

INTERPUMP

Sector: Industrials

OUTPERFORM

Price: Eu39.88 - Target: Eu51.50

3Q Results Should Be on Track to Meet FY23 Guidance

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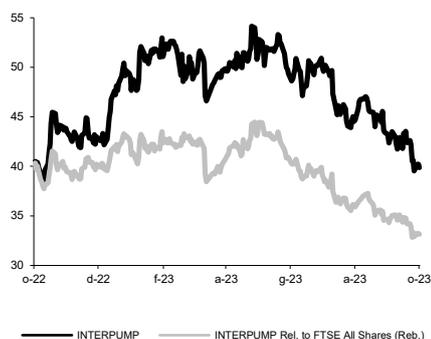
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 59.50 to 51.50		
	2023E	2024E	2025E
Chg in Adj EPS	-0.3%	-0.6%	-0.5%

Next Event

 Results Out November 10th

INTERPUMP - 12M Performance



Stock Data

Reuters code:	ITPG.MI		
Bloomberg code:	IP IM		
Performance	1M	3M	12M
Absolute	-7.7%	-20.2%	-0.8%
Relative	-4.2%	-14.4%	-21.1%
12M (H/L)	54.14/38.30		
3M Average Volume (th):	166.38		

Shareholder Data

No. of Ord shares (mn):	109
Total no. of shares (mn):	109
Mkt Cap Ord (Eu mn):	4,342
Total Mkt Cap (Eu mn):	4,342
Mkt Float - Ord (Eu mn):	3,265
Mkt Float (in %):	75.2%
Main Shareholder:	
IPG Holding	24.8%

Balance Sheet Data

Book Value (Eu mn):	1,812
BVPS (Eu):	16.76
P/BV:	2.4
Net Financial Position (Eu mn):	-531
Enterprise Value (Eu mn):	4,794

■ **3Q growth expected to be on track to meet FY23 guidance.** We expect another good set of results, even if the normalisation of the growth trends already seen in 2Q should have continued in 3Q, especially in the Hydraulics business, which has a more cyclical nature; Water Jetting should show greater resilience and its late-cyclical nature. Overall, we forecast IP to have closed 3Q with 5.2% organic growth, which coupled with the contribution from newly-acquired companies (+4.7%) and a negative ForEx effect (-4.9%) should have driven the group top line up 5.0% YoY to Eu544.7mn. As for profitability, we expect it to have remained healthy, with EBITDA expected at Eu130.2mn and the margin increasing slightly YoY (+0.1pp) to 23.9%.

■ **Normalisation expected to be more evident in Hydraulics, Water Jetting should prove more resilient.** As previously mentioned, we expect top line trends in the two divisions to be quite differentiated, reflecting the different nature of the two businesses. Indeed, while in Hydraulics we forecast 4.0% YoY organic top line expansion (ForEx -4.8%, scope +2.5%), a continued normalisation from the pace set in previous quarters (+19.5% in 1Q, +8.6% in 2Q), we expect Water Jetting to show much more resilience, with organic growth expected to have come to 8.5% (ForEx -5.3%, scope +10.9%), not far short of the 10.6% posted in 2Q. In terms of margins, we envisage similar trends compared to 1H, with a slight expansion in Hydraulics (+0.4pp YoY) and dilution at Water Jetting (-1.1pp YoY), mainly due to a different mix (more skewed towards complete systems, which typically have lower margins).

■ **FCF generation expected to improve further.** We expect the most positive aspect of the release to be cash generation, as we estimate FCF of Eu50mn in 3Q, continuing the acceleration from Eu14mn in 1Q and Eu30mn in 2Q. This should be made possible by a normalisation of NWC dynamics and a second part of the year that is less loaded with CapEx compared to 1H. This should have brought net debt (excluding put options) to Eu528mn, down from Eu578mn at the end of June.

■ **Estimates aligned to guidance.** Our estimates, which we are merely fine-tuning, are consistent with the guidance provided by management: high single-digit organic top line growth and a new record for profitability.

■ **OUTPERFORM confirmed; target trimmed to 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, as expected from 3Q23, 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 are lowering our TP from Eu59.5 to Eu51.5 to reflect the higher risk-free rate in our DCF (4.5%), as per new Intermonte Research assumptions, and the higher cost of debt. At target the stock would trade at 17x P/E 2024, which compares to its 10-year historical average of 19x.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,604	2,078	2,289	2,372	2,467
EBITDA Adj (Eu mn)	380	492	559	578	601
Net Profit Adj (Eu mn)	216	270	304	327	352
EPS New Adj (Eu)	1.987	2.478	2.791	3.005	3.230
EPS Old Adj (Eu)	1.987	2.478	2.799	3.023	3.248
DPS (Eu)	0.280	0.300	0.320	0.340	0.340
EV/EBITDA Adj	15.6	10.6	8.6	7.8	7.0
EV/EBIT Adj	20.1	13.6	10.5	9.6	8.5
P/E Adj	20.1	16.1	14.3	13.3	12.3
Div. Yield	0.7%	0.8%	0.8%	0.9%	0.9%
Net Debt/EBITDA Adj	1.5	1.2	0.9	0.4	-0.1