

INTERPUMP

Sector: Industrials

NEUTRAL

Price: Eu47.08 - Target: Eu51.50

Growth Slowdown Expected to Loom in 4Q

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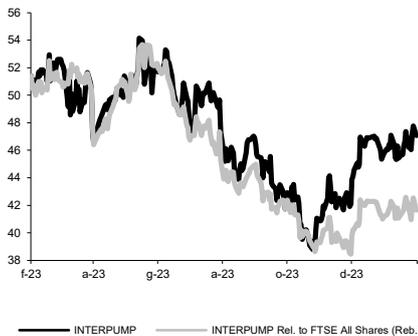
Stock Rating

Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-8.2%	-8.8%	-7.8%

Next Event

 Results Out February 14th

INTERPUMP - 12M Performance



Stock Data

Reuters code:	ITPG.MI		
Bloomberg code:	IP IM		
Performance	1M	3M	12M
Absolute	2.9%	14.6%	-9.6%
Relative	1.2%	6.4%	-22.9%
12M (H/L)	54.14/38.79		
3M Average Volume (th):	202.57		

Shareholder Data

No. of Ord shares (mn):	109
Total no. of shares (mn):	109
Mkt Cap Ord (Eu mn):	5,126
Total Mkt Cap (Eu mn):	5,126
Mkt Float - Ord (Eu mn):	3,855
Mkt Float (in %):	75.2%
Main Shareholder:	
IPG Holding	24.8%

Balance Sheet Data

Book Value (Eu mn):	2,048
BVPS (Eu):	18.92
P/BV:	2.5
Net Financial Position (Eu mn):	-239
Enterprise Value (Eu mn):	5,271

■ **Tough comparison base to take its toll.** We expect that the slowdown in growth seen starting especially from 3Q will have accentuated in 4Q, with the Hydraulics business expected to pay the price of a particularly difficult comparison base (+17.8% organic growth in 4Q22 after an already robust +13.3% in 4Q21), with a negative organic decline of 8.8%. By contrast, we expect Water Jetting to have continued to show greater resilience, with organic growth still positive at ~5%. Overall, we therefore expect turnover in 4Q of Eu520mn, down 2.5% YoY (-5% on an organic basis), thus leading to annual turnover of Eu2,240mn, up 6.4% on an organic basis, which compares with the indication of high single-digit organic growth for the year provided by management in previous releases.

■ **Margins expected down in 4Q.** Regarding margins, we expect a contraction at both divisions, with the decline at Hydraulics estimated at 2.7pp due to the organic decline and a worse mix, as the decline at Agriculture penalizes some high-margin subsidiaries such as Walvoil. The contraction at Water Jetting is estimated at 3.7pp, mainly due to a worse mix (more systems, which means lower margins) and the dilutive effect of recent acquisitions (especially Waikato). Overall, we therefore expect EBITDA of Eu110mn in 4Q, which should take the total for the year to Eu535.7mn, with the margin increasing by 0.2pp YoY (management had indicated the target of achieving historical record profitability in 2023, which will have been achieved if our estimate turns out to be correct).

■ **Healthy FCF expected.** We would see confirmation of an acceleration in cash generation as the positive side of the release, with expected FCF of Eu65mn, capable of taking net debt (ex-put options) to Eu458.3mn, down on Eu526mn as at end-September.

■ **EBITDA lowered by 5.8% on average.** We have revised our estimates to incorporate a slower exit speed from 2023 and a start to 2024 that still promises to be challenging for the Hydraulics business, which in 1Q24 will be faced with the +19.5% organic growth seen in 1Q23 and will be compared in 2Q24 with +8.6% organic growth. We therefore move our organic growth estimate for the Group into negative territory for 2024 (-1.6%) and then project a recovery starting from 2025 (+4.0% org.). The result of these changes is an average cut to EBITDA of 5.8% over the three-year period and 8.3% to EPS.

■ **DOWNGRADE from OUTPERFORM to NEUTRAL, TP still Eu51.5.** While we continue to believe that the company is high quality and well managed, we also think that upside revision to our own and consensus estimates is quite unlikely in the short term. Given the lack of upside to our TP (unchanged as the lower estimates are offset by a lower risk-free rate, down from 4.5% to 4.0%), we are therefore downgrading the stock to NEUTRAL. To return more constructive on the stock, in our view a reversal of earnings momentum or the return of large-scale acquisitions is necessary. We see the latter as representing the greatest risk to our recommendation in light of the significant cash generation expected in the coming years (average FCF yield of >Eu300mn) and limited net debt/EBITDA (1.0x at the end of 2023).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,604	2,078	2,240	2,234	2,324
EBITDA Adj (Eu mn)	380	492	536	533	558
Net Profit Adj (Eu mn)	216	270	280	294	320
EPS New Adj (Eu)	1.987	2.478	2.573	2.701	2.937
EPS Old Adj (Eu)	1.987	2.478	2.803	2.961	3.186
DPS (Eu)	0.280	0.300	0.320	0.340	0.340
EV/EBITDA Adj	15.6	10.6	10.5	9.9	8.9
EV/EBIT Adj	20.1	13.5	13.0	12.3	11.1
P/E Adj	23.7	19.0	18.3	17.4	16.0
Div. Yield	0.6%	0.6%	0.7%	0.7%	0.7%
Net Debt/EBITDA Adj	1.5	1.2	1.0	0.4	-0.1