

INTERPUMP

Sector: Industrials

NEUTRAL

Price: Eu42.36 - Target: Eu50.00

Hydraulics Headwinds Expected to Continue in 2Q

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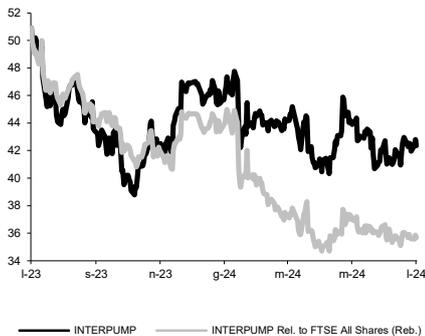
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.1%	-0.1%

Next Event

 2Q24 Results Out August 7th

INTERPUMP - 12M Performance



Stock Data

Reuters code:	ITPG.MI		
Bloomberg code:	IP IM		
Performance	1M	3M	12M
Absolute	-0.8%	2.7%	-16.8%
Relative	-2.6%	1.9%	-35.4%
12M (H/L)	50.20/38.79		
3M Average Volume (th):	210.91		

Shareholder Data

No. of Ord shares (mn):	109
Total no. of shares (mn):	109
Mkt Cap Ord (Eu mn):	4,612
Total Mkt Cap (Eu mn):	4,612
Mkt Float - Ord (Eu mn):	3,468
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:	2.3
Net Financial Position (Eu mn):	-382
Enterprise Value (Eu mn):	4,900

- **Soft 2Q results in sight:** we expect the company to report a soft 2Q, with trends witnessed in 1Q forecast to have continued due to the ongoing normalisation of activity in the Hydraulic division and a comparison base that remains challenging, albeit less so than in 1Q. We expect group turnover to have reached €571mn, down -3.6% YoY (-5.8% organically vs. -9.2% in 1Q), with EBITDA of €130.6mn (1.7pp margin dilution YoY, 0.8pp once we exclude 2Q23 positive one-offs) and net profit of €66.9mn (-18% YoY). Free cash flow is projected to have come to €50mn, exceeding last year's €30mn, not yet reflecting the company's full cash generation potential as 2Q should have seen the tail-end of the investments related to the new IP Hydraulics headquarters, while CapEx should ease in the following quarters.
- **Mixed performance expected: Hydraulics declining, Water Jetting growing. Margins under pressure.** On a divisional basis, for Hydraulics we estimate a -8.9% organic decline YoY, again due to the ongoing normalisation of volumes in sectors such as Agriculture, Lifting and Construction. Additionally, the YoY comparison remains challenging, given the 8.6% organic growth posted in 2Q23. We expect the margin to have decreased to 21.4%, primarily due to lower volumes. We underline how last year's margin of 24.6% was inflated by insurance reimbursements; without them, it would have been 1.2pp lower, so the real margin dilution is expected to be about 0.9pp, an improvement on the 1.7pp margin decline in 1Q. As far as Water Jetting is concerned, we expect this division to show more resilience, with a positive organic top line trend of 3.1%. However, the margin is expected to decrease from 27.8% to 26.4% due to the dilutive impact of acquisitions and a less favourable mix, including more complete systems.
- **Estimates:** while we are only making minor adjustments to our estimates on a same-scope basis (slightly higher D&As and financial charges), we are now including the recently-acquired Alfa Valvole (Water Jetting division), which in 2023 posted €28mn in sales and a 26% EBITDA margin. We remind that our estimates are aligned to the mid-point of company guidance, pointing to a revenue organic trend between flat and declining by -6% YoY, an EBITDA margin of around 23.5% (from 24% last year) and cash generation set to improve thanks to a normalisation of CapEx and NWC.
- **NEUTRAL confirmed; target Eu50.0.** In order to become more constructive on the stock we would have to see a recovery in currently-struggling end markets (Agri, Earth Moving and Lifting), which to date have not shown any particular signs of a recovery that could cause a reversal in earnings momentum. M&A represents a potential positive trigger in light of the significant cash generation expected in the coming years (average FCF ~€u270mn) and the limited net debt/EBITDA (~1.0x as at the end of 2023). At our target, the result of a DCF model and a multiple comparison, the stock would trade at ~19x PE NTM, in line with its 10-year average.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,078	2,240	2,216	2,319	2,412
EBITDA Adj (Eu mn)	492	537	521	553	580
Net Profit Adj (Eu mn)	270	274	273	300	326
EPS New Adj (Eu)	2.478	2.519	2.509	2.756	2.993
EPS Old Adj (Eu)	2.478	2.519	2.510	2.753	2.996
DPS (Eu)	0.300	0.320	0.340	0.340	0.360
EV/EBITDA Adj	10.6	10.5	9.4	8.4	7.7
EV/EBIT Adj	13.5	13.2	12.0	10.7	9.6
P/E Adj	17.1	16.8	16.9	15.4	14.2
Div. Yield	0.7%	0.8%	0.8%	0.8%	0.8%
Net Debt/EBITDA Adj	1.2	1.1	0.7	0.3	-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.

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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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OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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

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Emittente	%	Long/Short
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