Milan, 08 August 2024

**Italian Equity Research – 2Q24 Results**

# INTERPUMP

## NEUTRAL

*Sector: Industrials*

Price: Eu36.88 - **Target: Eu43.00**

# Prompt Guidance Cut in 2Q, Still Not Reached Turning Point


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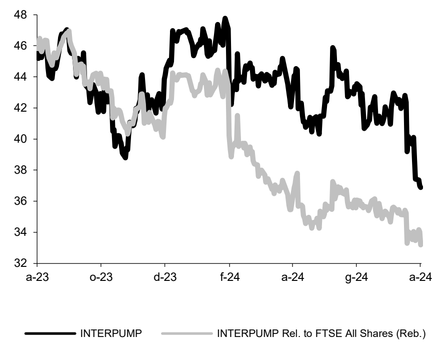
| Stock Rating | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | from 50.00 to 43.00 |
| | **2024E** | **2025E** | **2026E** |
| **Chg in Adj EPS** | -12.9% | -11.9% | -11.6% |

**INTERPUMP - 12M Performance**




| Stock Data | | | |
|---|---|---|---|
| Reuters code: | | | ITPG.MI |
| Bloomberg code: | | | IP IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | -11.9% | -12.3% | -19.5% |
| Relative | -5.6% | -5.3% | -30.6% |
| 12M (H/L) | | | 47.76/36.88 |
| 3M Average Volume (th): | | | 221.89 |

| Shareholder Data | |
|---|---|
| No. of Ord shares (mn): | 109 |
| Total no. of shares (mn): | 109 |
| Mkt Cap Ord (Eu mn): | 4,015 |
| Total Mkt Cap (Eu mn): | 4,015 |
| Mkt Float - Ord (Eu mn): | 3,020 |
| Mkt Float (in %): | 75.2% |
| Main Shareholder: | |
| IPG Holding | 24.8% |

| Balance Sheet Data | |
|---|---|
| Book Value (Eu mn): | 1,997 |
| BVPS (Eu): | 18.43 |
| P/BV: | 2.0 |
| Net Financial Position (Eu mn): | -423 |
| Enterprise Value (Eu mn): | 4,367 |

- **Weak top line in Hydraulics, poor profitability at Water Jetting.** 2Q trends were broadly in line with our expectations, although more pronounced than expected, with a greater top line decline in Hydraulics and a sharper narrowing of margins in Water Jetting. Turnover came to Eu545.8mn, down -7.2% YoY (-9.5% organic vs. -5.8% expected), mainly as a consequence of a -13.3% decline at Hydraulics (o/w -13.7% organic), affected by the persisting normalisation in agriculture, earth-moving machinery and lifting and a deterioration in the construction segment. More positive messages came from Water Jetting, although the good top line resilience (+2.3% organic) was nullified by a greater margin contraction, which brought EBITDA practically to last year's level. Group EBITDA therefore came in at Eu124.6mn (below our Eu130.6mn est.), with a 1.9pp YoY margin decrease (from 24.6% to 22.7%), that become a more limited 0.9pp if we exclude last year's insurance reimbursement and recent acquisitions. Finally, FCF came to Eu46mn (vs. Eu34mn in 1Q24), showing signs of improvement, but still not reflecting the group's full cash flow potential due to the tail-end of the investments related to the new IP Hydraulics headquarters.
- **Company now indicates high single-digit organic top line decline in 2024.** Alongside 2Q results, management downgraded 2024 guidance for the second quarter in a row, now indicating a high-single-digit organic top line decline (0%/-6% in previous guidance), which after a 2% contribution from scope translates into an overall decline in turnover of 6-7%. The expected margin was again cut to around 23% from 23.5% previously, while it was confirmed that cash generation is set to improve thanks to a normalisation of CapEx and NWC. During the conference call, the CEO provided more granularity on the reasons for the downgrade, explaining that the stabilisation at low levels of already-struggling markets (Agri, Lifting and Earth Moving were down >20% in 2Q) was accompanied by a deterioration in the construction segment (down >10% in 2Q). Geographically, North America, which until now had attenuated the decline of Europe, is now expected to worsen in 2H.
- **Estimates revised downwards:** we are revising our estimates downwards to factor in a weaker 2H, featuring a double-digit decrease in the Hydraulics division and a more resilient Water Jetting division, while margins should be close to last year's level due to a much easier comparison, especially in 4Q. This translates into a 9.5% cut in EBIT estimates on average for the next 3 years.
- **NEUTRAL confirmed; target Eu43.0:** we believe management's revision of guidance had already been somewhat priced in by investors, as the stock had already declined by around 12% since the publication of the results preview, in line with the order of magnitude by which we expect consensus to cut estimates. As things stand, we believe there is little visibility on a turning point in earnings momentum, as some markets have only just started to deteriorate, thus still leaving some room for negative surprises, which is why we maintain our cautious view on the stock. Due to the downward revision of estimates, we are revising our target price to Eu43 from Eu50. At our target, the company would trade at 19x NTM P/E, in line with the 10-year historical average.

| Key Figures & Ratios | 2022A | 2023A | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|
| Sales (Eu mn) | 2,078 | 2,240 | 2,093 | 2,191 | 2,279 |
| EBITDA Adj (Eu mn) | 492 | 537 | 479 | 513 | 539 |
| Net Profit Adj (Eu mn) | 270 | 274 | 238 | 264 | 288 |
| EPS New Adj (Eu) | 2.478 | 2.519 | 2.186 | 2.428 | 2.646 |
| EPS Old Adj (Eu) | 2.478 | 2.519 | 2.509 | 2.756 | 2.993 |
| DPS (Eu) | 0.300 | 0.320 | 0.340 | 0.340 | 0.360 |
| EV/EBITDA Adj | 10.6 | 10.6 | 9.1 | 8.2 | 7.4 |
| EV/EBIT Adj | 13.6 | 13.2 | 11.9 | 10.6 | 9.5 |
| P/E Adj | 14.9 | 14.6 | 16.9 | 15.2 | 13.9 |
| Div. Yield | 0.8% | 0.9% | 0.9% | 0.9% | 1.0% |
| Net Debt/EBITDA Adj | 1.2 | 1.1 | 0.9 | 0.5 | 0.1 |

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

| | |
|---|---|
| BUY: | 23.97 % |
| OUTPERFORM: | 49.59 % |
| NEUTRAL: | 25.61 % |
| UNDERPERFORM | 00.83 % |
| SELL: | 00.00 % |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

| | |
|---|---|
| BUY: | 38.78 % |
| OUTPERFORM: | 51.02 % |
| NEUTRAL: | 10.20 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| Emittente | % | Long/Short |
|---|---|---|



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