

VISTA ALEGRE ATLANTIS

Q3 results: solid recovery off a low base

- Solid, though weaker than expected Q3.** The YoY comparison base in Q3 is highly abnormal, with very high sales and low margins, as last year was distorted by very high gas prices. As a result, sales are down by 11%, reflecting lower private label sales offset by higher branded product sales, but despite this decline gross profit is up by 16% to €21m, with margin expanding by c.16pp to 69%, primarily on lower gas prices (roughly in line with our estimates). Opex increased by 11% YoY and came in higher than we expected (opex went up QoQ, whilst we were expecting a sequential decline due to Q3 seasonality), and although EBITDA increased by 32% to €4.8m (off a low base), it came in lower than our €6.3m estimate. The bottom line was more or less break-even (€0.5m vs. our €1.4m estimate), which compares to a €0.2m net loss last year.
- By business.** Porcelain and stoneware (including IKEA) sales both fell by 16% to €11m and €12m, respectively, driving the group sales decline and likely reflecting lower activity in private label (probably including price markdowns for some clients like IKEA), partly offset by higher branded business. Earthenware and Crystal (mostly own brands), on the other hand, were up by 7-8% (to c.€4m each), reflecting its ability to retain the price increases due to continued improvements in brand awareness.
- Stable net debt.** Net debt fell by just €1m QoQ to €70m (in line), equivalent to 2.3X L12M EBITDA. Net debt is also flat YTD, although we highlight that this has been achieved despite a significant increase in investment activity (9M capex at €12m vs. €4m last year) as the group is upgrading its manufacturing equipment (primarily a new kiln with better energy efficiency). At the same time, Vista Alegre has reduced gross debt by €11m YTD, allowing it to offset the rising interest rates and thus keeping financial costs stable (€1m per quarter).
- Fine-tuning estimates.** We are cutting our 2023 EBITDA estimates by 6% due to higher opex (especially personnel), but still expect a strong year with Vista Alegre retaining the record high €27.5m EBITDA it achieved last year (despite lower private label activity). In our view, Vista Alegre is managing the high-cost volatility of the past few quarters well and is doing a good job in terms of the product positioning of its own brand. As for private label, it is facing some cyclical challenges, but we would expect a turnaround going forward, with potential capacity expansions at IKEA bringing in an additional growth lever.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	16.0	22.7	27.5	27.6	30.7	32.9
Net profit (€m)	(2.5)	1.6	5.6	7.3	8.6	9.3
EPS (€)	(0.01)	0.01	0.03	0.04	0.05	0.06
Adj. EPS (*) (€)	(0.01)	0.01	0.03	0.04	0.05	0.06
P/E (x)	n.m.	97.4	26.1	18.0	15.4	14.3
P/E Adj. (x)	n.m.	97.4	26.1	18.0	15.4	14.3
EV/EBITDA (x)	15.9	9.8	7.3	6.8	5.8	5.1
Debt/EBITDA (x)	5.5	3.6	2.5	2.5	2.0	1.6
P/BV (x)	2.7	2.3	2.0	1.6	1.5	1.3
ROE (%)	(3.8)	2.4	7.5	9.0	9.5	9.3
DPS (€)	-	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-	-

(*) Historical multiples based on average share price of the year

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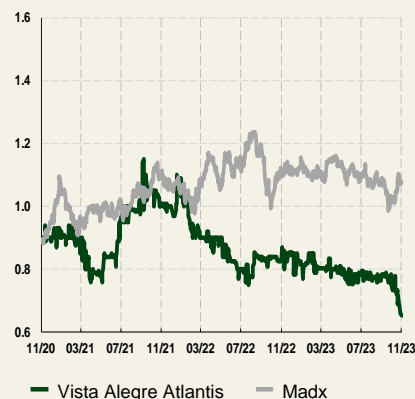
Share Price (*) €0.66

*Share price at the close of 13 November 2023

VAF.LS/ VAF PL

Market Cap	€ 111 m
Enterprise Value	€ 164 m
Free Float	€ 13 m
Nº Shares	168 m
Average Daily Volume	€ 2 k

Performance	1m	3m	12m
Absolute %	-13.2	-17.1	-22.0
Relative %	-18.5	-17.2	-20.1



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KEY DATA

P&L account (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E	Cash flow (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales	110.4	117.0	143.3	136.3	143.7	151.6	Net profit	(2.5)	1.6	5.6	7.3	8.6	9.3
CoGS	(40.0)	(37.2)	(54.3)	(40.9)	(42.4)	(44.0)	Depreciation	13.2	13.5	13.7	13.7	14.2	14.1
Gross profit	70.4	79.8	89.0	95.4	101.3	107.7	Minorities	0.0	-	-	-	-	-
Opex	(54.4)	(57.1)	(61.5)	(67.8)	(70.7)	(74.8)	Non-cash adjustments	(0.6)	(4.5)	(4.6)	(2.8)	(2.8)	(2.8)
EBITDA	16.0	22.7	27.5	27.6	30.7	32.9	Total cash-flow (CF)	10.1	10.6	14.7	18.3	20.0	20.6
D&A	(13.2)	(13.5)	(13.7)	(13.7)	(14.2)	(14.1)	Capex	(8.0)	(3.2)	(7.8)	(17.0)	(10.1)	(9.1)
Impairments & other	(0.4)	0.1	(2.5)	-	-	-	Working capital investment	0.3	(2.0)	2.2	(1.5)	(1.8)	(1.3)
EBIT	2.5	9.3	11.3	13.9	16.5	18.8	Operating FCF	2.4	5.5	9.2	(0.3)	8.2	10.2
Net financials	(4.7)	(5.8)	(4.9)	(4.6)	(5.6)	(7.0)	Financial investments	-	-	-	-	-	-
EBT	(2.2)	3.6	6.5	9.3	10.9	11.7	Disposals (acquisitions)	-	-	(0.5)	-	-	-
Income taxes	(0.3)	(2.0)	(0.9)	(2.0)	(2.3)	(2.5)	Rights issues	-	-	-	-	-	-
Minorities	(0.0)	-	-	-	-	-	Others	0.7	1.8	3.0	(0.1)	(0.1)	(0.1)
Net profit, reported	(2.5)	1.6	5.6	7.3	8.6	9.3	FCF before dividends	3.2	7.2	11.7	(0.4)	8.1	10.1
Adjustments	-	-	-	-	-	-	Dividends paid	-	-	-	-	-	-
Net profit adjusted	(2.5)	1.6	5.6	7.3	8.6	9.3	Free-cash-flow (FCF)	3.2	7.2	11.7	(0.4)	8.1	10.1
Nº of shares (m)	167.7	167.7	167.7	167.7	167.7	167.7	Share buybacks	-	-	-	-	-	-
Nº of shares adjusted (m)	167.7	167.7	167.7	167.7	167.7	167.7	FCF after buy backs	3.2	7.2	11.7	(0.4)	8.1	10.1
Treasury stock (m)	0.1	0.1	0.1	0.1	0.1	0.1	(*) FY19 others includes the impact of IFRS 16						
YoY Growth	FY20	FY21	FY22	FY23E	FY24E	FY25E	Balance sheet (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales	(8%)	6%	23%	(5%)	5%	5%	Shareholders equity	65.3	67.4	74.2	81.5	90.1	99.4
EBITDA	(37%)	42%	21%	0%	11%	7%	Minorities	1.1	1.1	1.4	1.4	1.4	1.4
EBIT	(83%)	280%	21%	23%	18%	14%	Provisions & others	16.8	19.6	22.5	17.5	17.5	17.5
Net profit	(135%)	(164%)	250%	31%	17%	8%	Net debt (cash)	88.3	81.0	69.4	69.8	61.7	51.6
Revenues by division	FY20	FY21	FY22	FY23E	FY24E	FY25E	Capital invested	171.5	169.2	167.4	170.2	170.7	169.9
Porcelain	27%	36%	35%	37%	37%	37%	Goodwill	4.7	4.7	4.7	4.7	4.7	4.7
Earthenware	7%	11%	11%	12%	13%	13%	Fixed assets	143.2	140.9	138.7	144.9	143.6	141.5
Stoneware	32%	43%	44%	39%	38%	37%	Investments & other assets	6.3	4.4	7.0	2.0	2.0	2.0
Riastone	23%	0%	0%	0%	0%	0%	Working capital	17.3	19.3	17.1	18.6	20.3	21.6
Crystal	11%	10%	11%	12%	12%	13%	Capital employed	171.5	169.2	167.4	170.2	170.7	169.9
EBIT by division	FY20	FY21	FY22	FY23E	FY24E	FY25E	Working capital/sales	15.7%	16.5%	11.9%	13.6%	14.1%	14.3%
Porcelain	(101%)	20%	15%	24%	26%	32%	Financial ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Earthenware	(14%)	16%	17%	16%	14%	13%	Net debt/EBITDA	5.5X	3.6X	2.5X	2.5X	2.0X	1.6X
Stoneware	64%	79%	70%	61%	60%	54%	Net debt adjusted(*)/EBITDA	5.5X	3.6X	2.5X	2.5X	2.0X	1.6X
Riastone	196%	0%	0%	0%	0%	0%	Gearing	133%	118%	92%	84%	67%	51%
Crystal	(38%)	(13%)	0%	0%	0%	1%	Interest cover	0.5X	1.6X	2.3X	3.0X	2.9X	2.7X
Other	(7%)	(2%)	(3%)	(1%)	(1%)	(1%)	(*) Adjusted by financial assets						
Per share data	FY20	FY21	FY22	FY23E	FY24E	FY25E	Margins & ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EPS	(0.01)	0.01	0.03	0.04	0.05	0.06	Gross margin	63.8%	68.2%	62.1%	70.0%	70.5%	71.0%
EPS adjusted	(0.01)	0.01	0.03	0.04	0.05	0.06	EBITDA margin	14.5%	19.4%	19.2%	20.3%	21.3%	21.7%
CFPS	0.06	0.06	0.09	0.11	0.12	0.12	Effective tax rate	(11.7%)	55.2%	13.7%	21.0%	21.0%	21.0%
FCFPS	0.01	0.03	0.05	(0.00)	0.05	0.06	Pay-out	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BVPS	0.39	0.40	0.44	0.49	0.54	0.59	ROCE (EBIT/CE)	1.4%	5.5%	6.8%	8.2%	9.6%	11.0%
DPS	0.00	0.00	0.00	0.00	0.00	0.00	ROE	(4%)	2%	8%	9%	10%	9%

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