

INDEL B

Sector: *Industrials*

OUTPERFORM

Price: Eu23.50 - Target: Eu31.00

Trimming Our Forecasts but Confirming Solid Cash Flow

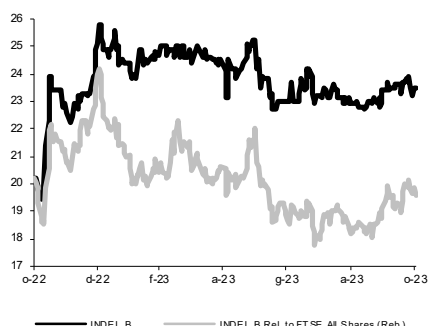
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 33.10 to 31.00		
	2023E	2024E	2025E
Chg in Adj EPS	-3.0%	-5.2%	-5.7%

Next Event: FY23 Results
Results Out: April 2024

INDEL B - 12M Performance



Stock Data

Reuters code:	INDB.MI		
Bloomberg code:	INDB IM		
Performance	1M	3M	12M
Absolute	0.4%	1.3%	16.3%
Relative	2.4%	8.1%	-3.7%
12M (H/L)	25.80/19.45		
3M Average Volume (th):	1.95		

Shareholder Data

No. of Ord shares (mn):	6
Total no. of shares (mn):	6
Mkt Cap Ord (Eu mn):	137
Total Mkt Cap (Eu mn):	137
Mkt Float - Ord (Eu mn):	43
Mkt Float (in %):	31.7%
Main Shareholder:	
AMP Fin Srl	68.3%

Balance Sheet Data

Book Value (Eu mn):	131
BVPS (Eu):	22.52
P/BV:	1.0
Net Financial Position (Eu mn):	-14
Enterprise Value (Eu mn):	151

■ **3Q23 revenues down 6% YoY.** On 27 October the group reported 3Q23 revenues of Eu51.2mn, down 6.3% YoY. Automotive segment revenues, 67% of the total, were flat, while Hospitality (7%) grew 7% YoY thanks to the positive trend in the Cruise sector. Other segments were down double digit; Leisure (11% of total revenues) fell 21%, Components (11%) dropped 11% and Cooling appliances (4%) plummeted 42%. The company underlines that, even for markets currently suffering from adverse macro trends (Leisure, Hospitality and Cooling Appliances), the medium and long-term outlook remains positive thanks in part to action the group is taking, which is aimed at developing markets.

■ **Factoring a more cautious outlook into our estimates...**in light of 3Q23 revenues and considering the weak macro picture, we are trimming our 2023-2024 revenue forecasts by 2.8% and 5.5% respectively. We now assume net revenues to be flat YoY in 2023 and up 1.9% in 2024. Revenues from the Automotive sector are expected up 6.5% this year and 3% in 2024, representing the main positive contributor, while revenues in the Leisure market, expected down 13% this year, should remain under pressure in 2024 (-4%) as the ongoing normalisation of the Marine market is not expected to reverse, after a number of record quarters. The cooling appliances segment, very weak this year (-25%), should recover partially in 2024 (+5%) thanks to the contribution of newly-acquired customers. As for the EBITDA margin, we are only making minor changes (-4bp in 2023, -34bp in 2024) as we believe the group can benefit from the effects of price hikes and cooling raw material costs, coupled with the flexibility of the organisation in reacting to less vigorous market momentum. All in all, we are implementing a small EPS reduction (-3.0% and -5.2% on 2023 and 2024 respectively).

■ **... but cash generation remains strong.** Net debt amounted to Eu20.7mn at the end of June 2023, down Eu7.8mn vs. YE22, thanks to receipt of the final instalment from the sale of the shareholding in Chinese company Guangdong Iceco (Eu6.5mn) and also to the net operating cash generated (Eu6mn), which more than offset the dividend payment (Eu4.5mn). We now expect net debt to reach Eu14mn by YE23, implying 2H23 net cash flow of Eu6.7mn, which will take operating FCF to Eu12mn in 2023. According to our estimates, Indel B should almost eliminate net debt by YE24. The stock is particularly attractive in terms of FCF yield, 8.6% in 2023 and 12.5% in 2024, according to our new estimates.

■ **OUTPERFORM; target from Eu33.1 to Eu31.0.** Our new target reflects a 50bp increase in the risk-free rate. We confirm our positive view on the stock, which has an attractive FCF yield and can navigate more volatile market momentum thanks to a diversified business, good operational flexibility, a strong corporate culture and a balance sheet with very limited leverage. At our target, the company would trade at 6.4x and 11.0x 2023 EV/EBITDA and P/E; Dometic is trading at 8.2x and 13.3x respectively.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	188	227	228	232	244
EBITDA Adj (Eu mn)	26	31	31	31	34
Net Profit Adj (Eu mn)	16	16	17	17	19
EPS New Adj (Eu)	2.705	2.790	2.830	2.911	3.208
EPS Old Adj (Eu)	2.705	2.790	2.919	3.071	3.402
DPS (Eu)	1.000	0.800	0.800	0.800	1.000
EV/EBITDA Adj	6.3	5.5	4.9	4.4	3.7
EV/EBIT Adj	8.1	7.5	6.2	5.8	4.9
P/E Adj	8.7	8.4	8.3	8.1	7.3
Div. Yield	4.3%	3.4%	3.4%	3.4%	4.3%
Net Debt/EBITDA Adj	0.5	0.9	0.5	0.1	-0.3