

INTERPUMP

Sector: Industrials

OUTPERFORM

Price: Eu42.86 - Target: Eu49.00

Hydraulics Recovery and Strong FCF Generation Expected in 3Q

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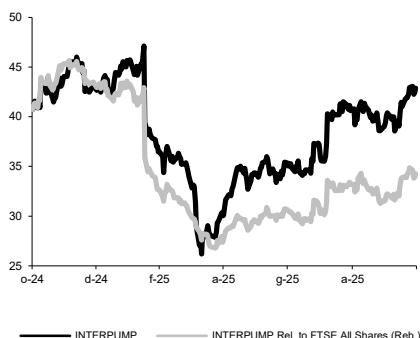
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 44.50 to 49.00		
	2025E	2026E	2027E
Chg in Adj EPS	1.5%	1.0%	0.7%

Next Event

3Q25 Results Out November 14th

INTERPUMP - 12M Performance



Stock Data

Reuters code:	ITPG.MI		
Bloomberg code:	IP IM		
Performance	1M	3M	12M
Absolute	10.0%	15.2%	5.3%
Relative	8.8%	11.4%	-19.8%
12M (H/L)	47.12/26.18		
3M Average Volume (th):	240.24		

Shareholder Data

No. of Ord shares (mn):	109
Total no. of shares (mn):	109
Mkt Cap Ord (Eu mn):	4,667
Total Mkt Cap (Eu mn):	4,667
Mkt Float - Ord (Eu mn):	3,509
Mkt Float (in %):	75.2%
Main Shareholder:	
IPG Holding	24.8%

Balance Sheet Data

Book Value (Eu mn):	2,195
BVPS (Eu):	20.26
P/BV:	2.1
Net Financial Position (Eu mn):	-347
Enterprise Value (Eu mn):	4,930

■ **Sequential improvement in Hydraulics and FCF acceleration expected:** while in 2Q it was the Water Jetting division that stole the show, in 3Q we believe the spotlight could fall on Hydraulics, which we expect to report close to flat organic growth, marking a significant improvement compared to -14.5% in 1Q and -7.0% in 2Q. We believe this rebound can be explained by the recovery in end markets that were the first to slow in 2023, namely Agriculture, Construction, and Earth Moving. As for the Water Jetting division, we expect a good quarter, even if not comparable with the astonishing 2Q, with organic growth forecast at +3.3%, slower than in previous quarters as the comparison base is getting tougher (3Q24 was already up +8.5% YoY). Overall, we forecast revenues of €495mn, up 0.7% YoY, driven by +1.0% organic growth, a +1.9% contribution from acquisitions, and a -2.6% negative ForEx effect. We believe the improvement in the organic top line trend at Hydraulics and the efficiency measures implemented by management in recent months should have led to a c.40bp YoY margin expansion, with group EBITDA expected at €114mn. Below EBITDA, higher D&A and a tax rate broadly in line with last year should have brought net profit to around €54mn, compared with €50mn last year. Finally, we expect net debt (ex-put options) to have decreased QoQ to €324mn, benefitting from an acceleration in FCF generation (€82mn), which in our view should have benefited from CapEx normalisation.

■ **Estimates fine-tuned upwards:** At the top-line we are currently keeping our organic estimates broadly unchanged, while slightly raising the contribution from M&A thanks to the recent acquisition of Tutto Hidraulicos. As for profitability, we are improving our EBITDA margin estimates, raising them above the company's guidance to 22.8% (vs. guidance of 22.0%-22.5%) as we expect a significant margin improvement in 4Q, driven by a further sequential improvement in the organic performance of Hydraulics and the absence of the negative one-off items that reduced the 4Q24 figure by approximately €7mn (inventory write-offs). This would also be consistent with comments made by Mr. Montipò in a recent interview, where he mentioned the possibility of outperforming consensus expectations in terms of profitability. As a result, we are raising our net profit estimates by 1.6% for 2025 and 1.1% for 2026. As a reminder, IP is targeting sales growth of between +1% and -5% in organic terms (+2% from scope effects), and an EBITDA margin between 22.0% and 22.5%. Regarding cash generation, the target is to consolidate the 2024 figure thanks to CapEx and NWC normalisation.

■ **OUTPERFORM; target €49.0:** we confirm our positive recommendation on the stock, raising our target price from €44.5 to €49.0 to reflect not only the upward revision in our estimates but also the new risk-free rate assumption in our models, lowered from 4.0% to 3.5%. Our recommendation is based on expectations of a continuation of the solid earnings momentum that started to materialise in 2Q, supported by results from several companies that have already reported and signalled a healthy recovery in orders across segments (e.g., Caterpillar in construction equipment, Bucher Industries in Agri and Construction). Furthermore, as financial leverage continues to decrease, the likelihood of an acceleration in M&A activity, which has always been a key pillar of the equity story, is increasing.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,240	2,078	2,067	2,172	2,273
EBITDA Adj (Eu mn)	537	457	472	503	534
Net Profit Adj (Eu mn)	274	227	224	252	280
EPS New Adj (Eu)	2.519	2.085	2.053	2.312	2.570
EPS Old Adj (Eu)	2.519	2.085	2.023	2.288	2.551
DPS (Eu)	0.320	0.340	0.340	0.360	0.380
EV/EBITDA Adj	10.5	11.0	10.5	9.4	8.5
EV/EBIT Adj	13.2	14.8	14.2	12.6	11.2
P/E Adj	17.0	20.6	20.9	18.5	16.7
Div. Yield	0.7%	0.8%	0.8%	0.8%	0.9%
Net Debt/EBITDA Adj	1.1	1.0	0.7	0.3	-0.1

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEIMIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	32.06%
OUTPERFORM:	38.93%
NEUTRAL:	28.25%
UNDERPERFORM:	00.76%
SELL:	00.00%

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BUY:	51.32%
OUTPERFORM:	30.26%
NEUTRAL:	17.10%
UNDERPERFORM:	01.32%
SELL:	00.00%

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