

## Bialetti Industriale (BIA.IM)

Sector: Industrial / house wares and PED goods / beverages

FY2015: growing revenues and operating margin

May 3<sup>rd</sup>, 2016

### Investment view

- Bialetti Industrie is a leading Italian manufacturer and a major operator in worldwide market for cooking tools, coffeemakers and small appliances. Bialetti Industrie represents to their customers' high quality, safety, unique and creative design and certainly innovation, widely regarded as "Made in Italy". Operates with its own manufacturing plants in Italy (Coccaglio), in Turkey and in Romania.
- On April 26, 2016 Bialetti Industrie has signed with the company Trevidea Srl - having fulfilled the conditions precedent relating to the cancellation of the lien on the trademark - the trademark transfer agreement concerning the "Girmi" sign and a patent.

### Latest results

- At December 31<sup>st</sup> 2015, Bialetti's turnover increased 6.9% yoy, at 172.4M€ vs. 161.2M€ in FY2014 driven by the Houseware division which grew 12.7% yoy pulled by Girmi PED products. The Houseware division represents 50.7% of total turnover. In 2015 more than 40 monobrand new stores were opened. Moka & Coffeemaker revenues amounted to 84.9M€ representing 49.3% of the total.
- The initiatives aimed at containing operating costs and increase profitability of the products, in addition to development policy in the retail field, have allowed the considerable improvement in the Group profitability. Ebitda increased approx. 12% to 21.5M€. Even the Ebit grew double digit (+16.1% yoy) and it is equal to 14.4M€.
- The net result, despite being negatively affected by exchange rate differences of 1,5M€, showed a profit of 4M€, substantially in line with that of last year.
- The net financial position at December 31<sup>st</sup> 2015 was negative (debt) for 81.5M€, after net capex equal to 2.9M€ for the opening of new flagship stores.

### Valuation

- The chances of success of Bialetti are growing in line with its capability to meet the strategic plan 2013 – 2017 presented to the financial institutions which aims to open 200 direct stores within 2017 in Italy, at December 2015 they were 130.
- In light of FY2015 results and the capacity, thus far, to carry out the business plan, we substantially confirm our valuation; the model returns a fair value of 0.70€.

### Risks

- Bialetti is going through a critical corporate restructuring, the failure to meet targets could jeopardize business continuity.
- Bialetti's end markets has heavily suffered from the economic slowdown which lead to a decreasing demand and a strong reduction of the consumption level.
- The markets in which the Group operates are highly competitive. The success of the Group's activities depends on its ability to maintain and increase the market share in Italy and / or expand into international markets.

Forecast	15A	16E	17E	18E
Sales (€M)	175.2	183.0	190.8	197.6
EBITDA (€M)	21.5	21.0	22.2	23.2
EPS (€)	0.04	0.04	0.05	0.06
Valuation	15A	16E	17E	18E
Share Price	0.48	0.30	0.77	0.86
EV/EBITDA	6.2	5.5	7.5	7.5
P/E	12.9	7.3	15.6	15.3
Dividend yield	0.0%	1.2%	0.5%	0.6%

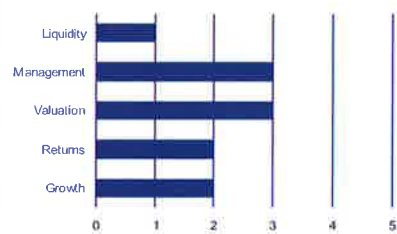
### Key Data

Price (€)	0.30
Market cap (€M)	32.7
Equity Value (€M)	52.5
<b>Fair Value (M)</b>	<b>0.70</b>

P/E LTM 12.8

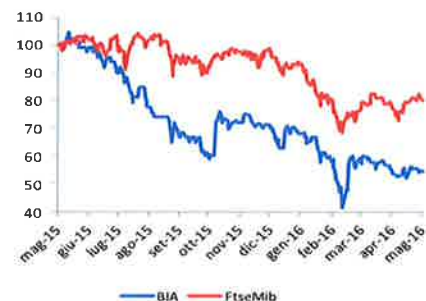
P/E TTM 10.7

### Investment Profile from 1 worst to 5 best



### Stock data

Ticker Bloomberg	BIA.IM
N° of shares (M)	108.1 M
Free float	29.6%
Main shareholder	Bialetti Holding (64.7%)
Daily trading volume	214K shares



Share Price perf (%)	3M	6M	1Y
Absolute	-7.1%	-24.1%	-45.4%
Relative to FtseMib	-9.9%	-6.0%	-25.3%

Contact Mail:  
er@twiceresearch.it

## FINANCIALS

Income statement (€M)	15A	16E	17E	18E
<b>Total Revenues</b>	<b>175.2</b>	<b>183.0</b>	<b>190.8</b>	<b>197.6</b>
COGS	-73.4	-78.7	-82.1	-85.0
Gross Profit	101.8	104.3	108.8	112.6
<b>EBITDA</b>	<b>21.5</b>	<b>21.0</b>	<b>22.2</b>	<b>23.2</b>
Depreciation, Amortization	-7.1	-7.1	-7.1	-7.1
<b>EBIT</b>	<b>14.4</b>	<b>13.9</b>	<b>15.1</b>	<b>16.1</b>
Net Financial Results	-6.9	-4.8	-4.7	-4.7
Income tax	-2.8	-4.6	-5.0	-5.3
<b>Net result</b>	<b>4.0</b>	<b>4.5</b>	<b>5.4</b>	<b>6.1</b>
<b>EPS (€)</b>	<b>0.04</b>	<b>0.04</b>	<b>0.05</b>	<b>0.06</b>
<b>DPS (€)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>

Margin (%)	15A	16E	17E	18E
Gross Margin	58.1%	57.0%	57.0%	57.0%
EBITDA Margin	12.3%	11.5%	11.6%	11.7%
EBIT Margin	8.2%	7.6%	7.9%	8.1%
Net Margin	2.3%	2.5%	2.8%	3.1%

Growth (%)	15A	16E	17E	18E
Sales growth	6.5%	4.5%	4.3%	3.5%
EBITDA growth	38.1%	-2.6%	5.8%	4.6%
EBIT growth	16.1%	-3.9%	8.7%	6.7%
Net growth	-2.8%	12.3%	19.2%	12.7%

Cash Flow statement (€M)	15A	16E	17E	18E
Cash Flow	11.1	11.6	12.5	13.2
+/- Var. Working Capital	-1.9	-2.3	-3.6	-3.9
<b>Operating Cash Flow</b>	<b>9.2</b>	<b>9.3</b>	<b>8.9</b>	<b>9.2</b>
Op. Cash Flow / Sales	5.3%	5.1%	4.7%	4.7%
Capex	-10.4	-8.0	-8.3	-8.5
<b>FCF</b>	<b>-1.2</b>	<b>1.3</b>	<b>0.6</b>	<b>0.7</b>
FCF / Sales	-0.7%	0.7%	0.3%	0.4%

Stock data	15A	16E	17E	18E
Number of Shares (M)	108.1	108.1	108.1	108.1
Avg share price over LTM (€)	0.48	0.30	0.77	0.86
<b>Market cap (€M)</b>	<b>51.9</b>	<b>32.7</b>	<b>83.7</b>	<b>92.6</b>

Balance sheet (€M)	15A	16E	17E	18E
LONG LIVED ASSETS	42.2	43.1	44.2	45.6
WC	55.0	57.3	60.9	64.8
<b>CAPITAL EMPLOYED</b>	<b>97.2</b>	<b>100.3</b>	<b>105.1</b>	<b>110.4</b>
EQUITY	13.2	17.3	22.1	27.6
MINORITY INTEREST	0.0	0.0	0.0	0.0
PROVISIONS	1.3	1.3	1.3	1.3
PENSIONS (e.g. TFR)	3.1	3.1	3.1	3.1
NET DEBT	79.6	78.7	78.6	78.5
<b>CAPITAL INVESTED</b>	<b>97.2</b>	<b>100.3</b>	<b>105.1</b>	<b>110.4</b>

Ratios	15A	16E	17E	18E
<b>ROCE after tax</b>	<b>8.9%</b>	<b>8.3%</b>	<b>8.6%</b>	<b>8.7%</b>
ROE	30.4%	26.1%	24.3%	22.0%
<b>Capital Turnover</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>
<b>Net Debt / EBITDA</b>	<b>3.8</b>	<b>3.9</b>	<b>3.7</b>	<b>3.5</b>
Gearing	n.m.	n.m.	n.m.	n.m.
<b>WC / Sales</b>	<b>31.4%</b>	<b>31.3%</b>	<b>31.9%</b>	<b>0.0%</b>
Amortization / Sales	4.1%	3.9%	3.7%	3.6%
<b>Capex / Sales</b>	<b>5.9%</b>	<b>4.4%</b>	<b>4.3%</b>	<b>4.3%</b>
EPS growth	-32.6%	12.3%	19.2%	12.7%
<b>PEG</b>	<b>-39.6%</b>	<b>59.1%</b>	<b>81.3%</b>	<b>120.0%</b>

Valuation	15A	16E	17E	18E
<b>EV/Sales</b>	<b>0.77</b>	<b>0.63</b>	<b>0.87</b>	<b>0.88</b>
<b>EV/EBITDA</b>	<b>6.2</b>	<b>5.5</b>	<b>7.5</b>	<b>7.5</b>
EV/EBIT	9.3	8.3	11.0	10.8
<b>P/E</b>	<b>12.9</b>	<b>7.3</b>	<b>15.6</b>	<b>15.3</b>
P/B	3.93	1.90	3.79	3.36
<b>EV/CE</b>	<b>1.38</b>	<b>1.14</b>	<b>1.57</b>	<b>1.58</b>
P/FCF	n.m.	24.5	137.1	123.8
<b>FCF Yield</b>	<b>-2.2%</b>	<b>4.1%</b>	<b>0.7%</b>	<b>0.8%</b>
<b>Dividend yield</b>	<b>0.0%</b>	<b>1.2%</b>	<b>0.5%</b>	<b>0.6%</b>

Sources: Company data, Twice estimates