Intermonte

Milan, 16 May 2023

Italian Equity Research – 1Q23 Results

INTERPUMP

OUTPERFORM

Sector: Industrials

Price: Eu50.60 - **Target: Eu59.50**

Astounding 1Q results prompt 2023 guidance increase

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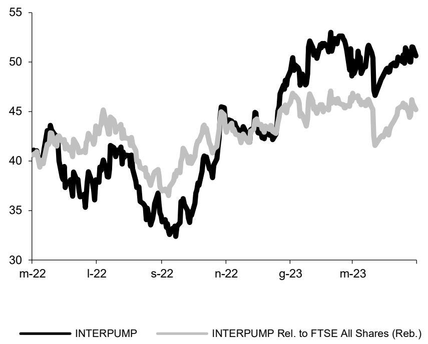
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 58.00 to 59.50
	2023E	**2024E**	**2025E**
Chg in Adj EPS	3.0%	3.6%	3.6%

INTERPUMP - 12M Performance



Stock Data			
Reuters code:			ITPG.MI
Bloomberg code:			IP IM
Performance	**1M**	**3M**	**12M**
Absolute	4.0%	-2.4%	30.9%
Relative	6.3%	-1.0%	18.9%
12M (H/L)			52.95/32.38
3M Average Volume (th):			168.02

Shareholder Data	
No. of Ord shares (mn):	109
Total no. of shares (mn):	109
Mkt Cap Ord (Eu mn):	5,509
Total Mkt Cap (Eu mn):	5,509
Mkt Float - Ord (Eu mn):	4,143
Mkt Float (in %):	75.2%
Main Shareholder:	
IPG Holding	24.8%

Balance Sheet Data	
Book Value (Eu mn):	1,811
BVPS (Eu):	16.75
P/BV:	3.0
Net Financial Position (Eu mn):	-426
Enterprise Value (Eu mn):	5,834

- **While 18.7% organic growth leads to a 4.1% beat vs estimate…** The company reported another outstanding set of results, with stronger-than-expected organic growth across the board (18.7% vs 13% exp.), accelerating even further compared to an already impressive 4Q (+14%). Indeed, revenues came to Eu592.3mn (vs Eu569 est.), up 21.2% YoY thanks to the positive contribution of both businesses, with Hydraulics increasing by 22.4% (19.5% organic) and Water Jetting by 17.8% (16.1% organic).
- **…the EBITDA beat was even larger.** EBITDA was above our estimates as well, coming to Eu149.6mn when we were expecting Eu139.2mn. We note that this figure includes Eu3.6mn of insurance reimbursements related to the fire at the Romanian plant occurred last year. In any case, even if we were to remove this item from the figure, EBITDA would have been 5% better than expected, a ~1.3pp margin improvement compared to last year, thus proving that the integration of White Drive (EBITDA margin in excess of 21% in 1Q23) and the implementation of the price increases are bearing fruit. As for cash generation, FCF was a bit softer than expected as the higher growth registered in the quarter has inevitably caused higher NWC absorption and 1Q23 was a peak quarter in terms of CapEx, which came to Eu40mn, or 7% of revenues vs 5% expected for the FY.
- **2023 guidance improved; organic growth now seen high single-digit.** During the conference call, management said that in light of 1Q23 results and the strong order backlog (>Eu1bn), the company is confident of achieving high single-digit organic growth in 2023, an improvement on the previous mid-single-digit indication. Moreover, the target of protecting and consolidating the level of profitability reached in 2022 was confirmed, as well as the target of improving cash generation. More colour on the order situation was provided, with confirmation that the order book remains at a very healthy level, above Eu1bn, meaning coverage of around 6 months of revenues, well above the typical level for this kind of business (~3 months). Order intake in recent months (and in April) has remained solid, with book-to-bill around 1x. Notably, order intake is stronger in Water Jetting, the most profitable business.
- **Estimates fine-tuned upwards.** In this report we are increasing our estimates, and we now forecast 8.1% organic growth in 2023, in line with company indications. We also fine-tune the EBITDA margin upward, and now expect a 30bp YoY expansion compared to last year. At the same time, we slightly reduce our FCF estimate to factor in higher NWC absorption following the increase in growth assumptions.
- **OUTPERFORM reaffirmed; target 59.5 from 58.0.** Despite the recent performance, we continue to appreciate IP as we believe the estimates trend will remain supportive in the short term, with possible upside coming from the M&A campaign, which has restarted after a 2022 dedicated to integrating previous acquisitions. We are raising our target price to Eu59.5 as a result of higher operating estimates. At target, the stock would trade at 20x 2024 P/E and offer a ~5% FCF yield.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,604	2,078	2,262	2,366	2,460
EBITDA Adj (Eu mn)	380	492	542	569	591
Net Profit Adj (Eu mn)	216	270	303	330	353
EPS New Adj (Eu)	1.987	2.478	2.783	3.032	3.241
EPS Old Adj (Eu)	1.987	2.478	2.704	2.928	3.128
DPS (Eu)	0.280	0.300	0.320	0.340	0.340
EV/EBITDA Adj	15.6	10.5	10.8	9.8	8.9
EV/EBIT Adj	20.0	13.5	13.2	11.9	10.8
P/E Adj	25.5	20.4	18.2	16.7	15.6
Div. Yield	0.6%	0.6%	0.6%	0.7%	0.7%
Net Debt/EBITDA Adj	1.5	1.2	0.8	0.3	-0.2