

INTERPUMP

Sector: Industrials

NEUTRAL

Price: Eu45.88 - Target: Eu50.00

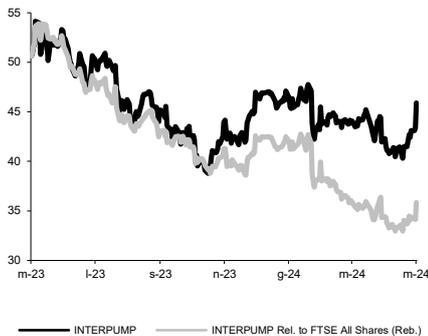
Estimates Down amid Soft 1Q Results and Revised 2024 Guidance

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 51.50 to 50.00		
	2024E	2025E	2026E
Chg in Adj EPS	-5.9%	-5.2%	-4.6%

INTERPUMP - 12M Performance



Stock Data

Reuters code:	ITPG.MI		
Bloomberg code:	IP IM		
Performance	1M	3M	12M
Absolute	8.5%	4.9%	-9.3%
Relative	4.4%	-6.3%	-37.3%
12M (H/L)	54.14/38.79		
3M Average Volume (th):	230.00		

Shareholder Data

No. of Ord shares (mn):	109
Total no. of shares (mn):	109
Mkt Cap Ord (Eu mn):	4,995
Total Mkt Cap (Eu mn):	4,995
Mkt Float - Ord (Eu mn):	3,757
Mkt Float (in %):	75.2%
Main Shareholder:	
IPG Holding	24.8%

Balance Sheet Data

Book Value (Eu mn):	2,032
BVPS (Eu):	18.75
P/BV:	2.4
Net Financial Position (Eu mn):	-303
Enterprise Value (Eu mn):	5,205

■ **No particular surprise from 1Q results.** As expected, IP has suffered a weak start to the year, with a QoQ decline in trends due to a particularly challenging comparison base and the ongoing normalisation of Hydraulic volumes. Turnover came to Eu545.9mn, down -7.8% YoY (-9.2% organic vs -7.8% expected), mainly as a consequence of a -12.9% decline at Hydraulics (o/w -12.1% organic), a business impacted by the ongoing normalisation in some of its end markets, namely agriculture, earth-moving machinery and lifting. At the same time, Water Jetting remained more resilient, even if it showed a slight decline in organic terms (-0.2%), due to a tough comparison base. Lower volumes, the dilutive effect of recent acquisitions and a less favourable sales mix at Water Jetting as expected brought a decline in margins, with EBITDA closing at Eu127.4mn (in line), implying a 2pp YoY margin decrease (from 25.3% to 23.3%). We note that last year's figure was inflated by Eu3.6mn of insurance reimbursements, thus the "organic dilution" is more limited at ~1.3pp. Finally, FCF improved to Eu34mn, (vs Eu14mn in 1Q23), leading to net debt (excl. put options) of Eu453mn (in line), also thanks to the beginning of CapEx normalisation (Eu43mn vs Eu49mn one year ago).

■ **2024 top line seen between -5% and +1% YoY.** Alongside 1Q results, the company provided an update to its guidance for 2024, now expecting sales between -5% and +1% YoY (thus -6%/0% excluding the M&A contribution), an EBITDA margin of around 23.5% (from 24% last year) and cash generation confirmed as set to improve thanks to a normalisation of CapEx and NWC. The new guidance fell short of previous indications for the top line, as IP was pointing to fairly flat organic turnover evolution. During the call the CEO explained that the revision is to be attributed to some end markets stabilizing at a low level and not yet rebounding at this stage (Agri, Earth Moving machinery and Lifting) and that the amplitude of the guidance range is due to the volatility of these markets. Targets for margin protection and cash generation are reaffirmed, with a 23.5% margin expected, a mere 0.1pp YoY decline once we adjust last year's margin for the positive insurance one-off. We note that our / consensus estimates were already below previous guidance with organic declines of ca. 1.5%, so the new guidance (-3% organic growth at mid-point) offers downside, but limited.

■ **Estimates:** We are aligning our estimates to the newly issued guidance, lowering organic top line growth for 2024 to -3.0% and the margin from 23.9% to 23.5%. This leads to a 3% cut to EBITDA, and a 6% impact on EPS as we have also raised our D&A and financial charges. 2025 and 2026 follow a similar trend due to a lower starting point.

■ **NEUTRAL confirmed; target Eu50.0.** In light of the stabilization at rather low levels of some of the main end markets (Agri, Earth Moving and Lifting), which to date have not shown particular signs of recovery, it seems too early to call the bottom for the estimates and therefore we confirm our Neutral recommendation, ready to turn more constructive as soon as earnings momentum improves. M&A represents a potential positive trigger in light of the significant cash generation expected in the coming years (average FCF ~Eu300mn) and the limited net debt/EBITDA (~1.0x as at the end of 2023). We adjust our target price from Eu51.5 to Eu50.0 to reflect the lower estimates. At our target, the stock would trade at ~19x PE NTM, in line with its 10-years average.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,078	2,240	2,198	2,286	2,377
EBITDA Adj (Eu mn)	492	537	517	544	570
Net Profit Adj (Eu mn)	270	274	273	300	326
EPS New Adj (Eu)	2.478	2.519	2.510	2.753	2.996
EPS Old Adj (Eu)	2.478	2.519	2.669	2.904	3.139
DPS (Eu)	0.300	0.320	0.340	0.340	0.360
EV/EBITDA Adj	10.6	10.5	10.1	9.1	8.2
EV/EBIT Adj	13.5	13.2	12.8	11.4	10.2
P/E Adj	18.5	18.2	18.3	16.7	15.3
Div. Yield	0.7%	0.7%	0.7%	0.7%	0.8%
Net Debt/EBITDA Adj	1.2	1.1	0.6	0.1	-0.4

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- 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)

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Frequency of research: quarterly.

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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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