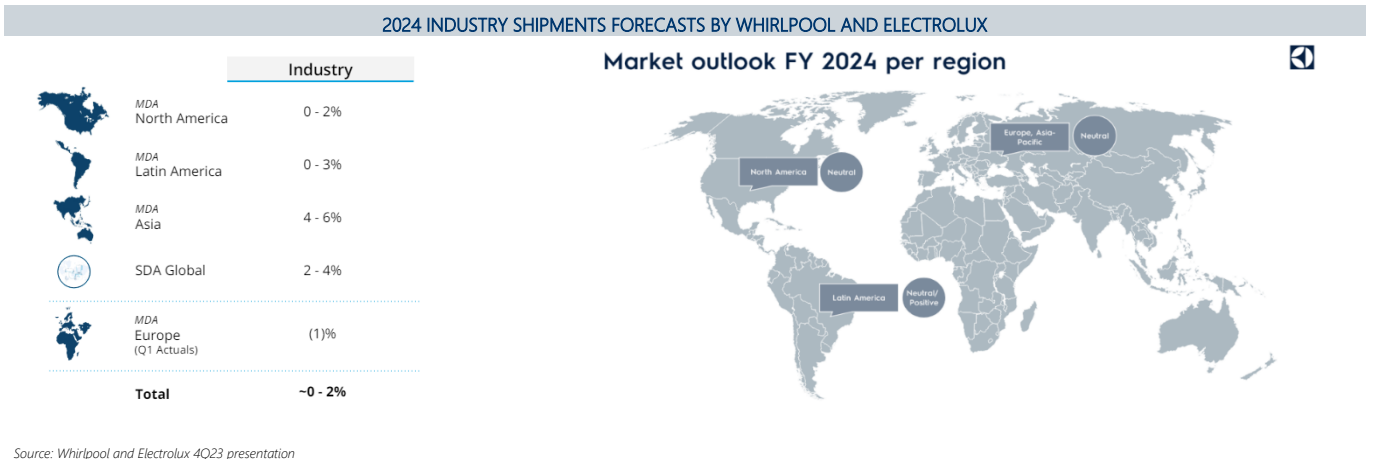
From the call:

- **Orders in 2Q were defined as “brilliant”**, providing comfort on 2024 outlook. Visibility on 2H is limited, as usual, but 2Q will see sequential organic growth (QoQ) and there are no reasons to expect a deterioration of organic performance in 2H, also considering the growing contribution from Mexico (and to a lower extent India and induction).
- **Mansfield** (acquired in August 2023) a bit impacted by Whirlpool lower sales in NA in 1Q24, but overall performing well and already delivering a 300/400bps improvement in EBITDA margin since the acquisition.
- **There is room to expand EBITDA margin going forward**, if volumes stay at these levels.
- **M&A**: no deals expected in 2024, because management focus will be on integration of Mansfield (e.g. new investment to improve productivity) and PGA (e.g. production of boards for induction was insourced to PGA).
- **CAPEX**: € 2.7mn in 1Q, with € 14-15mn planned for 2024 (€ 15mn exp.)

Overall, **the tone of the call was very supportive**, with 2Q expected to accelerate vs. 1Q (we had flat performance) and message on orders just qualitative but very reassuring.

KEY INDUSTRY PLAYERS STILL PRUDENT ON MARKER RECOVERY

Key listed industry players **Whirlpool and Electrolux reported quite weak numbers for 1Q24**, with sales down due to lower volumes and negative price/mix **but reaffirmed the FY24 market outlook of stability in industry shipments in the main geographical areas.**



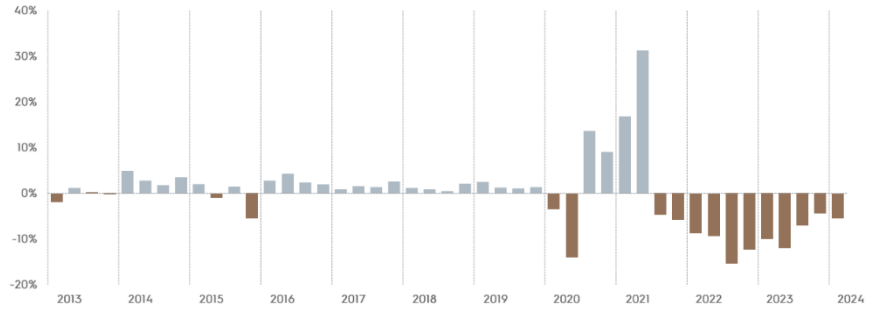
Arçelik highlighted a sequential decrease of market contraction in WE (with some markets like Spain and the UK showing first signs of rebound), while EE has continued to grow both in unit terms and value.



The following chart shows industry shipments in Europe and US over the last 10 years. It is striking to see **Europe entering the 12th consecutive quarter of declining market demand**, an element supporting some market recovery as of 2H24, also due to a likely more favourable trend in interest rates.

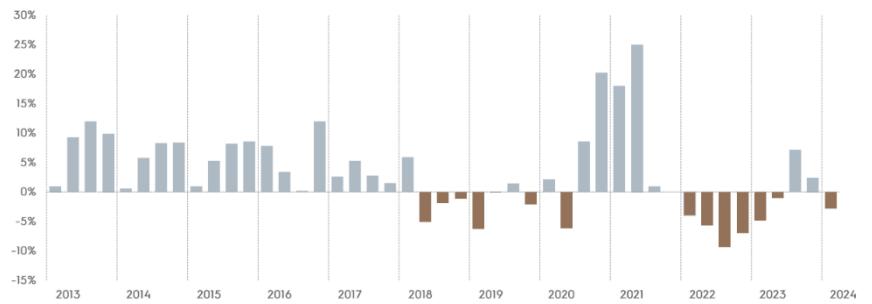
QUARTERLY INDUSTRY SHIPMENTS IN EUROPE AND NORTH AMERICA

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



Source: Electrolux estimates. As from Q1 2020, Russia is excluded

U.S. shipments, quarterly unit comparison y-o-y



*Source: Based on the AHAM Factory Shipment Report. Q1 2024 is a comparison of weeks between January 1 - March 30, 2024, vs January 1 - April 1, 2023. Core appliances include AHAM 6 Washers, Dryers, Dishwashers, Refrigerators, Freezers, Stoves, and Ovens and Cooktops. AHAM data may be subject to revision.

Source: Electrolux 1Q24 presentation

ESTIMATES UNCHANGED BUT NOW OFFERING MUCH STRONGER VISIBILITY

The indication on sequential growth in sales in 2Q (well supported by order backlog) and the **growing contribution of strategic initiatives** (starting from Mexico, already in ramp-up phase) is providing **strong support to our FY24 projections**. However, we prefer to wait for another quarter of solid execution before revisiting our assumptions, given the still uncertain macro context and prudent start to the year for **key industry players, not projecting any market rebound in FY24**.

For these reasons, we do not apply meaningful changes to our FY estimates, which are implying +8.6% organic sales (+7.2% in 1Q) and +230bps margin expansion (+300bps in 1Q).

	CHANGE IN ESTIMATES (€ mn)					
	2024E Exp.	2024E Act.	2025E Prev.	2025E Curr.	2026E Prev.	2026E Curr.
Revenues	273.8	273.9	291.2	291.4	303.5	303.7
% chg		0.0%		0.1%		0.1%
Abs chg		0.1		0.2		0.2
Adj. EBITDA	44.1	44.1	51.5	51.5	54.9	54.9
% chg		0.0%		0.1%		0.1%
Abs chg		0.0		0.0		0.1
Adj. EBIT	22.9	22.9	29.7	29.7	32.4	32.5
% chg		0.1%		0.1%		0.2%
Abs chg		0.0		0.0		0.1
Adj. Net income	14.5	14.5	18.5	18.5	20.7	20.7
% chg		0.1%		0.2%		0.2%
Abs chg		0.0		0.0		0.0
Net income	14.5	14.5	18.5	18.5	20.7	20.7
% chg		0.1%		0.2%		0.2%
Abs chg		0.0		0.0		0.0
Adj. EPS (€ cents)	116	116	149	149	166	167
% chg		0.1%		0.2%		0.2%
Abs chg		0.1		0.2		0.3
NFP	-63.9	-63.6	-52.9	-52.5	-36.6	-36.2
% chg		-0.6%		-0.7%		-1.0%
Abs chg		0.4		0.4		0.4
FCF	16.0	16.4	17.9	17.9	23.3	23.3
% chg		2.3%		-0.1%		0.0%
Abs chg		0.4		0.0		0.0
CAPEX	15.1	15.1	16.0	16.0	16.7	16.7
% chg		0.0%		0.1%		0.1%
Abs chg		0.0		0.0		0.0
DPS (€)	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

VALUATION CONFIRMED

We confirm our BUY rating with a target of €22, based on 11x EV/EBIT 2025 discounted to 12M from today. The stock trades at 13-9.8x EV/EBIT and 16-13x Adj. PE 2024-25, multiples compressed in what we expected to be the initial phase of cyclical recovery of the business and given the good prospects for organic growth, also driven by company-specific elements (Mexico, India, Induction, Mansfield/PGA integration).

PE MULTIPLE VALUATION		TARGET PRICE SENSITIVITY			
(A) 2025E multiple	13 x	(A) 2025E multiple	11 x	13 x	15 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
(D)=(A)x((B)+(C)) Stock value (€)	21	(D)=(A)x((B)+(C)) Stock value (€)	17	21	24
(E) Dividends to be cashed-in (€)	1.1	(E) Dividends to be cashed-in (€)	1.1	1.1	1.1
(F) = (C)+(D) Total stock value (€ PS)	22	(F) = (C)+(D) Total stock value (€ PS)	19	22	25
(G) Discount (1+Ke)	1.06	(G) Discount (1+Ke)	1.06	1.06	1.06
(H)=(F)/(G) Target (€ PS)	20	(H)=(F)/(G) Target (€ PS)	18	20	23

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
(D)=(A)x((B)+(C)) EV	336	(D)=(A)x((B)+(C)) EV	275	336	397
(D) NFP 2025E	-53	(D) NFP 2025E	-53	-53	-53
(E) minorities	-4	(E) minorities	-4	-4	-4
(F) Dividends to be cashed-in	14	(F) Dividends to be cashed-in	14	14	14
(G) = (C)+(D)+(E)+(F) Total stock value	292	(G) = (C)+(D)+(E)+(F) Total stock value	231	292	353
(H) Discount (1+Ke)	1.06	(H) Discount (1+Ke)	1.06	1.06	1.06
(I)=(G)/(H) Target (€ PS)	275	(I)=(G)/(H) Target (€ PS)	218	275	333
(L) shares (mn)	12.4	(L) shares (mn)	12.4	12.4	12.4
(M)=(I)/(L) Target (€ PS)	22	(M)=(I)/(L) Target (€ PS)	18	22	27

Source: Equita SIM estimates

The DCF-based valuation leads to a target of € 25PS, based on a WACC of 8.7% and perpetual growth of 2.5%.

			DCF (€ mn)					
Assumptions			2024E	2025E	2026E	2027E	2028E	Perpetuity
G	2.5%	Sales	274	291	304	313	322	330
WACC	8.8%	Change %	15.1%	6.4%	4.2%	3.0%	3.0%	2.5%
		EBITDA	44	52	55	57	59	59
		Change %	33.4%	16.8%	6.6%	4.1%	3.0%	0.9%
		Margin	16.1	17.7	18.1	18.3	18.3	18.0
		D&A	-21.2	-21.8	-21.3	-20.3	-20.9	-21.5
		EBIT	23	30	32	37	38	38
		Change %	31.0%	29.6%	9.3%	13.5%	3.0%	3.1%
		Margin	8.3	8.4	10.2	10.7	11.8	11.8
		Taxes	-6	-8	-9	-10	-10	-10
		EBIT after Tax	17	22	24	27	28	28
		Change %	31.0%	29.6%	9.3%	13.5%	3.0%	3.1%
		Capex/acquisitions	-15	-16	-17	-20	-21	-21
		(increase) decrease in NWC	-6	-8	-4	-3	-3	-3
		Free Cash Flow before minorities	17	20	24	24	24	25
		Free Cash Flow	17	20	24	24	24	25
		Discount Factor	1.0	1.1	1.1	1.2	1.4	1.4
		PV of FCF	18	19	21	19	18	18
		Valuation (€ mn)						
		NPV of FCF (2024-28)	94					
		NPV of Terminal Value	293					
		Estimated Enterprise Value	387					
		2023E NFP	-73					
		Adjustment to NFP	0					
		SAB IM Equity	314					
		Minorities & Peripheral	-4					
		Total Equity	310					
		Adj. # of shares (mn)	12.4					
		Target Price (€ PS)	25					

Source: Equita SIM estimates and company data

DCF SENSITIVITY ANALYSIS (€ PS)

		Perpetual growth G		
		1.5%	2.5%	3.5%
WACC	8.3%	24	27	32
	8.8%	22	25	28
	9.3%	21	23	25

Source: Equita SIM estimates

SABAF VALUATION

	Weight	Target multiple	Valuation (€ PS)
PE multiple valuation	33%	13x	22
EV/EBIT valuation	33%	11x	20
DCF valuation	33%	n.m.	25
Target price			22

Source: Equita SIM estimates

A confirmation of favourable momentum could support higher multiples over the next few quarters, considering that SAB historical 1-year forward Adj. PE has been more in the 14-18x range at the bottom/initial part of recovery cycle.

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
SALES Rep	263	253	238	274	291	304
Growth	42.4%	-3.9%	-6.0%	15.1%	6.4%	4.2%
EBITDA Rep	54.1	40.1	29.6	44.1	51.5	54.9
Growth	45.9%	-25.9%	-26.2%	49.0%	16.8%	6.6%
Margin	20.6%	15.8%	12.4%	16.1%	17.7%	18.1%
D&A	-16.6	-18.2	-18.5	-21.2	-21.8	-22.5
EBIT Rep	37.5	21.9	11.1	22.9	29.7	32.5
Growth	86.7%	-41.6%	-49.5%	107.2%	29.6%	9.3%
Margin	14.2%	8.6%	4.6%	8.4%	10.2%	10.7%
Net Interest Charges	-1.2	-1.8	-3.4	-3.4	-4.4	-4.1
Financial Expenses	-7.8	-9.7	-11.1	-3.4	-4.4	-4.1
Non Recurrings	0.0	0.0	0.0	0.0	0.0	0.0
PBT Rep	29.7	12.2	-0.1	19.6	25.3	28.3
Growth	104.6%	-58.9%	n.m.	n.m.	29.1%	12.1%
Income Taxes	-5.0	3.0	3.4	-5.1	-6.7	-7.6
Tax rate	16.8%	-24.9%	5643.3%	26.0%	26.6%	26.7%
Minority Interest	-0.8	0.0	-0.2	-1.0	-1.2	-1.2
Discontinued Operations	0.0	0.0	0.0	1.0	1.2	1.2
Net Income Rep	23.9	15.2	3.1	14.5	18.5	20.7
Growth	71.2%	-36.2%	-79.7%	366.6%	28.0%	11.9%
Margin	9.1%	6.0%	1.3%	5.3%	6.4%	6.8%
Net Income Adj	26.5	22.1	14.2	14.5	18.5	20.7
Growth	87.9%	-16.6%	-35.9%	2.3%	28.0%	11.9%
Margin	10.1%	8.7%	5.9%	5.3%	6.4%	6.8%
CF Statement	2021	2022	2023	2024E	2025E	2026E
FFO	41.6	33.5	23.4	36.6	41.5	44.4
Chg. in Working Capital	-18.3	-9.3	12.7	-5.2	-7.6	-4.4
Other chg. in OCF	0.0	0.0	0.0	0.0	0.0	0.0
NCF from Operations	23.2	24.2	36.1	31.4	33.9	40.0
CAPEX	-23.8	-20.9	-18.6	-15.1	-16.0	-16.7
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
NCF from Investments	-23.8	-30.6	-39.8	-15.1	-16.0	-16.7
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
CHG IN NFP	-11.3	-16.8	11.2	9.6	11.0	16.4

Source: Company data and Equita SIM estimates

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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%
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Date	Rec.	Target Price	Risk.	Comment
January 15, 2024	Buy	22.00	High	change in estimates/valuation
October 25, 2023	Buy	20.00	High	-
July 17, 2023	Buy	21.00	High	change in estimates/valuation
May 12, 2023	Hold	19.00	High	-

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HOLD	42.4%	32.9%
REDUCE	0.0%	0.0%
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