Intermonte

Milan, 04 May 2023

Italian Equity Research – 1Q23 Preview

INTERPUMP

OUTPERFORM

Sector: Industrials

Price: Eu50.68 - **Target: Eu58.00**

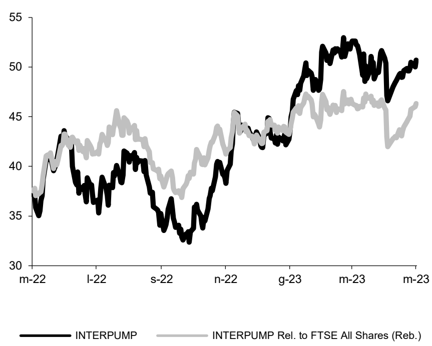
Continuation of Double-digit Organic Growth Expected in 1Q

Carlo Maritano +39-02-77115.358
carlo.maritano@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 57.00 to 58.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	2.2%	2.3%	1.9%

Next Event
Results Out May 15th

INTERPUMP - 12M Performance



Stock Data			
Reuters code:			ITPG.MI
Bloomberg code:			IP IM
Performance	**1M**	**3M**	**12M**
Absolute	-0.4%	-2.7%	35.0%
Relative	0.9%	-1.9%	25.6%
12M (H/L)			52.95/32.38
3M Average Volume (th):			179.58

Shareholder Data	
No. of Ord shares (mn):	109
Total no. of shares (mn):	109
Mkt Cap Ord (Eu mn):	5,518
Total Mkt Cap (Eu mn):	5,518
Mkt Float - Ord (Eu mn):	4,150
Mkt Float (in %):	75.2%
Main Shareholder:	
IPG Holding	24.8%

Balance Sheet Data	
Book Value (Eu mn):	1,803
BVPS (Eu):	16.67
P/BV:	3.0
Net Financial Position (Eu mn):	-399
Enterprise Value (Eu mn):	5,816

- **Strong 1Q results ahead:** we expect the company to report another very robust quarter, with double-digit organic growth at Group level (14% in Hydraulic and 10% in Water Jetting), combined with a slightly positive contribution from ForEx and scope, bringing turnover to Eu569mn, up 16.5% YoY. We forecast solid profitability as well, with EBITDA expected at Eu139mn and the margin increasing by 110bp to 24.5%, keeping in mind that last year's result was penalised by rising input costs, not entirely counteracted by price hikes, and by the initial integration of White Drive, which brought integration costs as well as lower margins compared to the rest of the Hydraulic division (a difference that should have reduced drastically during the year). Below the line, we expect higher financial charges, bringing net profit to Eu76mn, well above last year's Eu65mn. Finally, we would expect FCF generation of Eu35mn, more than offsetting the ~Eu9mn cash outlay for the acquisition of ISAS and bringing net debt (ex-put options) to Eu515mn.
- **New BoD brings governance improvements:** last Friday's shareholders' meeting appointed the new BoD. The main news was the separation of the Chairman and CEO roles, with the appointment of Fulvio Montipò as Executive Chairman, while Fabio Marasi is the new CEO. Moreover, a Sustainability Committee was set up. We believe the news is in line with the roadmap for improving governance outlined to the market in October last year at the presentation of the 2023-2025 ESG plan. We think these improvements will be welcomed by ESG ratings agencies and investors. We also welcome the appointment of Marasi as the new CEO in light of the experience built up within the Group (among other roles, as CEO of subsidiaries Walvoil and GS Hydro) and the appreciation of shareholders.
- **Resumption of M&A campaign:** recently, the company resumed its M&A campaign by finalising the acquisitions of ISAS (Eu12mn in revenues, Eu2mn in EBITDA) and I.Mec (Eu17mn in turnover, 23% EBITDA margin), which, although small in size, fit perfectly with the company's strategy, with the deals going through at particularly attractive multiples, in keeping with the group's track record (both~5x EV/EBITDA). As for the future, we would expect the company to pursue bigger deals as the White Drive acquisition has now been digested and the resumption of solid FCF generation should allow the company to invest more in external growth.
- **Estimates fine-tuned upwards:** in this report we are fine-tuning our estimates upwards, leaving organic growth expectations basically unchanged (+5% YoY), while including the contribution from the recent acquisitions and a slightly worse ForEx scenario. We are also improving our margins expectations, expecting a slight YoY expansion in 2023, vs. our previous forecast for a slight erosion.
- **OUTPERFORM reaffirmed; target from Eu57.0 to Eu58.0.** Despite the recent rally, we continue to appreciate IP as we believe the estimates trend will remain supportive in the short term, with possible upside coming from the M&A campaign, which we would expect to resume in 2023 after 2022 was more dedicated to the consolidation of past acquisitions. We are raising our target price to Eu58.0 as a result of higher operating estimates. At target, the stock would trade at 20x 2024 P/E and offer a ~5% FCF yield.

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	1,604	2,078	2,207	2,309	2,401
EBITDA Adj (Eu mn)	380	492	526	552	574
Net Profit Adj (Eu mn)	216	270	294	319	341
EPS New Adj (Eu)	1.987	2.478	2.704	2.928	3.128
EPS Old Adj (Eu)	1.987	2.478	2.646	2.863	3.071
DPS (Eu)	0.280	0.300	0.320	0.340	0.340
EV/EBITDA Adj	15.6	10.5	11.1	10.1	9.2
EV/EBIT Adj	20.0	13.5	13.7	12.3	11.2
P/E Adj	25.5	20.5	18.7	17.3	16.2
Div. Yield	0.6%	0.6%	0.6%	0.7%	0.7%
Net Debt/EBITDA Adj	1.5	1.2	0.8	0.3	-0.2