EQUITY RESEARCH

ILPRA results review

BUY, TP 5.5€ Up/Downside: 47%

An Encouraging H1

A dynamic first half supported by a steadily growing order book. Higher selling prices and early procurement allowed the group to limit the impact of inflation and improve margins.

On Friday, Ilpra released its H1 2022 results, which were strong thanks to a dynamic market despite the inflationary environment.

The group has continued its growth trend by generating revenue of $\epsilon_{21.5m}$ (vs. ϵ_{22m} expected), up 6.1% vs. the previous year, thanks to a steadily growing order book.

Despite the increase in material production costs, margins were not only well defended, but even showed improved thanks to an increase in sales prices (especially from March 2022 onwards), thus achieving a full pass-through to customers. The Ebitda margin dropped by 21.6% (vs. 20.9% expected), which is higher than the group's historical levels.

The increase in input costs was well managed during H1 thanks to well anticipated purchasing. On the one hand, the group increased inventory reserves ($+\epsilon_{5m}$ vs. FY21), but on the other hand, allowed it to maintain a fast time to market. It is also interesting to note that the group was not been affected by energy cost increases, as its photovoltaic panels cover all of its factory's energy needs.

After the strong H1, we are looking forward to an even better H2, thanks to: (i) a growing order book, (ii) a historically more robust H2 vs. H1, and (iii) the full contribution of Macs srl (integrated only from April 2022), operating in the high-potential flexible packaging market.

The financial strength (net debt of €0.1m in June 2022) allows the group to constantly monitor possible acquisitions in order to expand its subsidiary network abroad and consolidate its competitive market position.

Key data	
Price (ϵ)	3.7
Industry	Industrial Machinery
Ticker	ILP-IT
Shares Out (m)	12.039
Market Cap (m €)	45.0
Average trading volume (k shares / day)	s 23.400
Next event	2022 - 23 Septembre 2022

Ownership (%)

Holds Srl	76.9
M. Bertocco	0.4
Free float	22.5

EPS (€)	12/22e	12/23e	12/24e
Estimates	0.41	0.46	0.49
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	-5.1	-6.0	-21.1
Rel FTSE Italy	-1.8	0.2	3.1



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valua
Sales (m €)	42.2	45.8	49.2	51.9	EV/Sa
Current Op Inc (m €)	7.0	7.7	8.4	8.9	EV/EF
Current op. Margin (%)	16.6	16.8	17.1	17.1	EV/EF
EPS (ϵ)	0.37	0.41	0.46	0.49	PE
DPS (ϵ)	0.10	0.11	0.12	0.13	
Yield (%)	2.7	3.0	3.3	3.5	
FCF (m €)	6.4	5.6	5.9	6.7	

ation Ratio	12/22e	12/23e	
ales	0.8	0.7	
BITDA	3.9	3.2	
BIT	4.9	4.0	
	9.0	8.1	

Consensus FactSet - Analysts:2	12/22e	12/23e	12/246
Sales	46.1	49.7	51.1
EBIT	7.9	8.8	8.9
Net income	5.3	6.0	5.8



12/24e

0.6

2.6

3.3

7.6



FINANCIAL DATA

Income Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Sales	32.0	32.4	42.2	45.8	49.2	51.9
Changes (%)	12.8	1.0	30.5	8.5	7.4	5.4
Gross profit	21.7	23.2	28.3	31.0	33.5	35.2
% of Sales	67.6	71.8	67.0	67.6	68.1	67.9
EBITDA	4.5	6.2	9.0	9.8	10.7	11.3
% of Sales	14.1	19.0	21.3	21.5	21.8	21.9
Current operating profit	2.7	4.2	7.0	7.7	8.4	8.9
% of Sales	8.5	12.9	16.6	16.8	17.1	17.1
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.7	4.2	7.0	7.7	8.4	8.9
Net financial result	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
Income Tax	-0.3	-0.8	-1.5	-1.7	-1.8	-1.9
Tax rate (%)	14.0	19.7	-22.4	-22.4	-22.4	-22.4
Net profit, group share	1.6	2.7	4.5	5.0	5.5	5.9
EPS	0.13	0.22	0.37	0.41	0.46	0.49
	0.13	0.22	0.37	0.41	0.40	0.49
Financial Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Goodwill	0.4	0.4	0.0	0.0	0.0	0.0
Tangible and intangible assets	10.8	11.1	10.7	11.4	12.1	12.9
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.5	0.5	0.5	0.8	0.8	0.8
Working capital	15.8	15.2	13.3	13.1	13.1	12.8
Other Assets	0.2	0.2	0.0	0.0	0.0	0.0
Assets	27.6	27.5	24.5	25.3	26.1	26.5
Shareholders equity group	14.9	18.3	22.1	25.8	29.8	34.1
Minorities	2.4	2.8	2.7	3.5	4.4	5.2
LT & ST provisions and others	0.2	0.2	0.2	0.2	0.2	0.2
Net debt	6.5	1.9	-3.4	-7.1	-11.1	-15.9
Other liabilities	2.2	2.3	2.9	2.9	2.9	2.9
Liabilities	27.6	27.5	24.5	25.3	26.1	26.5
Net debt excl. IFRS 16	6.5	1.9	-3.4	-7.1	-11.1	-15.9
Gearing net	0.4	0.1	-0.1	-0.2	-0.3	-0.4
Leverage	1.4	0.3	-0.4	-0.7	-1.0	-1.4
Cash flow statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
CF after elimination of net borrowing costs and taxes	2.2	5.5	7.2	8.2	8.9	9.4
ΔWCR	-3.7	0.3	0.3	0.2	-0.0	0.4
Operating cash flow	-1.5	5.8	7.4	8.4	8.8	9.8
Net capex	-3.9	-2.3	-1.0	-2.7	-3.0	-3.1
FCF	-5.4	3.6	6.4	5.6	5.9	6.7
Acquisitions/Disposals of subsidiaries	-0.0	0.0	-0.0	-0.3	0.0	0.0
Other investments	-0.1	0.0	-0.1	-0.1	-0.1	-0.1
Change in borrowings	1.3	2.7	1.2	0.0	0.0	0.0
Dividends paid	-0.6	-0.3	-1.1	-1.3	-1.5	-1.6
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Others	5.6	0.0	-0.2	0.0	0.0	0.0
Changes in exchange rates	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	0.5	6.7	5.9	3.7	4.1	4.7
-						
ROA (%)	5.1%	6.4%	9.3%	9.3%	9.3%	9.0%
ROE (%)	12.1%	15.1%	21.2%	19.7%	18.6%	17.1%
ROCE (%)	9.0%	13.7%	35.7%	38.4%	40.7%	42.3%



DISCLAIMER

Analyst certifications

This research report (the "Report") has been approved by Midcap, a business division of TP ICAP (Europe) SA ("Midcap"), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR"). By issuing this Report, each Midcap analyst and associate whose name appears within this Report hereby certifies that (i) the recommendations and opinions expressed in the Report accurately reflect the research analyst's and associate's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's or associate's compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the Report.

Methodology

This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.

2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.

3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.

4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Ilpra



History of investment rating and target price - Ilpra



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment
		banking services**
Buy	87%	63%
Hold	13%	35%
Sell	1%	0%
Under review	0%	

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at https://researchtpicap.midcapp.com/en/disclaimer.



General Disclaimer

This Report is published for information purposes only and does not constitute a solicitation or an offer to buy or sell any of the securities mentioned herein. The information contained in this Report has been obtained from sources believed to be reliable, Midcap makes no representation as to its accuracy or completeness. The reference prices used in this Report are closing prices of the day before the publication unless otherwise stated. All opinions expressed in this Report reflect our judgement at the date of the documents and are subject to change without notice. The securities discussed in this Report may not be suitable for all investors and are not intended to recommend specific securities, financial instruments, or strategies to particular clients. Investors should make their own investment decisions based on their financial situation and investment objectives. The value of the income from your investment may vary due to changes in interest rates, changes in the financial and operating conditions of companies and other factors. Investors should be aware that the market price of the securities discussed in this Report may be volatile. Due to the risk and volatility of the industry, the company, and the market in general, at the current price of the securities, our investment rating may not correspond to the stated price target. Additional information regarding the securities mentioned in this Report is available on request.

This Report is not intended for distribution or use by any entity who is a citizen or resident of, or an entity located in any locality, territory, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to or limited by law or regulation. Entity or entities in possession of this Report must inform themselves about and comply with any such restrictions, including MIFID II. Midcap has adopted effective administrative and organizational arrangements, including "information barriers", to prevent and avoid conflicts of interest regarding investment recommendations. The remuneration of financial analysts who participate in the preparation of the recommendation is not linked to the corporate finance activity.