

INTERCOS

Sector: Consumers

OUTPERFORM

Price: Eu13.96 - Target: Eu16.50

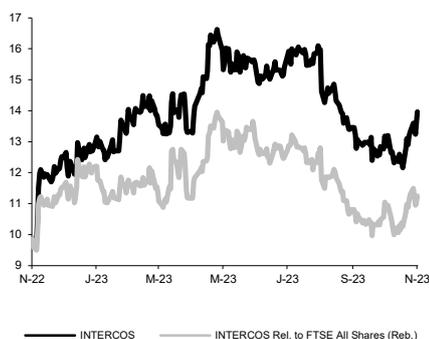
Another Solid Quarter. Positive Outlook

Francesco Brilli +39-02-77115.439
 francesco.brilli@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 18.00 to 16.50		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.2%	0.4%

INTERCOS - 12M Performance



Stock Data

Reuters code:	ICOS.MI		
Bloomberg code:	ICOS IM		
Performance	1M	3M	12M
Absolute	5.9%	-12.6%	41.4%
Relative	1.7%	-12.1%	17.3%
12M (H/L)	16.62/9.82		
3M Average Volume (th):	46.16		

Shareholder Data

No. of Ord shares (mn):	96
Total no. of shares (mn):	96
Mkt Cap Ord (Eu mn):	1,344
Total Mkt Cap (Eu mn):	1,344
Mkt Float - Ord (Eu mn):	521
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:	2.9
Net Financial Position (Eu mn):	-85
Enterprise Value (Eu mn):	1,429

- Revenues slightly ahead of expectations.** Intercos yesterday released the trading update for 3Q23 which came in slightly ahead of expectations. Revenues came in at Eu246.7m, up +7.7% YoY or +11.1% at constant FX (+4.5% vs. our estimates) despite the challenging comp base (+34.1% YoY in 3Q22 YoY). This was the result of the diversification of the Intercos business model, which saw Emerging Brands (+37% YoY for both prestige and mass segments, particularly in US and EMEA) and Retailers (+10% YoY) compensating for the contingent slowdown of prestige brands in make-up following the expected de-stocking in customers' inventories.
- Growth continued across geographies and BUs.** EMEA was the fastest growing region in the quarter, up +15% YoY, bringing 9M23 to +34% YoY with solid growth across BUs, types of customers, and market segments (mass and prestige). In particular, 3Q23 was supported by the good performance of Hair&Body and Skincare.
- Profitability in line with expectations.** Notwithstanding the well-known temporary change in mix following the de-stocking of multinationals in prestige make-up and the sharp increase of Hair&Body sales (lower margins), Intercos was able to post adj. EBITDA in line with expectations at Eu34.9m in 3Q23 with a margin on sales at 14.2% or -140bps YoY. For the 9M, adj. EBITDA was Eu102.3m, 13.9% on sales or just a 20bp dilution compared to last year.
- NFP under control, <1x EBITDA.** Net debt stood at Eu123.5m, almost in line with 1H23 with NFP/EBITDA at 0.89x.
- Positive outlook confirmed.** On the back of very solid visibility on order in-take, management indicated that 4Q23 will continue to grow single-digit YoY despite the strong comp base (4Q22 +27% YoY) with adj. EBITDA overall aligned to 4Q22 in absolute terms. This implies some upside on the top line vs. our current expectations and consensus and positive confirmation on current expectations for profitability (i.e. FY23 adj. EBITDA at c.Eu140m). Very constructive tone during the conference call for FY24 developments.
- Estimates revision.** We adjust top-line evolution for FY23 and onwards to reflect the better-than-expected actuals while leaving profitability substantially unchanged.
- OUTPERFORM confirmed, TP Eu16.5 (from Eu18).** As per the rest of our coverage, we update the risk-free rate to 4.5% now vs. 4% before. This, together with our change in estimates, brings our DCF valuation to a target price of Eu16.5 per share, which still implies c.20% 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 remarkable premium. Upside potential remains intact in light of current momentum and prospects. We particularly appreciate Intercos' profile, which is unparalleled in the industry, as well as its unique characteristics that should enable the company 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 with particular reference to 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.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	674	836	986	1,071	1,136
EBITDA Adj (Eu mn)	101	122	141	159	174
Net Profit Adj (Eu mn)	41	49	61	70	78
EPS New Adj (Eu)	0.427	0.508	0.629	0.728	0.813
EPS Old Adj (Eu)	0.427	0.508	0.629	0.727	0.810
DPS (Eu)	0.000	0.000	0.149	0.187	0.217
EV/EBITDA Adj	15.7	10.5	10.1	8.8	7.8
EV/EBIT Adj	26.0	16.6	15.9	13.5	11.8
P/E Adj	32.7	27.5	22.2	19.2	17.2
Div. Yield	0.0%	0.0%	1.1%	1.3%	1.6%
Net Debt/EBITDA Adj	1.3	0.7	0.6	0.3	0.1

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization. Please see important disclaimer on the last page of this report