

INTERCOS

Sector: Consumers

OUTPERFORM

Price: Eu13.06 - Target: Eu17.00

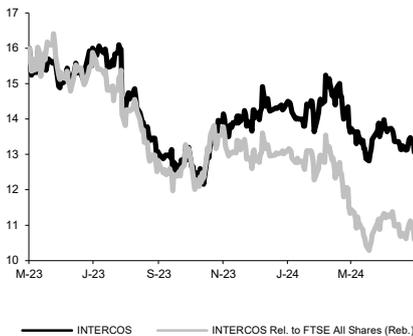
Cyber Attack Burdens 1Q (In Line). Buoyant Order Intake

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 17.50 to 17.00		
	2024E	2025E	2026E
Chg in Adj EPS	-6.7%	-4.8%	-4.6%

INTERCOS - 12M Performance



Stock Data

Reuters code:	ICOS.MI		
Bloomberg code:	ICOS IM		
Performance	1M	3M	12M
Absolute	-4.0%	-9.6%	-18.5%
Relative	-4.7%	-19.7%	-42.1%
12M (H/L)	16.10/12.16		
3M Average Volume (th):	85.08		

Shareholder Data

No. of Ord shares (mn):	96
Total no. of shares (mn):	96
Mkt Cap Ord (Eu mn):	1,257
Total Mkt Cap (Eu mn):	1,257
Mkt Float - Ord (Eu mn):	488
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:	2.5
Net Financial Position (Eu mn):	-74
Enterprise Value (Eu mn):	1,331

■ **1Q24 results in line, dented by the cyber attack.** Intercos released 1Q24 sales and EBITDA that were in line with consensus and our expectations. As anticipated, 1Q24 performance was heavily affected by the severe cyber attack in early February, which halted production facilities for several days, mainly the most complex ones i.e. those related to Make Up production. The situation has been well managed and completely resolved, with production now back up to full speed. Net sales came in at Eu221.1mn with 1Q24 slightly lower than last year (-5.8% or -4.8% at constant exchange rates). Excluding this event, sales would have increased on the previous year while this contraction of Eu13.5mn is expected to be recovered in 2Q24. Adj. EBITDA stood at Eu20.8mn due to inefficiencies and higher costs to manage production and transformation processes. The adj. EBITDA margin was 9.4% down c.-330bp. NFP was Eu102.7mn, broadly in line with the position at 31 December, 2023 (Eu100.2mn), a slightly increase on the NFP as at 31 March 2023 (Eu96.7mn). NFP on adjusted EBITDA over the last twelve months came in at 0.8x.

■ **Very solid underlying trends and encouraging outlook.** Despite the disruption due to the cyber attack, management confirmed guidance indicating FY24 growth in a range between +6% and +8%, meaning 9-month (Apr-Dec) growth in a range between c.+10% and c.+12% (or more than twice the expected market growth). This has been made possible thanks to very strong underlying trends confirmed by record order intake in both Jan-Feb and Mar-Apr. On top of this, management indicated that it is finally witnessing an end to de-stocking trends, with the volume mix for new orders now evenly split between prestige and non-prestige brands. On profitability, the vast majority of additional costs borne following the cyber attack (c.Eu8.1mn) are expected to be recovered by year-end (c. 77% of total extraordinary costs). Insurance indemnities are expected but will be treated as one-off positive items below EBITDA.

■ **Estimates revision.** We are factoring in some items affecting profitability that are not recoverable by year end, namely those related to production inefficiencies. We are also aligning our sales growth rate assumptions more closely to guidance, but still recognising the 2x outperformance of market growth from April to December.

■ **OUTPERFORM; target Eu17 (from Eu17.5).** We particularly appreciate Intercos's 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 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 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 at an attractive 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 this release. Target price trimmed to Eu17 on the back of our revised estimates.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	836	988	1,059	1,123	1,191
EBITDA Adj (Eu mn)	122	138	147	164	180
Net Profit Adj (Eu mn)	51	57	65	76	85
EPS New Adj (Eu)	0.533	0.587	0.680	0.787	0.885
EPS Old Adj (Eu)	0.533	0.587	0.729	0.827	0.928
DPS (Eu)	0.000	0.177	0.173	0.202	0.235
EV/EBITDA Adj	10.5	10.7	9.1	7.9	7.0
EV/EBIT Adj	16.6	16.0	13.9	11.8	10.3
P/E Adj	24.5	22.3	19.2	16.6	14.8
Div. Yield	0.0%	1.4%	1.3%	1.6%	1.8%
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.

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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:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 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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Emitente	%	Long/Short
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