

ILPRA

FY19: Strong revenue growth driven by M&A

FY 2019 Results: ILPRA, specialized in the design and production of packaging machines for food, cosmetics and medical markets, closed FY19 with a significant increase in revenues (+12.8%) following a year of intense M&A activity in line with IPO guidelines. More in detail, revenues reached Euro 32.0 m, in in line with our estimates (Euro 32.0 m) and +12.8% vs. FY18 m (Euro 28.4 m), with the acquired companies adding Euro 3.2 m. 65% of revenues were realized outside Italy. EBITDA came in at Euro 4.5 m, vs. Euro 5.5 m in FY 2018 and Euro 5.9 m of our estimates as a result of sales mix and non-recurring expenses from to the implementation of a new production system, M&A activity and the IPO. EBITDA margin was 14.1% vs. 19.5% in FY 2018 and 19.8% as of our estimates. Net Profit came in at Euro 2.1 m (Euro 2.9 m in FY18) and Net Debt stood at Euro 6.5 m, down from Euro 9.5 m in FY18 after IPO proceeds (Euro 5.3 m) and despite M&A (Euro 1.2 m), non-recurring costs and a dividend payment of Euro 0.6 m.

4 M&A deals in FY19 to boost future growth and operational efficiently: FY 19 was characterized by intense M&A activity, with the execution of four deals and the reorganization of production (from batch to continuous process) in order to increase efficiency. In the first months of 2020 the Group announced the acquisition of a commercial branch for the Italian market, and Management stated that, going forward the Group will focus on consolidating the acquisitions made so far while continuing to pursue a growth strategy based on a mix of organic growth and acquisitions. As for the coronavirus, Management stated that it is still difficult to assess short-term potential effects on the Company's FY20 financials. As for now, the Company has taken all actions necessary protect employees and has not halted production. Management also highlighted that the current sanitarian situation could offer opportunities for the Group following an increase in demand of packaged food.

Positive outlook: Going forward, our outlook for ILPRA remains positive, and we hence confirm our top-line growth for FY20, but made a slight cut in EBITDA margin in line with FY19 and with a gradual increase through FY22 thanks as we believe that the Company will benefit from synergies from the recent acquisitions and from improved efficiently in production. Finally, we also added FY 2022 to our explicit forecast horizon.

Valuation: We set a target price of Euro 3.10 per share, (Euro 3.53 p.s. previously), providing for a +46% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis.

Sector: Manufacturing

Target Price (Euro)	3.10 (3.53 pr)
Market Price (Euro)	2.12
Market Cap (Euro m)	26
EV (Euro m)	32
<i>(as of April 29th, 2020)</i>	

Share Data

Market	AIM ITALIA
Bloomberg/Reuters	ILP IM / ILP.MI
ISIN	IT0005359101
N. of Shares	12,038,600
Free Float	20.02%
CEO	Maurizio Bertocco

AIM Positioning

FY 2018	Company	AIM Italia
Revenues (Eu m)	31.5	43.4
Revenues Yoy	15.8%	25.5%
EBITDA margin	19.5%	14.2%
NFP/EBITDA (x)	1.7	3.8

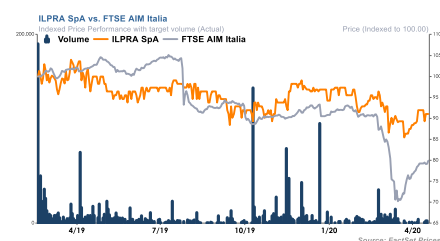
Market Data	Company	AIM Italia
Mkt Cap (Eu m)	25.5	45.7
Perf. YTD	0.5%	-14.0%
Free Float	20.0%	33.1%
ADTT YTD (Eu)	8,437	83,187

Performance

	1M	3M	6M
Absolute	8.2%	-0.5%	2.9%
Relative	4.5%	17.0%	19.0%
52-week High/Low (Eu)	2.26 / 1.69		

IR TOP RESEARCH

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Key Figures (Euro m)	Revenue	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2019A	34.4	+9%	4.5	14%	2.7	9%	2.1	6.5
2020E	37.8	+10%	5.4	15%	3.5	10%	2.9	4.1
2021E	41.5	+10%	6.6	17%	4.7	12%	3.3	1.4
2022E	45.6	+10%	7.9	18%	5.9	14%	4.2	(2.3)

KEY FIGURES

Profit&Loss Statement	2018A	2019A	2020E	2021E	2022E
Revenues (VoP)	31.5	34.4	37.8	41.5	45.6
EBITDA	5.5	4.5	5.4	6.6	7.9
EBIT	4.2	2.7	3.5	4.7	5.9
Extraordianry items	(0.0)	0.0	0.0	0.0	0.0
Financial Income (charges)	(0.4)	(0.3)	(0.2)	(0.1)	0.0
Pre-tax profit (loss)	3.8	2.4	3.3	4.6	5.9
Taxes	(0.9)	(0.3)	(0.4)	(1.3)	(1.6)
Net profit (loss) Group	2.9	2.1	2.9	3.3	4.2

Balance Sheet					
Fixed assets	9.5	11.7	10.7	9.6	8.4
NWC	13.0	14.7	16.5	18.4	20.5
M/L Funds	(2.5)	(2.6)	(2.9)	(3.1)	(3.4)
Net Capital Employed	20.0	23.8	24.4	24.9	25.5
Net Debt	9.5	6.5	4.1	1.4	(2.3)
Equity	10.5	17.3	20.2	23.5	27.7

Cash Flow					
EBIT	4.2	2.7	3.5	4.7	5.9
D&A	1.3	1.7	1.8	1.9	2.0
Tax	(0.9)	(0.3)	(0.4)	(1.3)	(1.6)
Other	0.0	0.0	0.0	0.0	0.0
Change in M/L Funds	0.3	0.1	0.2	0.3	0.3
Gross Cash Flow	4.8	4.3	5.1	5.5	6.5
Change in NWC	(2.5)	(1.7)	(1.8)	(1.9)	(2.1)
Operating Cash Flow	2.4	2.5	3.3	3.7	4.4
Capex	(2.2)	(3.9)	(0.8)	(0.8)	(0.8)
Change in Financial Assets	(0.3)	(0.0)	0.0	0.0	0.0
Extraordinary items	(0.0)	0.0	0.0	0.0	0.0
Financial Income (charges)	(0.4)	(0.3)	(0.2)	(0.1)	0.0
Free Cash Flow	-0.6	-1.6	2.3	2.8	3.6
Dividend	0.0	0.0	0.0	0.0	0.0
Change in Equity	(0.5)	4.7	0.0	0.0	0.0
Change in Net debt	(1.1)	3.0	2.3	2.8	3.6

Per Share Data					
Price		2.12			
Total shares out (mn) average		12.04			
EPS	0.2	0.2	0.2	0.3	0.4
DPS	0.0	0.0	0.0	0.0	0.0
FCF	(0.0)	(0.1)	0.2	0.2	0.3
Pay out ratio	0%	0%	0%	0%	0%

Ratios					
EBITDA margin	19.5%	14.1%	14.9%	16.7%	18.3%
EBIT margin	14.8%	8.5%	9.8%	11.8%	13.5%
Net Debt/Equity (Gearing)	90.0%	37.3%	20.5%	5.9%	-8.2%
Net Debt/EBITDA	1.71	1.43	0.77	0.21	-0.28
Interest cover EBIT	10.31	8.66	18.94	48.02	n.s.
ROCE	25.7%	12.9%	16.3%	23.8%	29.6%
ROE	27.2%	12.1%	14.4%	14.0%	15.3%

Growth Rates					
Revenues (VoP)	16%	9%	10%	10%	10%
EBITDA	5%	-19%	19%	23%	20%
EBIT	4%	-35%	30%	32%	26%
Net Profit	13%	-27%	38%	13%	29%

FY 2019 RESULTS

FY2019 was characterized by intense M&A activity which allowed the Group to expand into new markets and add new technologies to its portfolio, in line with IPO strategies. Thanks to the acquisitions the Group managed to largely outperform the packaging market, which in 2019 decline of about -1.1% (UCIMA preliminary data).

More in detail, revenues came in at Euro 32.0 m, +12.8% vs. FY18 (Euro 28.4m) and in line with our estimates (Euro 32.3 m), with the new acquisitions adding approx. Euro 3.2 m. Value of Production reached Euro 34.4 (+9.2%).

EBITDA came in at Euro 4.5 m, vs. Euro 5.5 m in FY 2018 and Euro 5.9 m of our estimates, as a result of a less favourable sales mix with lower weight of export markets (65% vs. 75% in FY18) partly related to insecurities regarding Brexit, and non-recurring expenses from to the implementation of a new production system, M&A activity and the IPO. EBIT stood at Euro 2.7 m vs. Euro 4.2 m of FY 2018, after D&A of Euro 1.8 m (Euro 1.3 in FY18) and Net profit was of Euro 2.1 m (Euro 2.9 m on FY18).

Following the acquisitions, Commercial Net Working Capital move from Euro 14.3 m to Euro 16.8 m. Receivables from customers amounted to Euro 9.3 m (Euro 8.1 m in FY18), trade payables amounted to Euro 5.0 m (Euro 4.6 m in FY18) and inventory was Euro 12.5 m (Euro 10.8 m in FY18).

Net Debt at the end of 2019 was of Euro 6.5 m, down from Euro 9.5 on FY 2018 following the IPO capital increase (Euro 5.3 m) and despite M&A activity (Euro 1.2 m), non-recurring costs and a dividend of Euro 0.6 m paid in May 2019. Reported Net Debt is included of Euro 1.2 m of overdue tax payables that in the period considered decreased from Euro 4.5 m (Euro -3.3 m).

OUTLOOK AND ESTIMATES

FY 19 was characterized by intense M&A activity (closing of four deals) and the implementation of a new production system to increase efficiency in production all in line with IPO strategies. In the first months of 2020 the Group announced the acquisition of a commercial branch for the Italian market, and Management stated that, going forward the Group will focus on consolidating the acquisitions made so far while continuing to pursue a growth strategy based on a mix of organic growth and acquisitions.

As for the coronavirus, Management stated that it is still difficult to assess short-term potential effects on the Company's FY20 financials. As for now, the Company has taken all actions necessary protect employees and has not halted production. Management highlighted that the current sanitarian situation could offer opportunities for the Group following an increase in demand of packaged food.

Given the above, our outlook for ILPRA remains positive, and we hence confirm our top-line growth for FY20, but made a slight cut in EBITDA margin in line with FY19 and with a gradual increase through FY22 as we believe that the Company will benefit from synergies from the recent acquisitions and from improved efficiency in production. Finally, we also added FY 2022 to our explicit forecast horizon. We stress that our forecast does not include any potential opportunities arising from further M&A activity, which however remains a key strategic pillar for the Group in the next years.

ESTIMATES REVISION

Euro m – OIC	19A	20E Old	20E New	21E Old	21E New	22E New
Sales	32.0	36.0	36.0	39.5	39.5	43.4
yoy	+12.8%	+11.3%	+12.4%	+9.8%	+9.8%	+9.8%
Revenues (VoP)	34.4	37.1	37.8	40.7	41.5	45.6
yoy	+9.2%	+9.4%	+10.0%	+9.7%	+9.7%	+9.8%
EBITDA	4.5	7.1	5.4	8.3	6.6	7.9
margin	14.1%	19.8%	14.9%	20.9%	16.7%	18.3%
EBIT	2.7	5.5	3.5	6.6	4.7	5.9
margin	8.5%	15.4%	9.8%	16.6%	11.8%	13.5%
Pre tax profit	2.4	5.4	3.3	6.6	4.6	5.9
Net Profit	2.1	4.4	2.9	4.7	3.3	4.2
Group's Net Profit	1.6	3.7	2.2	4.0	2.5	3.2

Euro m – OIC	19A	20E Old	20E New	21E Old	21E New	22E New
Net Working Capital (NWC)	14.7	17.1	16.5	18.7	18.4	20.5
Fixed net assets	11.7	9.7	10.7	8.7	9.6	8.4
Funds	(2.6)	(2.7)	(2.9)	(2.8)	(3.1)	(3.4)
Net Capital Employed	23.8	24.1	24.4	24.5	24.9	25.5
Net Financial Position (Cash)	6.5	0.6	4.1	(3.8)	1.4	(2.3)
Total Equity	17.3	23.5	20.2	28.3	23.5	27.7
Sources	23.8	24.1	24.4	24.5	24.9	25.5

Source: Group data (OIC) for FY 2019, IR Top Research estimates for FY 2020-2022

VALUATION

Our valuation of ILPRA is based on a DCF and Multiple comparison, weighted equally.

The DCF include the new estimates and up-to-date risk-free rate and ERP.

The relative valuation to reflect current market multiples for two separate peer groups: (i) AIM Italia listed peers active in Manufacturing sectors and (ii) International peers active in the manufacturing of packaging machines.

Aim Italia listed peers

	Country	Market Cap (Eu m)	2018 Revenues (Eu m)	yoy	2018A EBITDA %	2019E EBITDA %
Askoll EVA	Italy	33	15	+250%	-28%	-27%
CFT	Italy	38	224	+9%	8%	7%
Clabo	Italy	5	53	+18%	11%	12%
Comer Industries	Italy	216	379	+11%	10%	11%
Costamp Group	Italy	81	58	n.s.	3%	10%
Energica Motor Company	Italy	33	2	+325%	n.m.	n.m.
Fervi	Italy	28	24	+8%	19%	17%
Gel	Italy	7	17	+7%	16%	15%
Gibus	Italy	20	34	+4%	14%	13%
Grifal	Italy	29	17	+10%	13%	14%
Icf Group	Italy	41	80	+1%	11%	12%
Illa	Italy	5	33	-21%	4%	-2%
Marzocchi Pompe	Italy	24	43	+11%	21%	17%
Neodecortech	Italy	39	131	+6%	14%	13%
Officina Stellare	Italy	42	5	+81%	22%	32%
Radici Pietro Industries&Brands	Italy	13	60	+6%	8%	9%
Rosetti Marino	Italy	147	261	+26%	11%	5%
Salcef Group	Italy	426	319	-4%	20%	22%
Sciuker Frames	Italy	11	11	-5%	18%	16%
SITI B&T Group	Italy	22	206	+1%	9%	8%
Somec	Italy	116	169	+50%	11%	10%
Vimi Fasteners	Italy	22	52	+4%	11%	9%
Average AIM Peers		64	100	+38%	11%	11%
ILPRA	Italy	26	31	+16%	19%	14%

EV/EBITDA
 (x)

	19 E	20E	21E
Askoll EVA	n.s.	n.s.	17.3
CFT	4.1	3.3	2.8
Clabo	4.7	3.7	2.7
Comer Industries	5.4	4.5	3.8
Costamp Group	19.7	16.0	11.7
Energica Motor Company	n.d.	n.d.	n.d.
Fervi	5.3	4.2	3.2
Gel	6.0	5.1	4.4
Gibus	3.3	2.7	2.3
Grifal	9.8	7.5	5.4
Icf Group	5.6	4.8	4.1
Illa	n.s.	19.8	13.3
Marzocchi Pompe	4.6	4.1	3.3
Neodecortech	4.6	3.9	3.5
Officina Stellare	14.8	9.0	6.3
Radici Pietro Industries&Brands	6.6	5.5	4.4
Rosetti Marino	3.5	4.3	3.0
Salcef Group	5.5	5.0	4.6
Sciuker Frames	7.3	5.9	4.5
SITI B&T Group	4.4	3.7	3.2
Somec	5.3	3.7	4.5
Vimi Fasteners	n.s.	0.6	1.1
Average AIM Peers	6.7	5.9	5.2
ILPRA	5.2	3.8	2.8
Premium/(Discount) to Peers	-3%	-13%	-32%

Source: PMI Capital as of April 29th, 2020

International peers

	Country	Market Cap (Eu m)	2018 Revenues (Eu m)	yoy	2018A EBITDA %	2019E EBITDA %
Alfa Laval	Sweden	7,493	3,962	+8%	19%	21%
GEA Group	Germany	3,875	4,828	+5%	9%	7%
I.M.A.	Italy	2,744	1,500	+14%	17%	17%
John Bean Technologies	USA	2,455	1,631	+13%	13%	14%
Krones	Germany	1,883	3,854	+4%	8%	5%
SPX Flow	USA	1,339	1,351	-22%	11%	12%
Average International Peers		3,298	2,854	+4%	13%	13%
ILPRA	Italy	26	31	+16%	19%	14%

	EV/EBITDA		
	19E	20E	21E
Alfa Laval	11.0	10.8	10.0
GEA Group	15.1	10.0	8.2
I.M.A.	11.8	11.7	10.4
John Bean Technologies	15.8	12.2	11.2
Krones	11.4	9.5	5.8
SPX Flow	14.5	11.1	9.8
Median International Peers	13.1	10.9	9.9
ILPRA	5.2	3.8	2.8
Premium/(Discount) to Peers	-60%	-65%	-72%

Source: PMI Capital for ILPRA as of April 29th, 2020 and FactSet data for peers as of April 29th, 2020

VALUATION SUMMARY

We confirm a positive outlook for ILPRA and set a target price of Euro 3,10 p.s. (previous 3.53 Euro p.s.). Our new target price implies a potential upside of +46% and implicit 2020-2021 EV/EBITDA multiples of 8.2x and 6.6x respectively. Target price was obtained weighting equally the two approach: DCF and Multiple comparison analysis.

Method	Weight	Price (Eu)
Multiple analysis	50%	2.50
DCF	50%	3.69
Target Price	100%	3.10

IPO

Trading Market: AIM Italia – Borsa Italiana SpA
Date: February 15th, 2019
Price: 2.10
Capital raised: Euro 5.3 m
Capitalisation: Euro 25.3 m

SHARES (as of April 29th, 2020)

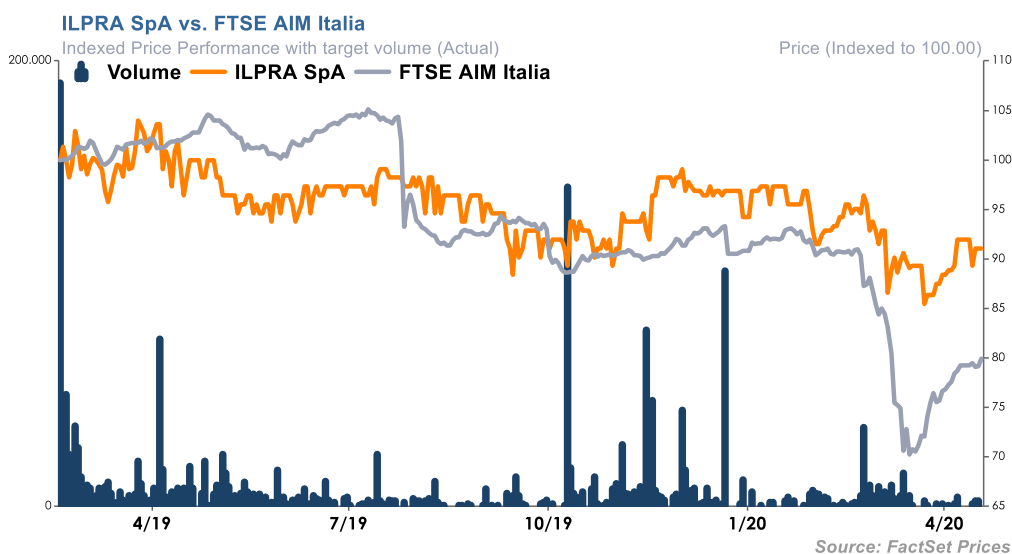
Code: ILP
Bloomberg: ILP IM
Reuters: ILP.MI
ISIN: IT0005359101
Shares: 12,038,600
Share Capital: Euro 2,407,720
Price: Euro 2.12
Performance from IPO: +1%
Capitalisation: Euro 26 m
Free Float: 20.02%
NomAd: Integrae Sim SpA
Auditing firm: BDO Italia SpA

Since our last report (31 October 2019) free float increased to 20.02% after the sale of the main shareholders of n. 201,600 shares (1.68%) to an institutional investor.

Shareholder	N° of shares	%
Maurizio Bertocco	4,669,000	38.78%
Cristina Maldifassi	4,629,400	38.45%
Market	2,740,200	22.76%
-of which Free Float	2,409,600	20.02%
-of which other shareholders <5%*	330,600	2.75%
Total	12,038,600	100.00%

Source: Company data as of April 29th, 2020

*including n. 13,200 shares holds by Maurizio Bertocco without lock-up agreement (Mr Bertocco holds a total of n. 4,862,200 share equal to 38.89%)



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Date	Target Price	Market Price	Validity Time
April 29 th , 2020	3.10	2.12	12 months
October 31 st , 2019	3.53	2.00	12 months
April 11 th , 2019	3.30	2.26	12 months

VALUATION METHODOLOGY (HORIZON: 12M): IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia. Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

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