Intermonte

Milan, 07 August 2023

Italian Equity Research – 2Q23 Results

INTERPUMP

OUTPERFORM

Sector: Industrials

Price: Eu47.32 - **Target: Eu59.50**

2023 Guidance Confirmed, Order Book Remains over Eu1bn

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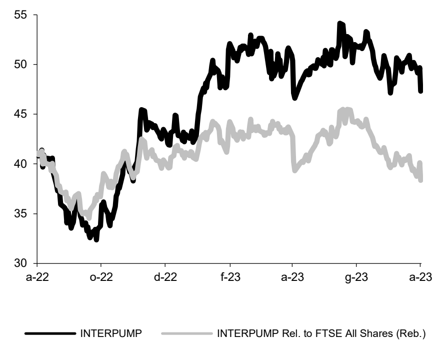
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.1%	-0.4%	-0.4%

INTERPUMP - 12M Performance



Stock Data			
Reuters code:			ITPG.MI
Bloomberg code:			IP IM
Performance	**1M**	**3M**	**12M**
Absolute	-4.6%	-5.1%	15.2%
Relative	-5.1%	-11.3%	-8.2%
12M (H/L)			54.14/32.38
3M Average Volume (th):			193.49

Shareholder Data	
No. of Ord shares (mn):	109
Total no. of shares (mn):	109
Mkt Cap Ord (Eu mn):	5,152
Total Mkt Cap (Eu mn):	5,152
Mkt Float - Ord (Eu mn):	3,874
Mkt Float (in %):	75.2%
Main Shareholder:	
IPG Holding	24.8%

Balance Sheet Data	
Book Value (Eu mn):	1,813
BVPS (Eu):	16.77
P/BV:	2.8
Net Financial Position (Eu mn):	-511
Enterprise Value (Eu mn):	5,562

- **No surprise from 2Q.** As expected, IP reported high single-digit organic growth at Group level (9.1%) which, combined with a 2.7% contribution from external growth and a -1.6% ForEx headwind, led to a top line of Eu592.2mn, up 10.2% YoY. Organic growth was quite balanced at the 2 divisions, with higher growth at Water Jetting (10.6% vs 8.6% at Hydraulics) thanks to its late cyclical nature. Profitability remained strong, with EBITDA at Eu145.7mn (bang in line with our estimate) and thus a 0.9pp YoY increase in the margin. By division, the EBITDA margin improved by 1.5pp at Hydraulics, akin to what was seen in 1Q, while at Water Jetting the margin contracted by 1.1pp as expected, mainly due to a different mix (more skewed towards complete systems) and dilution from recent M&A. Finally, higher financial charges but a lower tax rate took net profit to Eu81.5mn, 3.4% better than our estimate.
- **FCF generation starting to improve.** 2Q marked the return to more sizeable cash generation, with FCF improving to Eu30mn from Eu14mn in 1Q, despite significant CapEx in the quarter (Eu44mn), thanks to reduced cash absorption from NWC (only Eu9mn in 2Q) notwithstanding the sizeable increase in the top line. Due to the FCF generated and following the ~Eu44mn cash-out for M&A and the dividend payment of ~Eu30mn, the NFP was Eu578mn as at end-June (excluding put options), up from Eu534mn as at end-March.
- **Order intake stronger at Water Jetting.** The order book remains robust and above the Eu1bn threshold. Order intake in the most recent period amounts to a book-to-bill slightly lower than 1x and reflects two elements: on the one hand, the order intake at Hydraulics is normalizing, partly thanks to a normalization of the supply chain; on the other, order intake at Water Jetting remains very strong, with orders giving visibility not only on 2023, but also on the first part of 2024, expected still solid for the division.
- **Guidance reaffirmed, estimates only fine-tuned.** During the conference call, management clarified that the high single-digit organic growth guidance for 2023 was confirmed, supported by the solidity of the order book and first July data. Moreover, the company is targeting a new record in profitability, with a commitment to continue to improve cash generation too. Our estimates are little changed for the P&L: we have increased CapEx for 2023 based on management indications (seen close to Eu140mn) as a consequence of some expansion projects expected to be closed by year-end, while we have lowered investments for subsequent years, as only one major expansion project is planned at IPH.
- **Outperform confirmed, TP kept at Eu59.5.** Fears of an upcoming recession and the lack of an estimates upgrade may have hindered stock performance following the release, but we believe the massive amount of cash the company has shown it can generate when growth normalizes, as expected from 2H23, offers good protection in the event of economic downturn and raises the possibility of larger M&A deals, from which management has demonstrated it is able to extract considerable value. As the probability of larger M&A increases now that integration of White Drive is complete (final steps to be completed by the end of the summer), we believe any weakness in the stock may be a good entry point to gain exposure.

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	1,604	2,078	2,285	2,373	2,468
EBITDA Adj (Eu mn)	380	492	557	577	601
Net Profit Adj (Eu mn)	216	270	305	329	354
EPS New Adj (Eu)	1.987	2.478	2.799	3.023	3.248
EPS Old Adj (Eu)	1.987	2.478	2.796	3.034	3.260
DPS (Eu)	0.280	0.300	0.320	0.340	0.340
EV/EBITDA Adj	15.6	10.5	10.0	9.2	8.3
EV/EBIT Adj	20.0	13.5	12.2	11.1	10.0
P/E Adj	23.8	19.1	16.9	15.7	14.6
Div. Yield	0.6%	0.6%	0.7%	0.7%	0.7%
Net Debt/EBITDA Adj	1.5	1.2	0.9	0.4	-0.1