

INTERCOS

Sector: Consumers

OUTPERFORM

Price: Eu15.24 - Target: Eu18.00

Strong Start to the Year and Visible Upside

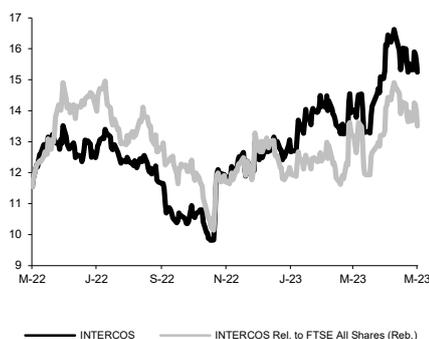
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 16.00 to 18.00		
	2023E	2024E	2025E
Chg in Adj EPS	10.1%	9.6%	9.5%

INTERCOS - 12M Performance



Stock Data

Reuters code:	ICOS.MI
Bloomberg code:	ICOS IM

Performance	1M	3M	12M
Absolute	-5.6%	7.9%	32.1%
Relative	-4.1%	8.9%	19.1%
12M (H/L)	16.62/9.82		
3M Average Volume (th):	104.14		

Shareholder Data

No. of Ord shares (mn):	96
Total no. of shares (mn):	96
Mkt Cap Ord (Eu mn):	1,467
Total Mkt Cap (Eu mn):	1,467
Mkt Float - Ord (Eu mn):	569
Mkt Float (in %):	38.8%
Main Shareholder:	
Dario G. Ferrari	32.2%

Balance Sheet Data

Book Value (Eu mn):	463
BVPS (Eu):	4.81
P/BV:	3.2
Net Financial Position (Eu mn):	-79
Enterprise Value (Eu mn):	1,546

■ We publish an update on Intercos following the strong start to the year which led management to increase their indications on FY23 outlook. The company is benefiting from very positive momentum of the beauty industry (despite some concerns arising recently around the sector) and we believe that rising demand for outsourced products is increasingly visible, a key element of the company's strategy and future growth. As testament to this, management mentioned the strong positive feedback received at the Cosmoprof fair (the biggest worldwide) where strong interest from big names not yet present in the beauty segment and interested in moving in that direction was more than evident.

■ **1Q23 trading update well ahead of expectations. Guidance raised.** The trading update for 1Q23 (revenues and EBITDA) showed much higher figures than expected, with 2023 top line guidance revised upwards. Revenues came in at Eu234.6mn, up 34% YoY, +17% above consensus and our estimate of Eu201mn thanks to excellent performance with US and European clients. Adj. EBITDA was up 56% YoY to Eu29.8mn, +12.5% above our Eu26.5mn estimate and progressing well thanks to lower energy cost volatility combined with better production scheduling. **Results allowed management to raise guidance on FY23 revenue growth to 12-14% from the previous indication of 8-11% provided with FY22 results.**

■ **Positive outlook:** on release of the results, the CEO confirmed that they continue to see strong end-consumer demand both in Europe and America, while the Chinese market has not yet returned to previous growth levels, although signs of recovery are clear. The supply chain has improved significantly vs. 2022, allowing for backlog reduction. Product lead times are normalizing to pre-pandemic levels in 2Q23.

■ **Change in estimates:** we update our model to incorporate the new outlook highlighted by the actuals and new indications. We expect an excellent trend in profitability even if we acknowledge that this will be partially mitigated by the supply agreement with D&G which will be slightly dilutive for the group, mainly due to the supply of packaging. **Our growth rate for 2022 is now at 14%, in line with the higher-end of guidance, while in terms of profitability we expect a +50bps accretion at EBITDA margin level, which after c.-20bps impact from D&G will result in a +30bps margin expansion.**

■ **OUTPERFORM confirmed, TP Eu18 (from Eu16).** Our DCF valuation yields a target price of Eu18 per share, which implies c.17% of potential upside. The stock is currently trading at c.11x EV/Adj. EBITDA 1YFW, which we believe still represents an attractive valuation, even in light of the recent stock re-rating 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's profile, which is unparalleled in the industry, as well as its unique characteristics that should allow 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 an increasing presence 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	955	1,037	1,099
EBITDA Adj (Eu mn)	101	122	142	158	173
Net Profit Adj (Eu mn)	41	49	62	70	78
EPS New Adj (Eu)	0.427	0.508	0.647	0.731	0.815
EPS Old Adj (Eu)	0.427	0.557	0.587	0.667	0.744
DPS (Eu)	0.000	0.000	0.149	0.193	0.218
EV/EBITDA Adj	15.7	10.5	10.9	9.6	8.5
EV/EBIT Adj	26.0	16.6	16.7	14.5	12.8
P/E Adj	35.7	30.0	23.6	20.8	18.7
Div. Yield	0.0%	0.0%	1.0%	1.3%	1.4%
Net Debt/EBITDA Adj	1.3	0.7	0.6	0.3	0.0