

# INTERPUMP

Sector: Industrials

# OUTPERFORM

Price: Eu41.75 - Target: Eu51.50

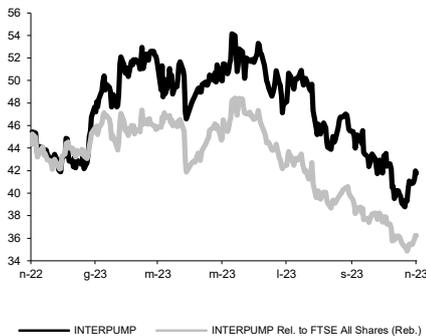
## 3Q In Line. Robust FCF Acceleration Finally Materialising

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

### Stock Rating

|                           |              |              |              |
|---------------------------|--------------|--------------|--------------|
| <b>Rating:</b>            | Unchanged    |              |              |
| <b>Target Price (Eu):</b> | Unchanged    |              |              |
|                           | <b>2023E</b> | <b>2024E</b> | <b>2025E</b> |
| <b>Chg in Adj EPS</b>     | 0.4%         | -1.5%        | -1.4%        |

### INTERPUMP - 12M Performance



### Stock Data

|                         |             |           |            |
|-------------------------|-------------|-----------|------------|
| Reuters code:           | ITPG.MI     |           |            |
| Bloomberg code:         | IP IM       |           |            |
| <b>Performance</b>      | <b>1M</b>   | <b>3M</b> | <b>12M</b> |
| Absolute                | -3.6%       | -9.0%     | -5.8%      |
| Relative                | -4.5%       | -8.4%     | -21.0%     |
| 12M (H/L)               | 54.14/38.79 |           |            |
| 3M Average Volume (th): | 167.77      |           |            |

### Shareholder Data

|                           |       |
|---------------------------|-------|
| No. of Ord shares (mn):   | 109   |
| Total no. of shares (mn): | 109   |
| Mkt Cap Ord (Eu mn):      | 4,546 |
| Total Mkt Cap (Eu mn):    | 4,546 |
| Mkt Float - Ord (Eu mn):  | 3,418 |
| 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:                           | 2.5   |
| Net Financial Position (Eu mn): | -531  |
| Enterprise Value (Eu mn):       | 4,998 |

■ **3Q EBITDA in line.** Interpump reported a set of results that were broadly in line with expectations on the P&L, featuring the expected normalisation of growth, materialising more clearly in Hydraulics than in Water Jetting (organic growth +2.4%/+8.8% respectively in 3Q), with the latter showing its late-cyclical nature. Despite slightly lower-than-expected revenues, mainly due to a less notable contribution from acquisitions than foreseen, EBITDA came in at Eu130.3mn, bang in line with our estimates and consensus as margins expanded by 0.5pp YoY, while we were expecting only minimal margin expansion (0.1pp) given the expected normalisation in top line trends and the dilutive impact of recent acquisitions. As for applications, it is no surprise that Agriculture is the weak spot at the moment (-17% in 3Q), while Food, Industrial Vehicles and Construction are all growing at a double-digit rate.

■ **FCF generation accelerating significantly.** We believe the main highlight of the quarter is the huge improvement in cash generation compared to previous quarters. Indeed the company was able to generate Eu57mn of FCF in 3Q, even better than our Eu50mn estimate, despite the quarter still being burdened by Eu41mn of CapEx, a record level due to the company's hefty post-Covid expansion plan. As NWC will gradually normalise in tandem with sales growth, and CapEx is expected to return to a normal level at 4%-4.5% of sales, we believe FCF is set to increase drastically as of 2024; in our view the company could easily surpass Eu300mn of FCF generation per year, providing plenty of resources to drive the external growth strategy and/or significantly decrease the net debt, thus reducing financial charges.

■ **Visibility remains high in Water Jetting.** 2023 targets were confirmed (high single-digit organic sales growth and record profitability levels), while for 2024 the company reiterated its commitment to protecting margins and improving cash flow. At this stage, visibility is high in the Water Jetting division, where the order intake remains solid, while Hydraulics is witnessing a normalisation after the record growth witnessed over the last 2 years. Anyway, the company is ruling out a severe contraction in Hydraulics in 2024, partly thanks to diversification and the balance between different markets, customers and applications, which helps reduce the operating risk of the group as a whole.

■ **Estimates fine-tuned.** We are making minor adjustments to our estimates, trimming top line growth and raising margins a touch.

■ **OUTPERFORM confirmed; target still Eu51.5.** Fears of an upcoming recession and rising interest rates have hindered recent stock performance, but we believe the massive amount of cash the company has demonstrated it can generate when growth normalises offers good protection in the event of economic downturn and raises the possibility of larger M&A deals, from which management has demonstrated an ability to extract considerable value. We confirm our positive view on the stock and Eu51.5 tp. At target the stock would trade at 17x P/E 2024, compared to its 10-year historical average of 19x.

| Key Figures & Ratios   | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn)          | 1,604 | 2,078 | 2,281 | 2,326 | 2,419 |
| EBITDA Adj (Eu mn)     | 380   | 492   | 561   | 572   | 594   |
| Net Profit Adj (Eu mn) | 216   | 270   | 305   | 322   | 347   |
| EPS New Adj (Eu)       | 1.987 | 2.478 | 2.803 | 2.961 | 3.186 |
| EPS Old Adj (Eu)       | 1.987 | 2.478 | 2.791 | 3.005 | 3.230 |
| DPS (Eu)               | 0.280 | 0.300 | 0.320 | 0.340 | 0.340 |
| EV/EBITDA Adj          | 15.6  | 10.6  | 8.9   | 8.2   | 7.4   |
| EV/EBIT Adj            | 20.1  | 13.6  | 10.9  | 10.1  | 9.0   |
| P/E Adj                | 21.0  | 16.9  | 14.9  | 14.1  | 13.1  |
| Div. Yield             | 0.7%  | 0.7%  | 0.8%  | 0.8%  | 0.8%  |
| Net Debt/EBITDA Adj    | 1.5   | 1.2   | 0.9   | 0.4   | -0.1  |