

INTERCOS

Sector: Consumers

OUTPERFORM

Price: Eu14.42 - Target: Eu17.50

FY23E should confirm 9M trends in line with the guidance

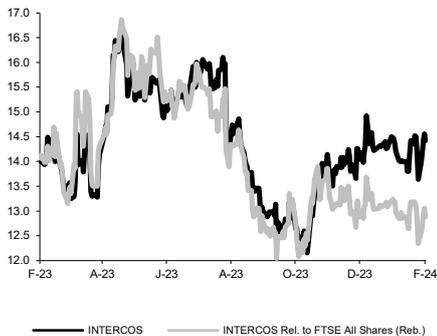
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 16.50 to 17.50		
	2023E	2024E	2025E
Chg in Adj EPS	-9.1%	-1.6%	0.0%

 Next Event FY23 Results
 Results Out 29 February

INTERCOS - 12M Performance



Stock Data

 Reuters code: ICOS.MI
 Bloomberg code: ICOS IM

Performance	1M	3M	12M
Absolute	-0.4%	3.0%	2.5%
Relative	-2.7%	-5.9%	-9.3%
12M (H/L)	16.62/12.16		
3M Average Volume (th):	48.72		

Shareholder Data

No. of Ord shares (mn):	96
Total no. of shares (mn):	96
Mkt Cap Ord (Eu mn):	1,388
Total Mkt Cap (Eu mn):	1,388
Mkt Float - Ord (Eu mn):	539
Mkt Float (in %):	38.8%
Main Shareholder:	
Dario G. Ferrari	32.2%

Balance Sheet Data

Book Value (Eu mn):	503
BVPS (Eu):	5.22
P/BV:	2.8
Net Financial Position (Eu mn):	-62
Enterprise Value (Eu mn):	1,450

■ **We see 4Q23/FY23 in line with the guidance provided.** On release of 9M23 results, on the back of good visibility on order intake, management indicated that 4Q23 would continue to grow single-digit YoY despite the strong comp base (4Q22 +27% YoY), with adj. EBITDA overall aligned to 4Q22 in absolute terms. At that time, we revised our estimates upward for the top line, leaving some upside potential on profitability at adj. EBITDA level. We assume that the mix imbalance towards the Hair&Body division continued throughout 4Q in line with 9M23, with consequent similar trends on profitability. We leave our revenue expectations unchanged, with FY23 top-line at Eu986.4m, up +18% YoY, implying 4Q23E revenue at Eu251.4m, +5.4% YoY. This would amount to a solid result in light of the strong growth achieved last year in the same quarter.

■ **Profitability contribution mix similar to 9M23 in 4Q23.** In light of the foregoing, namely a business mix more skewed towards the Hair&Body segment, we are adjusting our assumptions to now include a lower contribution from the Make-up division in 4Q. For this reason we now expect 4Q23 adj. EBITDA at Eu35.3m, resulting in adj. EBITDA for the year at Eu137.6m.

■ **Mix to increasingly improve throughout 2024 as expected.** We believe the trends seen throughout 2023, and due mainly to the spike in Hair&Body volumes (largely following the contract with D&G) and to the general de-stocking of prestige brands, will normalize in 2024, particularly in the second part of the year, even if this should already be visible starting with 2024 orders. The comp base easing quarter after quarter should also enable these dynamics. We also acknowledge that going forward, together with the normalization of market demand mix, D&G should increasingly internalize packaging, thus improving operating leverage of the contract.

■ **Adjusting 2023; what to expect from the guidance.** We are trimming our estimates on '23 as per the foregoing while we expect that alongside the release management will reiterate the positive indications on 2024 for high single-digit/low double-digit growth in 2024 (vs. market mid-single-digit) with profitability improving on last year.

■ **OUTPERFORM confirmed, TP Eu17.5 (from Eu16.5).** Along with the rest of our coverage, we update the risk-free rate to 4.0% vs. previous 4.5%. This, together with our change in estimates, takes our DCF valuation to a target price of Eu17.5 per share, which implies c.20% potential upside. The stock is currently trading at c.9x EV/adj. EBITDA 1YFW, which we believe still represents an attractive valuation, even in light of the recent stock trend, and comparison vs. ingredient names trading at a remarkable premium. Upside potential remains intact in light of resilience 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 (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.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	674	836	986	1,072	1,136
EBITDA Adj (Eu mn)	101	122	138	159	175
Net Profit Adj (Eu mn)	41	49	55	69	78
EPS New Adj (Eu)	0.427	0.508	0.571	0.717	0.813
EPS Old Adj (Eu)	0.427	0.508	0.629	0.728	0.813
DPS (Eu)	0.000	0.000	0.187	0.171	0.214
EV/EBITDA Adj	15.7	10.5	10.6	9.1	8.0
EV/EBIT Adj	26.0	16.6	17.1	14.2	12.2
P/E Adj	33.8	28.4	25.2	20.1	17.7
Div. Yield	0.0%	0.0%	1.3%	1.2%	1.5%
Net Debt/EBITDA Adj	1.3	0.7	0.7	0.4	0.1