Milan, 04 August 2023

Italian Equity Research – 2Q23 Results

INTERCOS

OUTPERFORM

Sector: Consumers

Price: Eu15.98 - **Target: Eu18.00**

Record sales and profitability in 2Q23. Outlook confirmed

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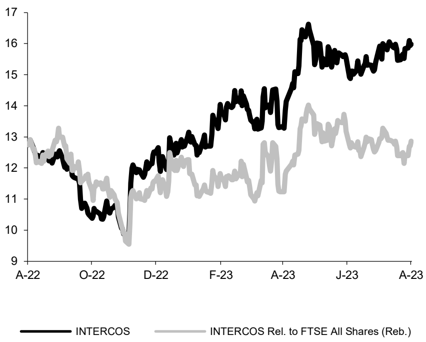
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-2.8%	-0.6%	-0.6%

INTERCOS - 12M Performance



Stock Data			
Reuters code:			ICOS.MI
Bloomberg code:			ICOS IM
Performance	**1M**	**3M**	**12M**
Absolute	3.5%	0.0%	24.5%
Relative	1.2%	-7.7%	-2.2%
12M (H/L)			16.62/9.82
3M Average Volume (th):			43.13

Shareholder Data	
No. of Ord shares (mn):	96
Total no. of shares (mn):	96
Mkt Cap Ord (Eu mn):	1,550
Total Mkt Cap (Eu mn):	1,550
Mkt Float - Ord (Eu mn):	601
Mkt Float (in %):	38.8%
Main Shareholder:	
Dario G. Ferrari	32.2%

Balance Sheet Data	
Book Value (Eu mn):	461
BVPS (Eu):	4.79
P/BV:	3.4
Net Financial Position (Eu mn):	-83
Enterprise Value (Eu mn):	1,633

- **Record quarter achieved.** The company is benefiting from very positive momentum of the beauty industry and we believe that rising demand for outsourced products is increasingly visible, a key element of the company's strategy and future growth. The company is achieving tremendous growth in the Hair & Body segment, benefiting from big new clients and the positive performance of existing ones. Higher incidence of this segment is slightly modifying the mix in terms of business units and clients, with slightly more Mass-than-Prestige clients and more full-service vs. free-issue resulting in moderate caution on margin evolution.
- **1H23 up +32.7% YoY, Adj. EBITDA +38.5%:** net sales for the semester came in at Eu488.4m, up +32.7% YoY and 3% ahead of our estimates with positive performance achieved across all geographical areas, business units and customer types (see figures below). Order intake trend continuing with management providing very constructive indications. Adj. EBITDA came in at Eu67.4m (+5% vs. Intermonte), up +38.5% YoY thanks to positive volume trends and improved productivity, resulting in a margin on sales at 13.8% from 13.2% last year. Excluding packaging costs, adj. EBITDA margin was at 17.2% vs. 15.9% last year.
- **Net profit up, PFN improving:** net income came in at Eu26.9m, +29.6% YoY, and NFP improved by Eu2.4m to Eu123m with NFP/EBITDA now at 0.87x vs. 1.18x in the same period last year. Management indicated that INTERCOS is not suffering from rising interest rates as the vast majority of senior debt was secured before increases.
- **Guidance confirmed.** Management confirmed previous indications for a 2023 characterized by a front-loaded performance. A consolidation of the very positive performance of the last 12 months is expected in 2H23: second part of the year expected to be in line with 2022 in terms of sales and profitability.
- **Estimates revision.** We remain confident on the very positive trajectory of the business YoY. We increase revenue trends while slightly trimming the profitability in light of higher incidence of Hair&Body, and the full-service model which has lower profitability. This results in a minor change to our EPS for 2023 and beyond.
- **OUTPERFORM, TP Eu18 (confirmed).** Our DCF valuation yields a target price of Eu18 per share, which implies c.13% of potential upside. The stock is currently trading at c.10x EV/Adj. EBITDA 1YFW, which we believe still represents an attractive valuation, even in light of the recent stock trend and comparison vs. ingredients names trading at a c.30% premium. Upside potential remains intact in light of current momentum and perspectives. We particularly appreciate Intercos' profile, which is unparalleled in the industry, as well as its unique characteristics that should enable the company to outperform reference market volumes and profitability growth thanks to the increasing expansion of outsourcing. Also, as has been the case in similar business sectors (e.g. ingredients), we think Intercos can play a leading role in the sector consolidation process, thus reinforcing its global leadership. Continuing R&D investments and an ability to innovate, along with greater geographical penetration with particular reference to APAC, and increasing presence and success in the fast-growing and profitable Hair & Body segment, represent the key elements that will continue to make Intercos a particularly attractive story.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	674	836	970	1,052	1,114
EBITDA Adj (Eu mn)	101	122	140	158	173
Net Profit Adj (Eu mn)	41	49	60	70	78
EPS New Adj (Eu)	0.427	0.508	0.629	0.727	0.810
EPS Old Adj (Eu)	0.427	0.508	0.647	0.731	0.815
DPS (Eu)	0.000	0.000	0.149	0.187	0.217
EV/EBITDA Adj	15.7	10.5	11.6	10.1	9.0
EV/EBIT Adj	26.0	16.6	18.1	15.4	13.6
P/E Adj	37.7	31.7	25.6	22.1	19.9
Div. Yield	0.0%	0.0%	0.9%	1.2%	1.3%
Net Debt/EBITDA Adj	1.3	0.7	0.6	0.3	0.1