

EQUITY - SPAIN

Sector: Communications Equipment

 Closing price: EUR 0.10 (14 Jun 2023)
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Important news
 Independent Equity Research

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Business description

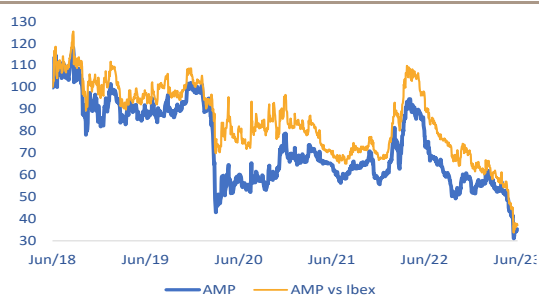
Amper (AMP) is a Spanish group that operates through three business lines: (i) energy and sustainability (offshore wind platform engineering, EPC for PV, and energy control; 77% o/revenue 2022), (ii) defense and security (16% o/revenue 2022) and (iii) telecom (roll-out of telecom networks and critical communications). Spain is its principal market (c. 80% o/revenue).

Market Data

Market Cap (Mn EUR and USD)	113.1	122.7
EV (Mn EUR and USD) ⁽²⁾	223.8	243.0
Shares Outstanding (Mn)	1,108.6	
-12m (Max/Med/Mín EUR)	0.23 / 0.16 / 0.09	
Daily Avg volume (-12m Mn EUR)	0.23	
Rotation ⁽³⁾	52.6	
Factset / Bloomberg	AMP-ES / AMP SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Zelenza	7.9
Martinavarro Dealbert	5.2
Free Float	87.0

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-19.2	-37.6	-54.7	-64.9
vs Ibex 35	-20.9	-39.4	-61.2	-62.9
vs Ibex Small Cap Index	-21.6	-33.9	-52.6	-64.9
vs Eurostoxx 50	-20.2	-40.4	-64.0	-71.7
vs Sector benchmark ⁽⁴⁾	-26.2	-44.4	-66.8	-76.0

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Technology.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

AMP announces rights issue of EUR 30Mn (at a 20% discount)

EUR 30Mn CAPITAL INCREASE. AMP has notified the Spanish National Securities Commission (CNMV) of plans to hold a cash rights issue with pre-emptive subscription rights for EUR 30Mn (25.9% of the company's market cap at the close of trading on Wednesday, 14 June) with a unit issue price of EUR 0.08/share (i.e., a 20% discount to yesterday's closing price), subject to shareholder approval at the General Meeting (called for 30 June 2023).

SUBSCRIPTION COMMITMENTS: The issue has initial commitments by core shareholders with seats on the Board of Directors to subscribe for 40% of the total amount.

A CAPITAL INCREASE THAT WILL STRENGTHEN AMP'S CAPITAL STRUCTURE (THE KEY IMPEDIMENT TO INVESTMENT AT PRESENT). In our view, AMP needs to raise capital to bolster its capital structure (as the business is working capital intensive) and undertake the investments envisaged in the new strategic plan. The plan calls for c. EUR 500Mn of investments including M&A (c. 40% of total investment, targeting primarily the defence & security and telecommunications businesses).

Moreover, any decrease in debt would be good news: AMP ended 2022 with net debt of EUR 69.2Mn (c. 60% of gross debt related to promissory notes, undermining its short-term flexibility). Considering the current interest rate environment and the company's margins, that level of indebtedness is the key impediment to investment. Assuming full subscription of the right issue, we estimate net debt 2023e would decrease to EUR 39Mn (c. -40%). This would bring down ND/recurring EBITDA 2023e post-increase of c. 3x (vs c. 5.5x pre-rights issue).

WHAT IS THE OUTLOOK FOR THE BUSINESS? AMP'S MARGINS SHOULD HAVE REACHED A TURNING POINT. In 2023e, we expect margins to remain under significant pressure and although visibility remains very low at present, there is still margin upside. Essentially, thanks to i) recovery in the energy and sustainability business, which has a significant industrial component (heavily penalised in 2022 by operating cost inflation the company couldn't pass through to sales prices), ii) cost structure rationalisation; and iii) operational gearing in the context of high revenue growth (c. 12% CAGR 2022-2025e). Our forecast EBIT trajectory reflects this upside: 1.3%, 2.4%, 4.4% and 6.9% in 2022, 2023e, 2024e and 2025e.

2023E EARNINGS WILL BE KEY TO REVEALING THE REAL SCOPE FOR MARGIN EXPANSION AND THE IMPACT ON GROWTH AND MULTIPLES. AMP shares corrected by c. 3% today and are down c. 40% over the past three months (now trading close to their lowest since 2015; since the first announcement was confirmed, the share has shed c. 17% suggesting the rights issue has, at least partially already been priced in). Our 2024e estimates, which factor in revenue growth and margin expansion (rec. EBITDA 24e of EUR 22.5Mn vs EUR 7.3 in 2022), implying 2024e EV/EBITDA and P/E multiples of 9.8x and 12.5x.

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	113.1	
+ Minority Interests	3.1	12m Results 2022
+ Provisions & Other L/T Liabilities	40.0	12m Results 2022
+ Net financial debt	69.2	12m Results 2022
- Financial Investments	1.5	12m Results 2022
+/- Others		
Enterprise Value (EV)	223.8	

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
15-Jun-2023	n.a.	0.102	n.a.	n.a.	Important news	David López Sánchez
12-Jun-2023	n.a.	0.100	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
02-Mar-2023	n.a.	0.163	n.a.	n.a.	12m Results 2022	David López Sánchez
15-Nov-2022	n.a.	0.175	n.a.	n.a.	9m Results 2022	David López Sánchez
01-Aug-2022	n.a.	0.197	n.a.	n.a.	6m Results 2022	David López Sánchez
02-May-2022	n.a.	0.261	n.a.	n.a.	3m Results 2022	David López Sánchez
25-Feb-2022	n.a.	0.208	n.a.	n.a.	12m Results 2021	David López Sánchez
24-Nov-2021	n.a.	0.188	n.a.	n.a.	9m Results 2021	David López Sánchez
24-Sep-2021	n.a.	0.187	n.a.	n.a.	6m Results 2021	David López Sánchez
30-Apr-2021	n.a.	0.202	n.a.	n.a.	3m Results 2021	David López Sánchez
18-Mar-2021	n.a.	0.209	n.a.	n.a.	Review of estimates	David López Sánchez
01-Mar-2021	n.a.	0.191	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	0.182	n.a.	n.a.	9m Results 2020	David López Sánchez
30-Jul-2020	n.a.	0.152	n.a.	n.a.	6m Results 2020	David López Sánchez
06-May-2020	n.a.	0.188	n.a.	n.a.	3m Results 2020	David López Sánchez
27-Feb-2020	n.a.	0.257	n.a.	n.a.	12m Results 2019	David López Sánchez
13-Nov-2019	n.a.	0.268	n.a.	n.a.	9m Results 2019	David López Sánchez
11-Sep-2019	n.a.	0.280	n.a.	n.a.	6m Results 2019	David López Sánchez
09-May-2019	n.a.	0.268	n.a.	n.a.	3m Results 2019	David López Sánchez
04-Apr-2019	n.a.	0.262	n.a.	n.a.	Initiation of Coverage	David López Sánchez

