Milan, 15 February 2024

Italian Equity Research – 4Q23 Results

INTERPUMP

NEUTRAL

Sector: Industrials

Price: Eu45.48 - **Target: Eu51.50**

IP Sees Flat Growth in 2024, Stable Margins & Improved FCF

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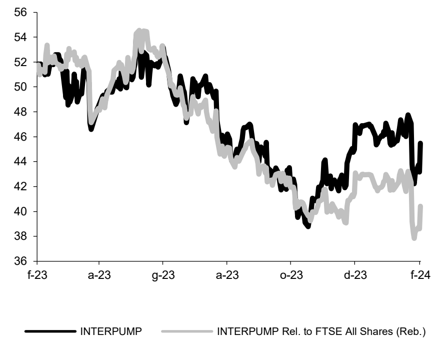
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-1.2%	-1.1%	

INTERPUMP - 12M Performance



Stock Data			
Reuters code:			ITPG.MI
Bloomberg code:			IP IM
Performance	**1M**	**3M**	**12M**
Absolute	-3.4%	3.5%	-11.5%
Relative	-6.1%	-3.4%	-24.0%
12M (H/L)			54.14/38.79
3M Average Volume (th):			234.73

Shareholder Data	
No. of Ord shares (mn):	109
Total no. of shares (mn):	109
Mkt Cap Ord (Eu mn):	4,952
Total Mkt Cap (Eu mn):	4,952
Mkt Float - Ord (Eu mn):	3,724
Mkt Float (in %):	75.2%
Main Shareholder:	
IPG Holding	24.8%

Balance Sheet Data	
Book Value (Eu mn):	2,049
BVPS (Eu):	18.91
P/BV:	2.4
Net Financial Position (Eu mn):	-277
Enterprise Value (Eu mn):	5,136

- **Soft 4Q results, as expected.** The slowdown in growth witnessed in recent quarters was accentuated in 4Q, as forecast, with Hydraulics declining organically by 6.1% (partly due to a tough comp), but Water Jetting proving more resilient, posting 4% organic growth. Overall, 4Q turnover closed at Eu519.6mn, down 2.5% YoY (-3.4% organic), leading to annual turnover of Eu2,240mn, up 6.9% on an organic basis, compared to management's indication of high single-digit organic growth provided in previous releases. As for profitability, the Hydraulics EBITDA margin was down 2.7pp YoY (in line) due to the organic decline and a worse mix, while the Water Jetting margin was down 2.6pp (vs. 3.7pp est.), due to a worse mix (more systems, which means lower margins) and the dilutive impact of recent acquisitions (especially Waikato). Overall, EBITDA came in at Eu111mn in 4Q, in line with estimates and down 12.6% YoY. Finally, net debt (ex-put options) stood at Eu486.5mn, decreasing by ~Eu40mn QoQ, while we were expecting a Eu67mn decrease. Part of the change is related to higher CapEx for ~Eu10mn, while the remainder is related to a lower reduction in NWC and other items.
- **IP sees flat organic growth and improved cash generation in 2024:** the Group forecasts fairly flat annual turnover with scope and exchange rates unchanged. As for margins, Interpump will seek to defend the 2023 result (24.0% EBITDA margin), while cash generation is expected to improve thanks to a normalisation of CapEx (seen reverting to 4% of sales) and NWC (in the coming years it should ease from the 40% posted in 2022 to 35-36%). The targeted organic growth is back-end-loaded during the year, with 1H expected to show similar trends to 4Q (normalisation in Hydraulics, growth in Water Jetting) followed by improvements in 2H.
- **Estimates confirmed:** at this stage we see no reason to make material changes to our recently-updated estimates, which for 2024 envisage a slight organic decline in the top line (-1.6%), made up of 4% organic growth in the Water Jetting division and a 3.5% decline in Hydraulics, and a relatively stable EBITDA margin (23.9%, down just 10bp). We are only making minor adjustments to our estimates, slightly lowering EPS due to higher D&A, and slightly increasing our NFP.
- **NEUTRAL confirmed; target Eu51.5.** While we continue to believe that the company is high quality and well managed, we also think the scope for upward revisions to our own and consensus estimates is relatively limited in the short term, so we confirm our NEUTRAL rating on the name. In order to take a more constructive view on the stock, we would need to see a reversal of earnings momentum or the return of large-scale acquisitions. We deem the latter to be the greatest risk to our recommendation in light of the significant cash generation expected in the coming years (average FCF yield >Eu300mn) and the limited net debt/EBITDA (~1.0x at the end of 2023).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,078	2,240	2,234	2,323	2,416
EBITDA Adj (Eu mn)	492	537	533	557	581
Net Profit Adj (Eu mn)	270	274	291	316	342
EPS New Adj (Eu)	2.478	2.519	2.669	2.904	3.139
EPS Old Adj (Eu)	2.478	2.573	2.701	2.937	
DPS (Eu)	0.300	0.320	0.340	0.340	0.360
EV/EBITDA Adj	10.6	10.5	9.6	8.7	7.9
EV/EBIT Adj	13.5	13.2	12.1	10.8	9.7
P/E Adj	18.4	18.1	17.0	15.7	14.5
Div. Yield	0.7%	0.7%	0.7%	0.7%	0.8%
Net Debt/EBITDA Adj	1.2	1.1	0.5	0.0	-0.5