

# INTERCOS

Sector: Consumers

# OUTPERFORM

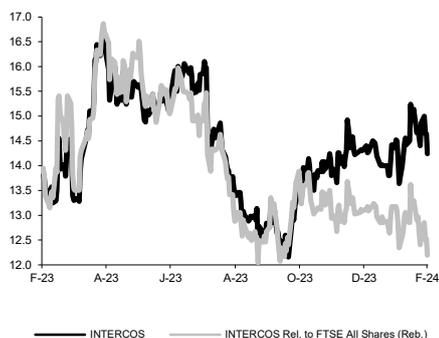
Price: Eu14.24 - Target: Eu17.50

## FY23 in Line. Growth and Mix Improvement Expected in 2024

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	1.7%	1.7%	

### INTERCOS - 12M Performance



Stock Data			
Reuters code:	ICOS.MI		
Bloomberg code:	ICOS IM		
Performance	1M	3M	12M
Absolute	-1.8%	3.2%	2.5%
Relative	-7.2%	-6.3%	-14.2%
12M (H/L)	16.62/12.16		
3M Average Volume (th):	76.62		

Shareholder Data	
No. of Ord shares (mn):	96
Total no. of shares (mn):	96
Mkt Cap Ord (Eu mn):	1,371
Total Mkt Cap (Eu mn):	1,371
Mkt Float - Ord (Eu mn):	532
Mkt Float (in %):	38.8%
Main Shareholder:	
Dario G. Ferrari	32.2%

Balance Sheet Data	
Book Value (Eu mn):	505
BVPS (Eu):	5.25
P/BV:	2.7
Net Financial Position (Eu mn):	-69
Enterprise Value (Eu mn):	1,440

- Robust results broadly in line with expectations.** Intercos yesterday released FY23 results which came in in line with our expectations and consensus across the P&L. Top-line reached Eu988.2m, +18.3% YoY or +20% at cFX confirming a solid (20%+) growth pace for the second year in a row (following +11% YoY in FY21). Growth was positive across all geographical areas, business units, and customer types with overall outperformance vs the core market pace. By BU: Make-up +9.5% YoY, Skincare +20.4% YoY and Hair&Body +47% YoY, with the remarkable growth achieved mainly thanks to new commercial agreements and to the expanding fragrances market; by geo, the main markets EMEA +25.9% YoY, Asia +18.7% YoY accelerated in 4Q23 (+19.7% YoY) thanks to good sales of local Chinese brands, Americas +7.4% YoY mitigated by the strong comp base (+34% YoY in FY22; By customer type: Emerging Brands as mentioned continued to grow significantly (+46.2% YoY), Retailers growth levels in line with the market (+6.5% YoY), Multinationals +4% YoY with positive growth despite de-stocking trends.
- Profitability perfectly aligned with expectations.** The business mix more skewed towards the Hair&Body segment was expected but despite this Intercos was able to maintain substantially flat adj. EBITDA margins in FY23 with adj. EBITDA at Eu137.5m (+13% YoY) and a margin on sales of 17.4% or just a 50bps dilution compared to last year. This was possible thanks to the step-up at the Hair&Body division (c.+200bps YoY) which offset the expected dilution in Make-up thanks to new commercial agreements signed and new production capacity.
- Positive outlook: sales outperforming the market and mix to improve.** Trends seen throughout 2023, and due mainly to the spike in Hair&Body volumes and to the general de-stocking of prestige brands, will normalize in 2024, particularly in the second part of the year. Management indicated that already visible tangible signs of reorders from prestige customers from Nov./Dec. through to today signal that inventory realignment phase is ending. **The market is expected to grow at +4%/+5% with 2H24 stronger vs. 1H and China contributing positively. Intercos pace is seen above +6%/+8%**, which is deemed reasonable in light of the strong performance for 2 years in a row. The cyber attack in the latest weeks will dent 1Q24 sales performance (seen down mid-single digit also vs. a very tough comp base; +34% YoY in 1Q23) but management expects to recoup the slowdown as early as 1H24.
- Estimates substantially unchanged.** We are updating our model with actuals while leaving our assumptions for 2024 onwards broadly unchanged.
- OUTPERFORM, TP Eu17.5 confirmed.** We particularly appreciate Intercos' profile, which is unparalleled in the industry, as well as its unique characteristics that should enable the company to continue to outperform core market volumes, and profitability growth thanks to the increasing expansion of outsourcing. Continuing R&D investments and an ability to innovate, along with greater geographical penetration (especially in APAC) and increasing presence and success in the fast-growing and profitable Hair & Body segment, are the key elements that will continue to make Intercos a particularly attractive story. The stock is currently trading at c.9x EV/adj. EBITDA 1YFW, which we believe represents an attractive valuation, even in light of the recent stock trend, and comparison vs. ingredient names trading at a remarkable premium not justified in full in our opinion. Upside potential remains intact in light of resilience and prospects.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	836	988	1,073	1,138	1,207
EBITDA Adj (Eu mn)	122	138	156	173	189
Net Profit Adj (Eu mn)	51	57	70	80	89
EPS New Adj (Eu)	0.533	0.587	0.729	0.827	0.928
EPS Old Adj (Eu)	0.508	0.571	0.717	0.813	
DPS (Eu)	0.000	0.177	0.172	0.217	0.247
EV/EBITDA Adj	10.5	10.7	9.2	8.1	7.2
EV/EBIT Adj	16.6	16.0	14.1	12.1	10.6
P/E Adj	26.7	24.3	19.5	17.2	15.3
Div. Yield	0.0%	1.2%	1.2%	1.5%	1.7%
Net Debt/EBITDA Adj	0.7	0.7	0.4	0.2	0.0

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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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 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.

Explanation of our ratings system:

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:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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