

INTERCOS

Sector: Consumers

OUTPERFORM

Price: Eu13.84 - Target: Eu19.00

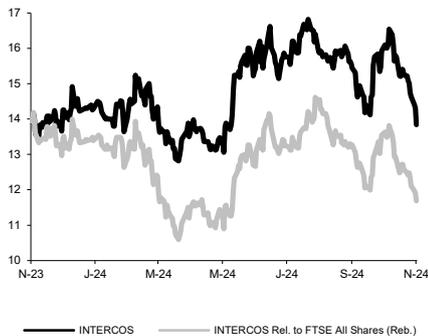
Delivering expectations: double-digit growth confirmed in 3Q

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-2.4%	0.1%	1.1%

INTERCOS - 12M Performance



Stock Data

 Reuters code: ICOS.MI
 Bloomberg code: ICOS IM

Performance	1M	3M	12M
Absolute	-13.1%	-12.7%	-0.7%
Relative	-13.9%	-21.2%	-19.0%
12M (H/L)	16.82/12.82		
3M Average Volume (th):	98.60		

Shareholder Data

No. of Ord shares (mn):	96
Total no. of shares (mn):	96
Mkt Cap Ord (Eu mn):	1,332
Total Mkt Cap (Eu mn):	1,332
Mkt Float - Ord (Eu mn):	517
Mkt Float (in %):	38.8%
Main Shareholder:	
Dario G. Ferrari	32.2%

Balance Sheet Data

Book Value (Eu mn):	499
BVPS (Eu):	5.19
P/BV:	2.7
Net Financial Position (Eu mn):	-75
Enterprise Value (Eu mn):	1,407

- Another solid quarter after record 2Q24.** Intercos released key 3Q24 financials that were broadly aligned to our estimates on both the top line and profitability. Net sales in the quarter came in at Eu275.2mn, up 11.6% YoY (+12% at cFX) with a remarkable positive double-digit performance by Make-Up (+14.6%), which resumed its full productivity and was back to growth after four quarters of negative performance in a row (due to the continued impact of de-stocking); Skin Care was +12.2% YoY and Hair&Body at +3.5% YoY off a strong base (+36.7% in 3Q23). By geography, the company posted an outstanding performance in Asia, up c.+30% YoY, continuing its very strong growth despite increasing concerns of western brands in the area and the market normalization. Order intake growth continues.
- Profitability slightly up YoY.** Adj. EBITDA came in at Eu39.2m, with the margin on sales at 14.3%, just c.10bp higher than last year after the big exploit of 2Q24 when the margin reached the all-time high of 15.5% and fully recovered the Eu9m hit in 1Q24 from the unusually strong demand from mainly prestige “full service” clients (packaging bought by Intercos), which are less profitable and dilutive (Intercos just asks clients to cover packaging costs). As commented by the CEO, this is something exceptional that will normalize in the coming months.
- Guidance confirmed, constructive indications.** The CEO confirmed that in 4Q24 it also expects sales growth in the range of +10% and +13%, thus validating the previous guidance. When asked on prospects for 2025, he stated that a high single-digit performance is reasonable, hinting at a continued solid overperformance vs. the core market. He pointed out that the mix effect experienced in 3Q24 will have a long tail in 4Q24, thus capping margin expansion.
- Estimates slightly revised to factor in mix and FX.** We are slightly revising the top line for the year and profitability to include the adverse FX impacts arising from the strong growth in the APAC region, and factoring in the higher incidence of Make-Up orders in full-service mode which should continue in the next quarter.
- OUTPERFORM, Eu19 target 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 at 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 has confirmed the growth path for the top line and profitability, well on track to meet FY targets, which we 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	1,056	1,132	1,201
EBITDA Adj (Eu mn)	122	138	143	164	181
Net Profit Adj (Eu mn)	51	57	64	77	87
EPS New Adj (Eu)	0.533	0.587	0.664	0.796	0.905
EPS Old Adj (Eu)	0.533	0.587	0.680	0.796	0.895
DPS (Eu)	0.000	0.177	0.173	0.197	0.237
EV/EBITDA Adj	10.5	10.7	9.8	8.4	7.4
EV/EBIT Adj	16.6	16.0	15.2	12.5	10.8
P/E Adj	26.0	23.6	20.8	17.4	15.3
Div. Yield	0.0%	1.3%	1.3%	1.4%	1.7%
Net Debt/EBITDA Adj	0.7	0.7	0.5	0.3	0.0

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INTERCOS – Beauty Industry Market Multiples

Company	Cncy	Price	Mkt. Cap (Eu mn)	Abs. Perf. (%)				EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)			Adj. PE (x)			Div. Yield (%)		
				1m	3m	6m	Ytd	'23	'24E	'25E	'23	'24E	'25E	'23	'24E	'25E	'23	'24E	'25E	'23	'24E	'25E
Intercos (@mkt price, our est.)	EUR	13.8	1,332	-13%	-13%	4%	-3%	1.4	1.3	1.2	10.4	9.8	8.4	15.6	15.2	12.5	23.6	20.8	17.4	1.2%	1.2%	1.4%
Intercos (@mkt price, cons.)	EUR	13.8	1,332	-13%	-13%	4%	-3%	1.5	1.3	1.2	10.4	9.5	8.3	15.6	14.3	12.3	24.8	21.6	17.7	1.4%	1.5%	1.8%
Intercos (@ TP, our est.)	EUR	19	1,829	-13%	-13%	4%	-3%	2.0	1.8	1.7	14.0	13.3	11.4	20.9	20.6	17.0	32.4	28.6	23.9	0.9%	0.9%	1.0%
IFF	USD	87.6	20,850	-13%	-9%	-1%	8%	2.8	2.7	2.6	16.0	14.3	12.8	38.4	28.5	24.2	26.2	20.6	18.9	3.6%	1.9%	1.8%
Symrise AG	EUR	106.7	14,914	-11%	-3%	5%	7%	3.6	3.4	3.1	19.1	16.4	14.8	28.4	23.4	20.6	37.5	30.7	27.3	1.0%	1.2%	1.3%
Givaudan SA	CHF	3917	38,483	-12%	-4%	-2%	12%	5.9	5.5	5.2	26.9	22.9	21.5	35.3	28.5	26.6	37.4	30.8	29.9	1.7%	1.9%	1.9%
Ingredients - Median								3.6	3.4	3.1	19.1	16.4	14.8	35.3	28.5	24.2	37.4	30.7	27.3	1.7%	1.9%	1.8%
COSMAX, Inc.	KRW	155,200	1,174	13%	16%	13%	23%	1.2	1.0	0.9	12.3	9.1	7.5	18.5	12.4	9.9	37.6	17.9	14.0	0.3%	0.4%	0.4%
KOLMAR KOREA CO. LTD	KRW	66,700	1,050	-1%	16%	39%	30%	1.1	0.9	0.9	10.7	7.5	6.7	17.5	10.5	8.9	51.2	13.1	9.7	0.9%	0.9%	1.0%
Interparfums	EUR	40	3,045	-8%	-14%	-7%	-13%	3.8	3.4	3.1	16.5	15.6	14.2	18.5	17.7	15.9	25.8	24.3	22.2	2.6%	2.9%	3.2%
Beauty ODMs - Median								1.2	1.0	0.9	12.3	9.1	7.5	18.5	12.4	9.9	37.6	17.9	14.0	0.9%	0.9%	1.0%
L'Oreal S.A.	EUR	338	180,437	-14%	-12%	-24%	-25%	4.5	4.2	4.0	19.1	17.9	16.6	22.8	21.2	19.6	27.8	27.5	25.4	1.9%	2.0%	2.2%
Estee Lauder Companies Inc.	USD	63	21,154	-34%	-32%	-51%	-57%	1.7	1.8	1.9	10.5	11.5	14.2	14.7	17.4	24.5	18.2	24.3	39.4	4.1%	4.2%	2.9%
Coty Inc. Class A	USD	7	6,005	-17%	-20%	-35%	-40%	1.9	1.6	1.5	10.8	9.1	8.3	14.2	11.6	10.4	14.1	20.0	13.4	1.2%	0.0%	0.0%
Shiseido Company, Limited	JPY	3,169	7,646	-18%	-30%	-27%	-27%	1.4	1.4	1.3	12.3	11.9	9.0	34.4	28.7	17.3	49.5	44.2	21.3	1.9%	1.9%	2.0%
Branded Beauty - Median								1.8	1.7	1.7	11.5	11.7	11.6	18.7	19.3	18.4	23.0	25.9	23.4	1.9%	2.0%	2.1%

Source: Intermonte SIM estimates, Factset

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	INTERCOS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	19.00	Previous Target (Eu):	19.00
Current Price (Eu):	13.84	Previous Price (Eu):	15.84
Date of report:	07/11/2024	Date of last report:	01/10/2024