

ILPRA

FY20: Double-digit Net Income growth (+52%) and positive FY21 outlook

Strong boost in export revenues and sharp increase in profitability. ILPRA, specialized in the design and production of packaging machines for food, cosmetics and medical applications, presented positive FY20 results, with revenues above those of FY19 and a sharp increase in profitability. Net sales came in at Euro 32.4 m, slightly above FY19 (Euro 32.0 m and Euro 36.0m as of our estimates), driven by the M&A activity of FY19, and in particular a strong 2H20 with sales overperforming prior year by +2.4% (0% in FY19). In terms of geography, FY20 saw a good performance in export markets (+7%) which increased its total weight to 69% (65% in FY19) more than compensating for the contraction (-10%) in the domestic market. FY20 Revenues (VoP) stood at Euro 36.3 m, +6% vs. prior year due to an increase in inventory of semi-finished products of Euro 1.8 m following the strategic decision to continue production despite an inevitable slowdown in demand during the lockdown months, to ensure a timely delivery of pre-established orders.

EBITDA largely above expectations thanks to strong margin expansion. Driven by increased efficiency in the production process, lower costs of raw materials, and a pandemic related reduction in services costs (trade fairs, travel), EBITDA was up by +37% to Euro 6.2 m (Euro 4.5 m in FY19), posting an EBITDA margin (on sales) of 19.0%, largely outperforming prior year's (14%) and our forecast (15%). Again, 2H20 showed very strong results with an implied EBITDA margin that jumped to 20.7% from 17.2% in 1H20. After D&As of Euro 1.9 m in line with prior year's, EBIT came in at Euro 4.2 m, +54.1% yoy (Euro 2.7 m in FY19). Net Profit reached Euro 3.2 m, outperforming our estimates by roughly 10% and implying a marginality on sales of 10% (vs 7% in FY19, Euro 2.1 m).

Operating cash flow allowing for investments and dividend. At the end of FY20, ILPRA presented a Net Debt of Euro 1.9 m, significantly reduced compared to Euro 6.5 m at the end of FY19 and including Euro 1.0 m of overdue tax debts to be paid in instalments (Euro 1.2 m in FY19). The strong result was mainly driven by good operating cash flow thanks to increased profitability margins and a reduction in Net Working Capital which decreased to Euro 13.9 m from Euro 14.7 m in FY19 with a reduction in sales/NWC to 43% (46% in FY19). Total investments in the period were of Euro 1.2 m. Net Equity stood at Euro 21.2 m (vs Euro 17.3 m at the end of FY19). For 2021, Management has proposed a dividend of Euro 0.06 p.s. (pay-out ratio of 35% and dividend yield of 1.6% on current share price).

Outlook is positive as the Company continues to outperform the market thanks to resilient business model and well-defined growth strategy. Despite a FY20 characterized by the pandemic, Management has been able to achieve growth above market rates (-6% in FY20 according to UCIMA), while structurally improving profitability and continuing to invest to improve product portfolio in terms of energy efficiency, environmental sustainability and IoT integration. The positive FY20 results highlight the resiliency of ILPRA's business model and the growth strategies used. In particular, we believe that the M&A activity, aimed at vertically integrating the business in order to be able to provide clients with entire production lines, will be a major growth driver going forward.

Estimates revision. Based on the positive FY20 results and on longer than expected duration of the pandemic, we slightly trimmed our FY21-22 revenues and margins. In F21 we are now expecting revenues to grow by +8.8% at Euro 39.5 m (Euro 41.5 m pv.), whereas we expect EBITDA to reach Euro 6.8 m yielding a 19% margin on sales (17% pv.). Covid related savings should continue through 1H21, whereas going forward we expect operational leverage and a structural improvement in services costs as, thanks to the pandemic, the Company has found new, more cost efficient, ways to work (in particular regarding maintenance services). Any potential increase in raw material costs, should partially be transferred to clients and partially mitigated by better conditions negotiated with suppliers. Overall, we increased our revenue EBITDA and EPS forecast by an average 3%, 2% and 3% respectively. 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.

Upgraded target price. We updated our model to factor in new estimates and market multiples and set a new target price of Euro 5.62 p.s. (Euro 3.40 p.s. previously) providing for an upside of 46% to the current share price and obtained by weighting equally a DCF and a multiple comparison analysis. At our target price the stock would be trading at 9.9x and 8.5x FY21-22 EV/EBITDA, respectively.

Sector: Manufacturing

Target Price (Euro)	5.62 (3.40 pr)
Market Price (Euro)	3.84
Market Cap (Euro m)	46
EV (Euro m)	48

As of April 12th, 2021

Share Data

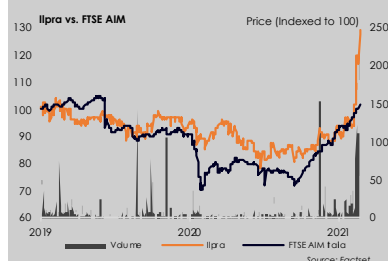
Market	AIM Italia
Reuters/Bloomberg	ILP:IM/ILP.MI
ISIN	IT0005359101
N. of Shares	12,038,600
Free Float	22.66%
CEO	Maurizio Bertocco

Financials

	2019A	2020A	2021E	2022E
Sales	32.0	32.4	37.0	41.1
YoY %	+13%	+1%	+14%	+11%
Revenues	34.4	36.3	39.5	43.5
YoY %	+9%	+6%	+9%	+10%
EBITDA	4.5	6.2	7.0	8.2
EBITDA %	14%	19%	19%	20%
EBIT	2.7	4.2	5.1	6.3
EBIT %	8%	13%	14%	15%
Net Income	2.1	3.2	3.6	4.5
Net Debt (Cash)	6.5	1.9	0.7	(2.5)

Performance

	1M	3M	6M
Absolute	+77%	+92%	+101%
Relative (FTSE AIM Italia)	+64%	+64%	+51%
52-week High/Low (Eu)	3.94		1.74



IR TOP RESEARCH

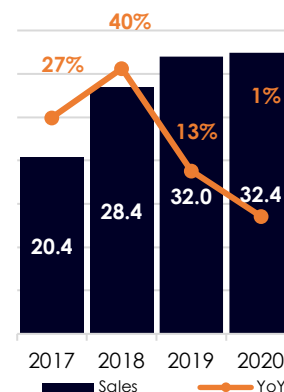
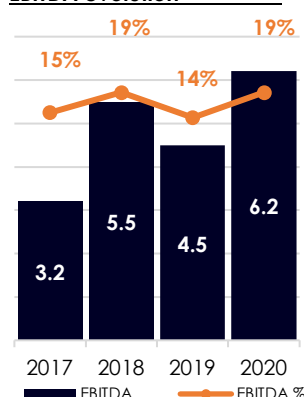
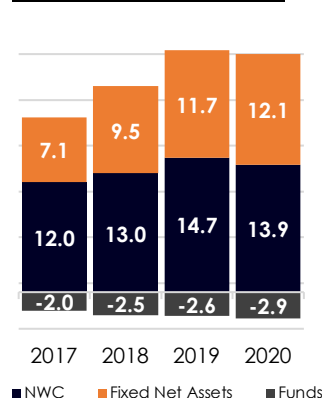
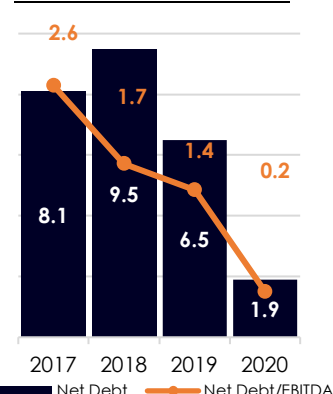
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KEY FINANCIALS

	2017A	2018A	2019A	2020A	2021E	2022E
Profit & Loss Statement						
Sales	20.4	28.4	32.0	32.4	37.0	41.1
Revenues (VoP)	21.4	31.5	34.4	36.3	39.5	43.5
EBITDA	3.2	5.5	4.5	6.2	7.0	8.2
EBIT	2.1	4.2	2.7	4.2	5.1	6.3
Financial Income (charges)	-0.4	-0.4	-0.3	-0.2	(0.1)	0.0
Pre-tax profit (loss)	1.7	3.8	2.4	4.0	5.0	6.3
Taxes	-0.6	-0.9	-0.3	-0.8	(1.4)	(1.8)
Net profit (loss)	1.1	2.9	2.1	3.2	3.6	4.5
Balance Sheet						
Net working capital	12.0	13.0	14.7	13.9	16.9	18.5
Fixed Net Assets	7.1	9.5	11.7	12.1	11.0	9.9
Funds	-2.0	-2.5	-2.6	-2.9	(3.2)	(3.4)
Net Capital Employed	17.2	20.0	23.8	23.1	24.7	25.0
Net Debt (Cash)	8.1	9.5	6.5	1.9	0.7	(2.5)
Equity	9.1	10.5	17.3	21.1	24.0	27.5
Cash Flow						
EBIT	2.1	4.2	2.7	4.2	5.1	6.3
D&A	1.0	1.3	1.8	2.0	1.9	1.9
Taxes	-0.6	-0.9	-0.3	-0.8	(1.4)	(1.8)
Change in M/L Funds	0.1	0.5	0.1	0.3	0.0	0.0
Gross Cash Flow	2.7	5.1	4.3	5.6	0.3	0.2
Change in NWC	-3.5	-1.0	-1.7	0.8	5.8	6.6
Operating Cash Flow	-0.7	4.1	2.6	6.5	(3.0)	(1.6)
Capex	-1.1	-3.2	-3.9	-2.3	2.9	5.0
Change in Financial Assets	2.3	-0.5	0.0	0.0	(0.8)	(0.8)
Financial Income (charges)	-0.4	-0.4	-0.3	-0.2	0.0	0.0
Free Cash Flow	0.1	0.0	-1.6	3.9	(0.1)	0.0
Dividend	0.0	0.0	0.0	0.7	2.0	4.2
Change in Equity	0.0	-1.4	4.7	0.6	1.1	1.4
Change in Net debt	0.1	-1.4	3.1	5.2	(0.7)	(1.1)
Per Share Data						
Current Price	3.84					
Shares out. fully diluted (m)	12.04					
EPS	0.1	0.2	0.2	0.3	0.3	0.4
DPS	0.0	0.0	0.0	0.1	-0.1	-0.1
FCF	0.0	0.0	(0.1)	0.3	0.2	0.3
Pay out ratio	0%	0%	0%	27%	30%	30%
Ratios						
EBITDA margin	15.5%	19.5%	14.1%	19.0%	19.0%	20.0%
EBIT margin	10.4%	14.8%	8.5%	12.9%	13.7%	15.3%
Net Debt/Equity	88.6%	90.1%	37.3%	9.2%	2.7%	-9.0%
Net Debt/EBITDA	2.56	1.71	1.44	0.32	0.09	-0.30
Interest cover EBIT	4.86	10.07	9.91	20.05	78.38	n.s.
ROE	12.3%	27.2%	12.1%	15.1%	26.3%	32.1%
ROCE	15.5%	25.7%	12.9%	21.6%	15.0%	16.4%
Growth Rates						
Revenues (VoP)	21%	47%	9%	6%	9%	10%
EBITDA	30%	76%	-19%	37%	14%	17%
EBIT	36%	100%	-35%	54%	21%	23%
Net Profit	188%	156%	-27%	52%	13%	25%

Sales evolution

EBITDA evolution

Assets evolution

Net Debt evolution


Source: Consolidated Group data for FY 2017-2020, IR TOP Research estimates for FY 2021-2022

Revenues breakdown – Euro m

	FY20	%	FY19	%	Δ %
Italy	10.2	31%	11.3	35%	-10%
Export	22.2	69%	20.7	65%	+7%
Total sales	32.4	100%	32.0	100%	+1%

Source: IR Top elaboration on Group data

Key Financials – Euro m

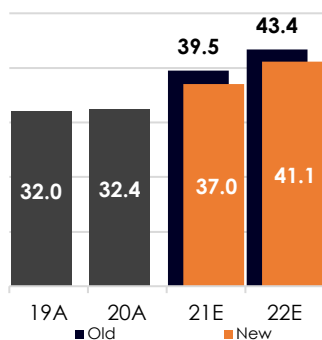
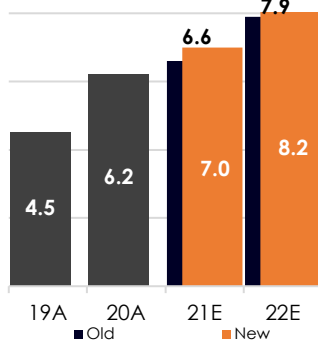
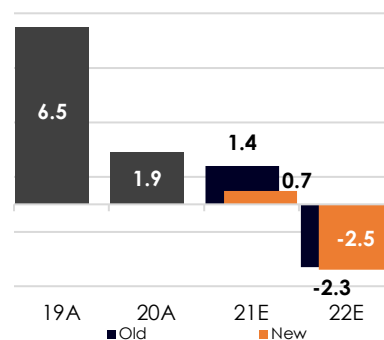
Income Statement	20A	19A	Δ %	Balance Sheet	20A	19A	Δ %
Sales	32.4	32.0	+1%	Net Working Capital	13.9	14.7	-6%
Revenues	36.3	34.4	+6%	Fixed Net Assets	12.1	11.7	+3%
EBITDA	6.2	4.5	+37%	Funds	(2.9)	(2.6)	+10%
EBIT	4.2	2.7	+54%	Net Capital Employed	23.1	23.8	-3%
Pre-tax Profit	4.0	2.4	+63%	Net Debt (Cash)	1.9	6.5	-70%
Net Profit	3.2	2.1	+52%	Equity	21.2	17.3	+22%
Group's Net Profit	2.7	1.6	+71%	Sources	23.1	23.8	-3%

Source: Consolidated Group Data

Estimates Revision – Euro m

Income Statement	20A	21E Old	21E New	Δ %	22E Old	22E New	Δ %
Sales	32.4	39.5	37.0	-6.3%	43.4	41.1	-5.3%
yoy	1.0%	21.9%	14.3%		9.9%	11.0%	
Revenues	36.3	41.5	39.5	-4.8%	45.6	43.5	-4.6%
yoy	5.8%	14.3%	8.7%		9.9%	10.0%	
EBITDA	6.2	6.6	7.0	6.1%	7.9	8.2	3.8%
margin	19.0%	16.7%	19.0%		18.3%	20.0%	
EBIT	4.2	4.7	5.1	8.5%	5.9	6.3	6.8%
margin	12.9%	11.8%	13.7%		13.5%	15.3%	
Pre-tax Profit	4.0	4.6	5.0	8.7%	5.9	6.3	6.8%
Net Profit	3.2	3.3	3.6	9.1%	4.2	4.5	7.1%
Group's Net Profit	2.7	2.5	2.9	16.0%	3.2	3.6	12.5%

Balance Sheet	20A	21E Old	21E New	Δ %	22E Old	22E New	Δ %
Net Working Capital (NWC)	13.9	18.4	16.9	-8.2%	20.5	18.5	-9.8%
Fixed net assets	12.1	9.6	11.0	14.6%	8.4	9.9	17.9%
Funds	(2.9)	(3.1)	(3.2)	3.2%	(3.4)	(3.4)	0.0%
Net Capital Employed	23.1	24.9	24.7	-0.8%	25.5	25.0	-2.0%
Net Debt (Cash)	1.9	1.4	0.7	-50.0%	(2.3)	(2.5)	8.7%
Equity	21.2	23.5	24.0	2.1%	27.7	27.5	-0.7%
Sources	23.1	24.9	24.3	-2.4%	25.5	25.0	-2.0%

Sales Revision – Euro m

EBITDA Revision – Euro m

Net Debt Revision – Euro m


Source: Consolidated Group data for FY 2019-2020, IR TOP Research estimates for FY 2021-2022

VALUATION

Method	Weight	Price (Eu)
Multiple analysis	50%	5.14
DCF	50%	6.10
Target Price	100%	5.62

DCF model

WACC calculation		DCF	
Perpetual growth rate	1.0%	Euro m	
WACC	7.1%	Sum of PV 2021-22 FCFs	13.5 17%
Risk free rate (BTP 10Y 12 months avg)	1.34%	Discounted terminal value	64.7 83%
β unlevered	0.82	Enterprise Value	78.2 100%
Equity risk premium	6.83%	Net Debt (Cash)	1.9
Ke	11.3%	Minorities	2.8
Cost of debt	1%	Equity Value	73.4
Tax rate	24%	N. of outstanding shares (m)	12.04
Kd	0.76%	Fair Value p.s.	6.10

Market Multiples

Companies	Country	Market Cap	Sales	Sales	EBITDA	NI	EV/EBITDA	
			2020	20/19	% 2020	% 2020	21E	22E
Alfa Laval AB	Sweden	11,193.8	4,101.3	-7%	20%	8%	14.7	13.6
GEA Group Aktiengesellschaft	Germany	6,461.6	4,635.1	-5%	11%	2%	11.8	10.3
John Bean Technologies Corporation	US	3,654.4	1,420.9	-18%	15%	7%	17.1	14.8
Krones AG	Germany	2,211.5	3,326.5	-16%	4%	-2%	8.2	6.2
SPX Flow, Inc.	US	2,342.7	1,113.4	-17%	11%	3%	14.3	11.8
Average International Peers	-	5,172.8	2,919.4	-13%	12%	4%	13.2	11.4
Average AIM Italia Peers*	-	-	-	-	-	-	10.1	6.1
Ilpra	Italy	46.2	32.4	1%	19%	10%	7.3	6.3
Premium/Discount to International Peers							-49%	-47%
Premium/Discount to AIM Italia Peers							-28%	+3%

Source: FactSet and PMI Capital data as of April 12th, 2021, Group data and IR TOP Research estimates for Ilpra

*AIM Italia Peers included: CFT, Comer Industries, Gibus, Grifal, ICF Group, Marzocchi Pompe, Rosetti Marino, Salcef

ILPRA IN BRIEF

Group Description

ILPRA, listed on AIM Italia since February 15th, 2019, is specialized in the design and production of packaging machines, and is a primary player in the of food, cosmetics and medical packaging markets. With over 16,500 machines sold worldwide, and 238 employees (average number at December 31th, 2020), the Company offers technological solutions manufactured in-house, ensuring high-quality, made in Italy products. The Company distinguishes itself for its **wide product range** (traysealers, fillers & sealers, thermoformers, buckets fillers, traysealers Seal Box) **and innovative technological solutions**. FY 2020 closed with sales of Euro 32.4 m and an EBITDA margin of 19.0%. About 69% of total sales were realized outside Italy.

Innovation

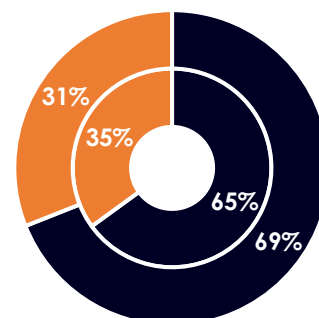
ILPRA is a registered innovative SME with **significant investments in R&D (more than Euro 2.3 m in the last three years) and patent holder of ProGas**, an innovative technology based on an exclusive work cycle that can be applied to ILPRA's packaging machines. The Company has also developed **E-Mec**, a technology based entirely on the electro-mechanical motion of workstations.

Strategy

The growth strategy of the Company for the next years is based on:

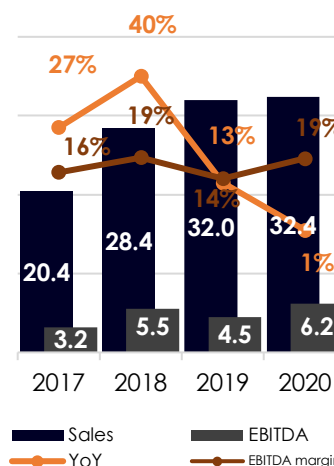
- **Innovation:** continuous investments in training, innovative technological tools and R&D activities
- **Quality:** adapt production facilities to "Industry 4.0" requirements and introduction of Lean Manufacturing logics
- **Internationalization:** opening of new branches abroad. Focus on France, Germany, Eastern Europe, Russia, Australia and USA.
- **M&A:** focus on targets active in the production of highly specialized machines, end-of-line parts and dosing systems.

Sales breakdown by geography



■ Export ■ Italy
Inner circle: FY19 Outer circle: FY20

Sales & EBITDA evolution



Opportunities	Main Risks
<ul style="list-style-type: none"> • Strong expertise: 60+ years of experience in the field, with a strong know how in the development of innovative technologies in the packaging industry • Made in Italy: design and production entirely made in Italy, using innovative 3D software and ERP/MRP systems • Wide range of products and customised solutions: several types of packaging and production lines enable ILPRA to provide customised solutions • International presence and competitive positioning: 69% of FY20 sales realized abroad and a capillary international presence, 	<ul style="list-style-type: none"> • Macroeconomic situation and the evolution of the reference market: industry performance tightly linked to the general economic outlook • Competitiveness risk: highly fragmented reference market (although made up by smaller size local competitors) combined with larger international competitors • High product offering in the market: a large number of smaller players (particularly in Italy) generate a high offer, thus directly impacting on customer loyalty • Exchange rate fluctuation risk: especially related to Euro/Dollar exchange rate

ILPRA ON AIM

IPO

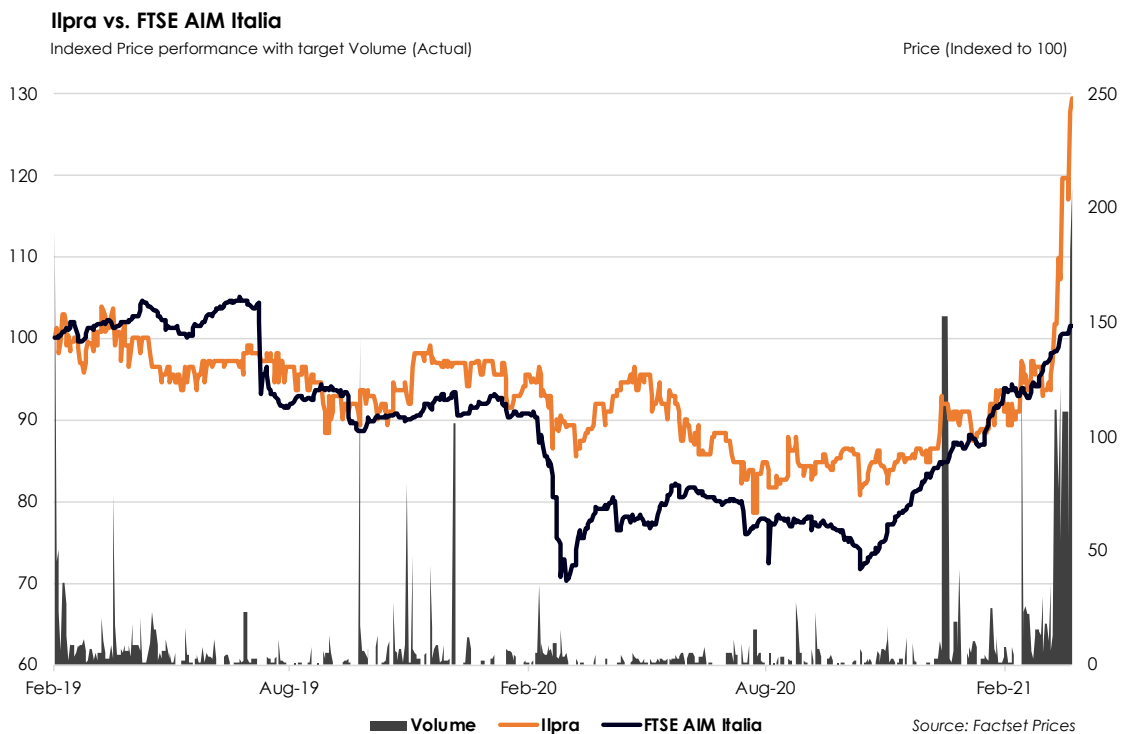
Trading Market: AIM Italia – Borsa Italiana Spa
Date: February 15th, 2019
Price: 2.10
Capital raised: Euro 5.3 m
Capitalisation: Euro 25.3 m

SHARES (as of April 12th, 2021)

Code: ILP
Bloomberg: ILP IM
Reuters: ILP.MI
ISIN: IT0005359101
Shares: 12,038,600
Price: Euro 3.84
Performance from IPO: +83%
Capitalisation: Euro 46 m
Free Float: 20.02%
NomAd: Integrae Sim SpA
Auditing firm: BDO Italia SpA

Shareholder	N° of shares	%
HOLDS S.r.l.*	9,258,800	76.90%
Maurizio Bertocco**	52,800	0.44%
Market	2,727,000	22.66%
-of which Free Float	2,396,400	19.91%
-of which other shareholders <5%***	330,600	2.75%
Total	12,038,600	100.00%

Source: Company data as of April 12th, 2021
*Subject to lock-up until February 14th, 2022
**of which 39,600 subject to lock-up until February 14th, 2022
***Subject to lock-up until February 14th, 2022



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	Date	Target Price	Market Price	Validity Time
	April 13 th , 2020	5.62	3.84	12 months
	September 30 th , 2020	3.40	1.90	12 months
	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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