

INTERCOS

Sector: Consumers

OUTPERFORM

Price: Eu15.84 - Target: Eu19.00

We Expect Another Good Quarter, on Track for FY Targets

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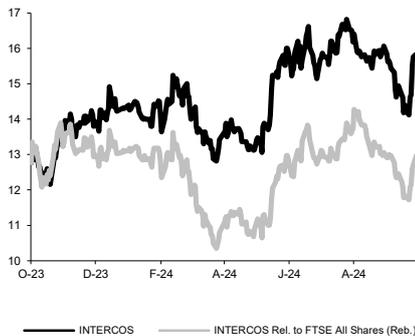
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

3Q24 Results Out on Nov-6

INTERCOS - 12M Performance



Stock Data

Reuters code:	ICOS.MI		
Bloomberg code:	ICOS IM		
Performance	1M	3M	12M
Absolute	-1.4%	4.6%	23.4%
Relative	-0.6%	1.9%	2.8%
12M (H/L)	16.82/12.16		
3M Average Volume (th):	90.48		

Shareholder Data

No. of Ord shares (mn):	96
Total no. of shares (mn):	96
Mkt Cap Ord (Eu mn):	1,525
Total Mkt Cap (Eu mn):	1,525
Mkt Float - Ord (Eu mn):	592
Mkt Float (in %):	38.8%
Main Shareholder:	
Dario G. Ferrari	32.2%

Balance Sheet Data

Book Value (Eu mn):	501
BVPS (Eu):	5.20
P/BV:	3.0
Net Financial Position (Eu mn):	-74
Enterprise Value (Eu mn):	1,599

■ **3Q24E to confirm positive trajectory.** Intercos will release key financial figures for 3Q24 on November, 6 at market close with the usual conference call for analysts and investors around 6pm. 3Q24E should have confirmed the positive trajectory shown in 2Q24 which was a record quarter and fully recovered the impacts on revenues in 1Q24 from the cyberattack. We expect revenues at Eu274m in 3Q24, up by +11.1% YoY, mainly thanks to the positive double-digit performances by Make-up (+12.2%), which resumed its full productivity, Skin care at +14.4% followed by Hair & Body at +6.3% YoY (off a strong comp base: 3Q23 +36.5% YoY). In 3Q24E, the performance should have been supported by continuous growth of Multinationals (+8.3% YoYE) and Emerging Brands (+21% YoYE) mainly in the key regions of EMEA (+17.4% YoYE) and Asia (+22.5% YoYE), which we believe continued its remarkable growth for Intercos. As explained by the company, the region is continuing to perform nicely for Intercos despite some weakness for the industry as Intercos is able to intercept growing demand for local brands increasingly establishing themselves in the area to the detriment of western brands.

■ **Profitability in line with sales growth.** At profitability level, we expect adj. EBITDA at Eu39.3m, with a margin on sales at 14.3% or a c.10/20bp expansion compared to last year after the big exploit of 2Q24 when the margin reached the all-time high of 15.5%. We think rolling production backlog from the cyber attack is resulting in a more normalized mix in 3Q24 but still richer vs. last year and definitely on track to meet FY targets. We expect a margin of 13.8% in FY24E, implying a 15.2% margin in 4Q24E, which we see as feasible in light of the acceleration in sales expected for the last quarter of the year.

■ **Company set to continue its growth path.** We believe that if confirmed this set of results will highlight once again the potential of the company to outperform market trends and its ability to benefit from increasing outsourcing demand and geographical exposure testified by the very resilient trends in the APAC region while the industry is struggling. We hosted the company's CEO at our recent flagship event "Le Eccellenze del Made in Italy" in Milan and we include the interesting feedback in this report.

■ **OUTPERFORM, target Eu19 confirmed.** We particularly appreciate Intercos' profile, which is unparalleled in the industry, as well as its unique characteristics that enable the company to continue to outperform core market volumes, and its 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 in the fast-growing and profitable Hair & Body segment, are the key elements that will continue to make Intercos a particularly attractive proposition. The stock still offers an appealing valuation in comparison to ingredient names, which are trading at a remarkable premium that we do not consider to be fully justified. Upside potential remains intact in light of the very robust prospects shown in the latest releases. We think 3Q will confirm the growth path for the top line and profitability, well on track to meet FY targets, which we note envisage revenues in the +10%/+13% range in 2H24, more than double underlying market growth.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	836	988	1,059	1,136	1,204
EBITDA Adj (Eu mn)	122	138	147	166	182
Net Profit Adj (Eu mn)	51	57	65	77	86
EPS New Adj (Eu)	0.533	0.587	0.680	0.796	0.895
EPS Old Adj (Eu)	0.533	0.587	0.680	0.796	0.895
DPS (Eu)	0.000	0.177	0.173	0.202	0.237
EV/EBITDA Adj	10.5	10.7	10.9	9.4	8.4
EV/EBIT Adj	16.6	16.0	16.7	14.0	12.3
P/E Adj	29.7	27.0	23.3	19.9	17.7
Div. Yield	0.0%	1.1%	1.1%	1.3%	1.5%
Net Debt/EBITDA Adj	0.7	0.7	0.5	0.3	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.

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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:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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