

<b>ILPRA</b>	<b>Italy</b>	<b>Euronext Growth Milan</b>	<b>Industrial Machinery</b>
<b>Rating: BUY (unch.)</b>	<b>Target Price € 7.00</b>	<i>(prev. € 7.50)</i>	<b>Update</b>
			<b>Risk: Medium</b>

Stock performance	1M	3M	6M	1Y
absolute	-2.12%	0.00%	-5.13%	-13.55%
to FTSE Italia Growth	3.73%	5.22%	11.09%	5.56%
to Euronext STAR MILAN	7.02%	11.65%	18.98%	16.51%
to FTSE All-Share	3.02%	6.27%	10.90%	5.71%
to EUROSTOXX	4.47%	6.03%	9.07%	4.27%
to MSCI World Index	7.81%	6.98%	16.36%	7.18%

#### Stock Data

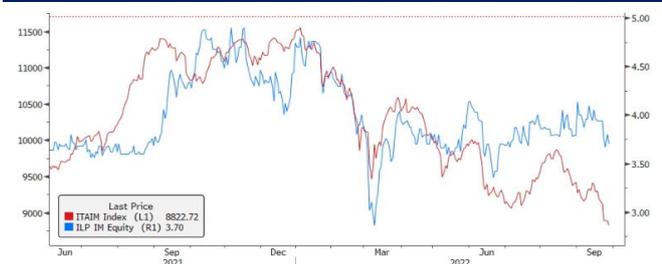
Price	€ 3.70
Target price	€ 7.00
Upside/(Downside) potential	89%
Bloomberg Code	ILP IM EQUITY
Market Cap (€m)	44.54
EV (€m)	41.15
Free Float	22.51%
Share Outstanding	12,038,600
52-week high	€ 5.10
52-week low	€ 2.74
Average daily volumes (3m)	3,000

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Revenues	44.0	47.5	51.3	54.5
EBITDA	9.0	10.0	11.0	11.8
EBIT	7.0	7.9	8.8	9.4
Net Profit	5.3	5.6	6.3	6.8
EPS (€)	0.44	0.46	0.52	0.56
EBITDA margin	20.5%	20.9%	21.5%	21.7%
EBIT margin	15.9%	16.5%	17.1%	17.2%
Net Profit margin	12.0%	11.7%	12.3%	12.4%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	4.6	4.1	3.7	3.5
EV/EBIT (x)	5.9	5.2	4.7	4.4
P/E (x)	8.5	8.0	7.1	6.6

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#### Stocks performance vs FTSE Italia Growth



#### 1H22A

Revenues for the first year half amounted to € 21.53 million, 6.1% up compared to € 20.30 million in 1H21A. The value of the production recorded an increase of 20.6% (€ 26.30 million in 1H22A vs € 21.80 million in 1H21A), mainly due to the increase in the warehouse on which the new acquisition MACS Srl affects for € 1.00 million. EBITDA amounted to € 4.65 million (€ 4.38 million in 1H21A) with EBITDA margin equal to 21.6% unchanged compared to the first half of last year. EBIT, after amortization and depreciation of € 1.03 million, amounted to € 3.43 million, slightly higher than the result of 1H21A of € 3.28 million. The NFP amounted to € 0.09 million, worsening compared to the cash positive value of € 3.39 million for FY21A.

#### Estimates Update

In light of the results published in the half-yearly report for 1H22A, we maintain our estimates substantially unchanged for both the current year and the coming years. In particular, we estimate FY22E value of production equal to € 47.50 million and EBITDA of € 9.95 million, corresponding to a marginality of 21.9%. For subsequent years, we expect the value of production to increase up to € 54.50 million (CAGR FY21A - FY24E: 7.4%) in FY24E, with EBITDA of € 11.80 million (corresponding to an EBITDA margin of 22.7%), up from € 9.01 million in FY21A (corresponding to an EBITDA margin of 21.3%).

#### Valuation Update

We have conducted the valuation of Ilpra equity value based on the DCF methodology and market multiples of a comparable companies sample. The DCF method (which in the calculation of the WACC includes for prudential purposes a specific risk of 2.5%) provides an equity value of € 81.7 million. The equity value of Ilpra using market multiples is equal to € 86.9 million (with a 25% discount). The result is an average equity value of € 84.3 million. The target price is € 7.00 (prev. € 7.50), BUY rating and MEDIUM risk.

## 1. Economics & Financials

**Table 1 – Economics & Financials**

<b>CONSOLIDATED INCOME STATEMENT (€/mln)</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenues	32,38	42,25	45,50	49,00	52,00
Other Revenues	3,97	1,77	2,00	2,25	2,50
<b>Value of Production</b>	<b>36,34</b>	<b>44,02</b>	<b>47,50</b>	<b>51,25</b>	<b>54,50</b>
COGS	13,11	15,70	17,00	18,30	19,40
Services	5,79	6,35	6,80	7,30	7,75
Use of asset owned by others	1,16	1,54	1,55	1,60	1,75
Employees	9,65	10,81	11,60	12,40	13,15
Other expenses	0,48	0,62	0,60	0,65	0,65
<b>EBITDA</b>	<b>6,16</b>	<b>9,01</b>	<b>9,95</b>	<b>11,00</b>	<b>11,80</b>
<i>EBITDA Margin</i>	<i>19,0%</i>	<i>21,3%</i>	<i>21,9%</i>	<i>22,4%</i>	<i>22,7%</i>
D&A	1,97	2,00	2,10	2,25	2,40
<b>EBIT</b>	<b>4,19</b>	<b>7,01</b>	<b>7,85</b>	<b>8,75</b>	<b>9,40</b>
<i>EBIT Margin</i>	<i>12,9%</i>	<i>16,6%</i>	<i>17,3%</i>	<i>17,9%</i>	<i>18,1%</i>
Financial Management	(0,21)	(0,22)	(0,18)	(0,15)	(0,20)
<b>EBT</b>	<b>3,98</b>	<b>6,79</b>	<b>7,67</b>	<b>8,60</b>	<b>9,20</b>
Taxes	0,79	1,52	2,10	2,30	2,45
<b>Consolidated Net Income</b>	<b>3,20</b>	<b>5,27</b>	<b>5,57</b>	<b>6,30</b>	<b>6,75</b>
Minorities	0,50	0,81	1,11	1,26	1,35
%	15%	20%	20%	20%	20%
Group Net Income	2,70	4,46	4,46	5,04	5,40
%	85%	85%	80%	80%	80%

<b>BALANCE SHEET (€/mln)</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
<b>Fixed Asset</b>	<b>12,09</b>	<b>11,22</b>	<b>12,00</b>	<b>12,65</b>	<b>13,20</b>
Account Receivable	9,13	10,69	12,65	13,10	13,60
Inventories	13,67	12,58	17,15	17,55	17,95
Account Payable	8,67	9,17	10,75	11,40	12,50
<b>Operating Working Capital</b>	<b>14,13</b>	<b>14,10</b>	<b>19,05</b>	<b>19,25</b>	<b>19,05</b>
Other Receivable	5,18	6,06	7,15	7,45	7,80
Other Payable	5,41	6,84	6,35	6,50	6,70
<b>Net Working Capital</b>	<b>13,90</b>	<b>13,32</b>	<b>19,85</b>	<b>20,20</b>	<b>20,15</b>
Severance Indemnities & Other Provisions	2,92	3,06	3,30	3,60	3,90
<b>NET INVESTED CAPITAL</b>	<b>23,08</b>	<b>21,48</b>	<b>28,55</b>	<b>29,25</b>	<b>29,45</b>
Share Capital	2,41	2,41	2,41	2,41	2,41
Reserves	15,53	17,19	20,48	23,95	27,87
Net Income	3,20	5,27	5,57	6,30	6,75
<b>Equity</b>	<b>21,14</b>	<b>24,87</b>	<b>28,45</b>	<b>32,66</b>	<b>37,03</b>
Cash & Cash Equivalent	10,14	16,10	11,70	13,81	16,68
Short Term Debt	4,68	5,43	5,00	4,20	3,60
M/L Term Debt	7,40	7,28	6,80	6,20	5,50
<b>Net Financial Position</b>	<b>1,95</b>	<b>(3,39)</b>	<b>0,10</b>	<b>(3,41)</b>	<b>(7,58)</b>
<b>SOURCES</b>	<b>23,08</b>	<b>21,48</b>	<b>28,55</b>	<b>29,25</b>	<b>29,45</b>

<b>CASH FLOW (€/mln)</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EBIT	4,19	7,01	7,85	8,75	9,40
Taxes	0,79	1,52	2,10	2,30	2,45
<b>NOPAT</b>	<b>3,40</b>	<b>5,49</b>	<b>5,75</b>	<b>6,45</b>	<b>6,95</b>
D&A	1,97	2,00	2,10	2,25	2,40
Change in Account Receivable	0,20	(1,56)	(1,96)	(0,45)	(0,50)
Change in Inventories	(1,13)	1,09	(4,57)	(0,40)	(0,40)
Change in Account Payable	0,78	0,50	1,58	0,65	1,10
Other Changes	0,98	0,55	(1,58)	(0,15)	(0,15)
<i>Change in NWC</i>	<i>0,83</i>	<i>0,58</i>	<i>(6,53)</i>	<i>(0,35)</i>	<i>0,05</i>
Change in Provision	0,27	0,15	0,24	0,30	0,30
<b>OPERATING CASH FLOW</b>	<b>6,47</b>	<b>8,22</b>	<b>1,56</b>	<b>8,65</b>	<b>9,70</b>
Investments	(2,37)	(1,13)	(2,88)	(2,90)	(2,95)
<b>FREE CASH FLOW TO FIRM</b>	<b>4,10</b>	<b>7,09</b>	<b>(1,32)</b>	<b>5,75</b>	<b>6,75</b>
Financial Management	(0,21)	(0,22)	(0,18)	(0,15)	(0,20)
Change in Payable to Bank	2,24	0,63	(0,91)	(1,40)	(1,30)
Change in Equity	0,62	(1,54)	(1,99)	(2,10)	(2,37)
<b>FREE CASH FLOW TO EQUITY</b>	<b>6,75</b>	<b>5,97</b>	<b>(4,40)</b>	<b>2,10</b>	<b>2,88</b>

Source: ILPRA and Integrae SIM estimates

## 1.1 1H22A Results

**Table 2 – 1H22A vs 1H21A**

(€/mln)	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP
<b>1H22A</b>	<b>21,5</b>	<b>4,6</b>	<b>21,6%</b>	<b>3,6</b>	<b>2,6</b>	<b>0,1</b>
1H21A	20,3	4,4	21,6%	3,4	2,6	(3,39)*
<i>Change</i>	<i>6,1%</i>	<i>6,1%</i>	<i>0,0%</i>	<i>6,0%</i>	<i>0,8%</i>	<i>N/A</i>

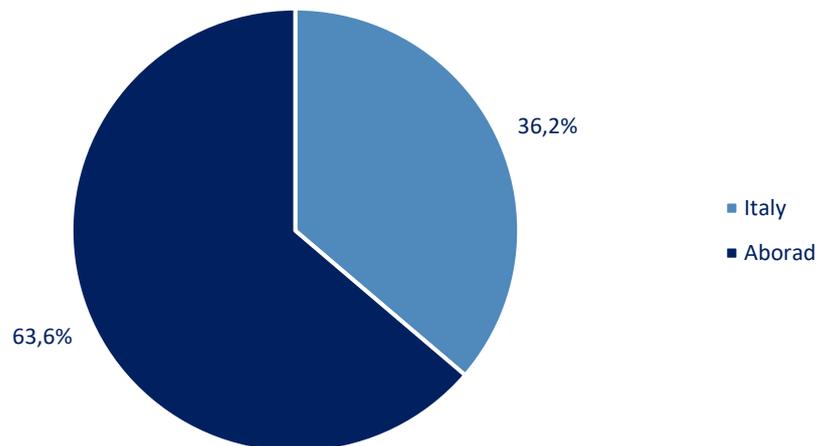
Source: Integrae SIM

\*NFP as of 31/12/2021

Through a press release, Maurizio Bertocco, Chairman and CEO of ILPRA, commenting on the half-yearly results, declares: *"Our Group continues its development and closes a further half-year with performances that show significant growth in revenues, which stand at € 21.5 million, excellent marginality (EBITDA margin of 21.6%) despite the increase in raw material costs and strong investments made and a solid balance of assets, with Shareholders' Equity of € 26.4 million and NFP of € 0.1 million. The strategic choices made, with extreme foresight, allow us to face with serenity the complex international situation, both on the front of the energy emergency, having the Group ensured almost all of its needs through the photovoltaic system of the production plant in Mortara, and on the front of the shortage of electronic material and raw material, having increased the warehouse to guarantee production in the following months as well as to reduce the time to market of the products."*

Revenues for the first year half amounted to € 21.53 million, 6.1% up compared to € 20.30 million in 1H21A. The value of the production recorded an increase of 20.6% (€ 26.30 million for 1H22A vs € 21.80 million for 1H21A), mainly due to the increase in the warehouse on which the new acquisition MACS Srl affects for € 1.00 million.

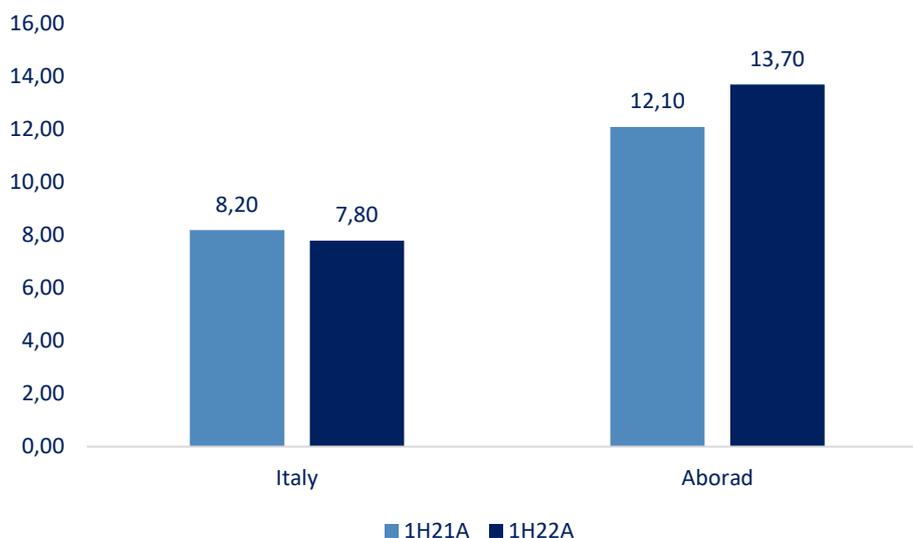
**Chart 1 – Revenues Breakdown by Region 1H22A**



Source: ILPRA

The graph shows the breakdown of revenues by geographical area: 36.2% (about 40% in 1H21A) of the total was generated in Italy: € 7.80 million the result in 1H22A, compared to € 8.20 million in 1H21A (- 4.9%). The remaining part, 63.6% (about 60% in 1H21A), is realized abroad, with € 13.7 million compared to € 12.1 million for 1H21A.

**Chart 2 – Revenues Breakdown by Region 1H22A vs 1H21A**



Source: ILPRA

EBITDA amounted to € 4.65 million (€ 4.38 million in 1H21A) with an EBITDA margin equal to 21.6% unchanged compared to the first half of last year. Despite the strong investments made by the group, to develop new markets and new products, and the increase in the costs of raw materials, the Ilpra Group has maintained a good marginality thanks to the quality of its products and the widespread presence on the market of a qualified sales force.

EBIT, after amortization and depreciation of € 1.03 million, amounted to € 3.43 million, slightly higher than the result of 1H21A of € 3.28 million.

The NFP amounted to € 0.09 million, worsening compared to the cash positive value of € 3.39 million for FY21A. The negative variation is due, in addition to investments in M&A transactions, relating in particular to the acquisition of MACS Srl, also to the increase in Employees in order to be able to better address the market and to the increase in the warehouse, both to reduce the time to market of the products and to guarantee production in the following months.

The total Net Income (Group plus third parties) also grew, amounting to € 2.59 million compared to € 2.57 million recorded at the end of the first half of last year, for a growth of 0.8%.

## 1.2 FY22E – FY24E Estimates

**Table 3 – Estimates Updates FY22E - FY24E**

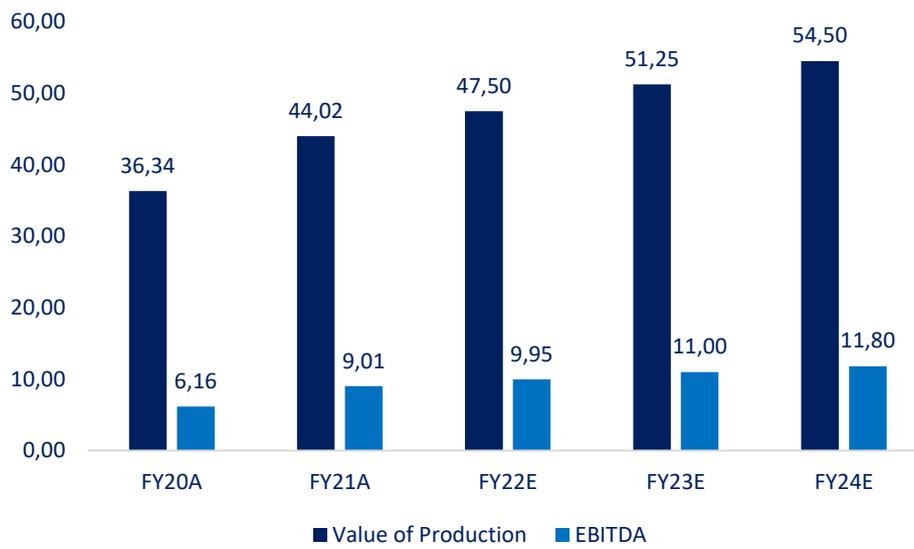
€/mln	FY22E	FY23E	FY24E
<b>Revenues</b>			
New	<b>45,5</b>	<b>49,0</b>	<b>52,0</b>
Old	45,5	49,0	52,0
Change	0,0%	0,0%	0,0%
<b>EBITDA</b>			
New	<b>10,0</b>	<b>11,0</b>	<b>11,8</b>
Old	10,0	11,0	11,8
Change	0,0%	0,0%	0,0%
<b>EBITDA %</b>			
New	<b>21,9%</b>	<b>22,4%</b>	<b>22,7%</b>
Old	21,9%	22,4%	22,7%
Change	0,0%	0,0%	0,0%
<b>EBIT</b>			
New	<b>7,9</b>	<b>8,8</b>	<b>9,4</b>
Old	7,9	8,8	9,4
Change	0,0%	0,0%	0,0%
<b>Net Income</b>			
New	<b>5,6</b>	<b>6,3</b>	<b>6,8</b>
Old	5,6	6,3	6,8
Change	0,0%	0,0%	0,0%
<b>NFP</b>			
New	<b>0,1</b>	<b>(3,4)</b>	<b>(7,6)</b>
Old	(3,7)	(7,3)	(10,9)
Change	N/A	N/A	N/A

Source: Integrae SIM

In light of the results published in the half-yearly report for 1H22A, we maintain our estimates substantially unchanged for both the current year and the coming years.

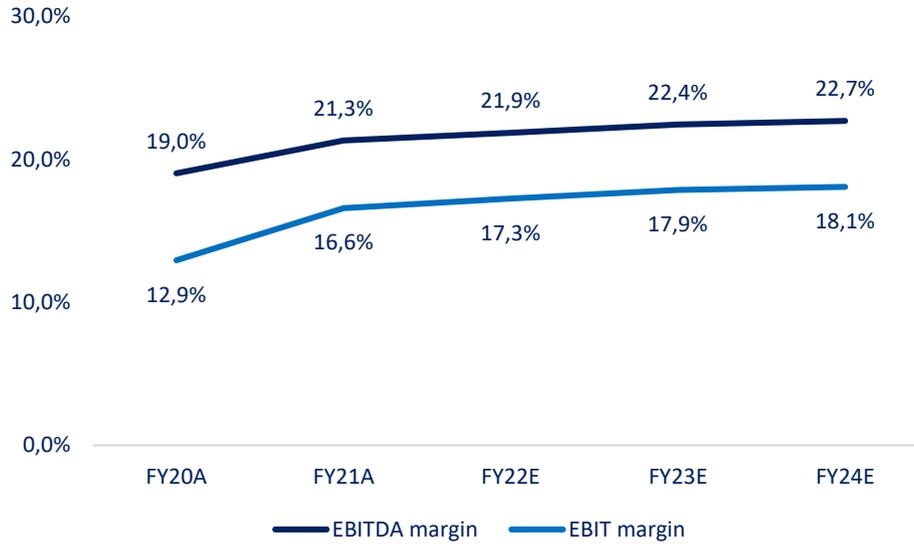
In particular, we estimate the FY22E value of production equal to € 47.50 million and EBITDA of € 9.95 million, corresponding to a marginality of 21.9%. For subsequent years, we expect the value of production to increase up to € 54.50 million (CAGR 21A-24E: 7.4%) in FY24E, with EBITDA of € 11.80 million (corresponding to an EBITDA margin of 22.7%), up from € 9.01 million in FY21A (corresponding to an EBITDA margin of 21.3%). The only adjustment compared to previous estimates was made to the Company's NFP forecast, due to the costs incurred for the acquisition of MACS Srl and the need to fund working capital. According to our expectations, the NFP could reach a cash positive value of € 7.58 million in FY24E.

**Chart 3 – VoP and EBITDA FY20A - FY24E**



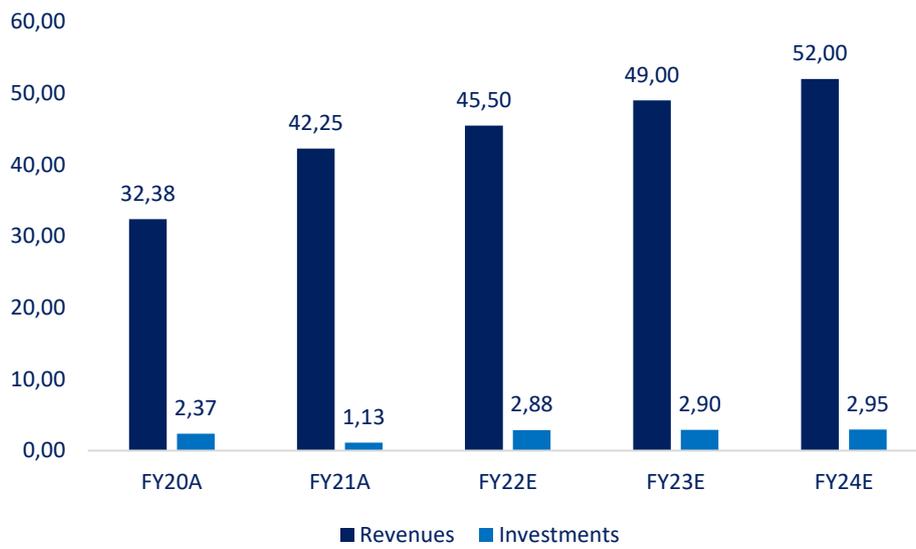
Source: Integrae SIM

**Chart 4 – Margin FY20A - FY24E**



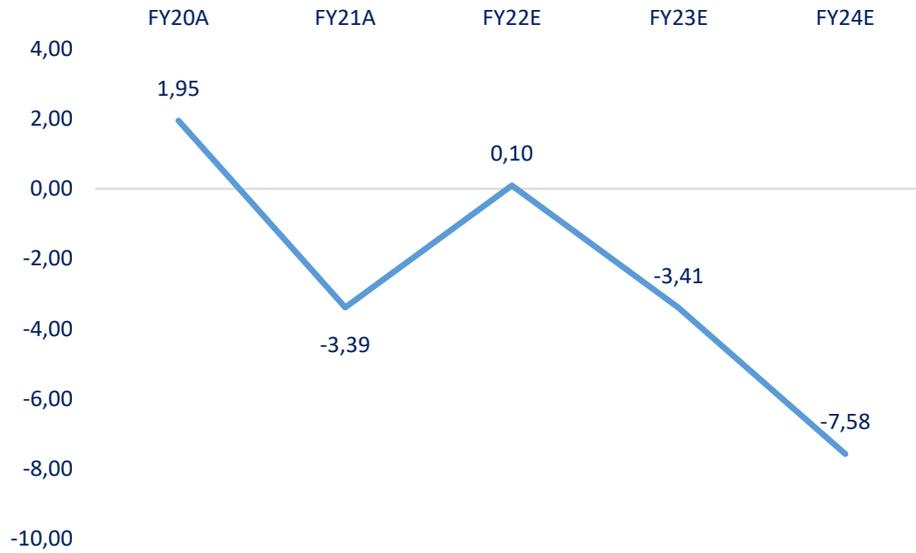
Source: Integrae SIM

**Chart 5 – Capex FY20A - FY24E**



Source: Integrae SIM

**Chart 6 – NFP FY20A - FY24E**



Source: Integrae SIM

## 2. Valuation

We have conducted the valuation of ILPRA's equity value based on the DCF methodology and market multiples of a comparable companies sample.

### 2.1 DCF Method

**Table 4 – WACC**

WACC		8,86%
Risk Free Rate	2,18% $\alpha$ (specific risk)	2,50%
Market Premium	9,08% Beta Adjusted	0,90
D/E (average)	53,85% Beta Relevered	1,25
Ke	12,85% Kd	2,00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 8.86%.

**Table 5 – DCF Valuation**

DCF Equity Value (€/mIn)		81,7
FCFO actualized	9,2	12%
TV actualized DCF	69,2	88%
<b>Enterprise Value</b>	<b>78,3</b>	100%
NFP (FY21A)	-3,4	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 81.7 million**.

**Table 6 – Equity Value – Sensitivity Analysis**

€/mIn	WACC						
	7,4%	7,9%	8,4%	8,9%	9,4%	9,9%	10,4%
2,5%	129,7	117,2	106,8	98,1	90,6	84,2	78,6
2,0%	118,8	108,3	99,4	91,8	85,3	79,6	74,6
<b>Growt</b>	1,5%	109,8	100,8	93,1	86,4	80,7	75,6
<b>h Rate</b>	1,0%	102,1	94,3	87,6	81,7	76,6	72,0
<b>(g)</b>	0,5%	95,6	88,8	82,8	77,6	73,0	68,8
	0,0%	90,0	83,9	78,6	73,9	69,7	66,0
	-0,5%	85,1	79,7	74,9	70,6	66,8	63,4

Source: Integrae SIM

## 2.2 Market multiples

Our panel is made up of companies operating in the same sector as ILPRA. These companies are the same ones used for the calculation of Beta for the DCF method. The Panel is composed of:

**Table 7 – Market Multiples**

Company name	EV/EBITDA (x)			EV/EBIT (x)		
	2022E	2023E	2024E	2022E	2023E	2024E
Krones AG	6,7	5,7	5,2	11,3	8,4	7,7
GEA Group Aktiengesellschaft	23,6	21,8	20,5	32,6	29,6	27,5
Alfa Laval AB	12,2	10,6	10,1	15,7	12,7	12,0
John Bean Technologies Corp.	11,2	9,5	7,9	15,6	12,8	10,7
<b>Median</b>	<b>11,7</b>	<b>10,0</b>	<b>9,0</b>	<b>15,7</b>	<b>12,7</b>	<b>11,3</b>

Source: Infinancials

**Table 8 – Market Multiples Valuation**

€/mln	FY22E	FY23E	FY24E
<b>Enterprise Value (EV)</b>			
EV/EBITDA	116,0	110,4	106,3
EV/EBIT	122,9	111,5	106,5
<b>Equity Value</b>			
EV/EBITDA	115,9	113,8	113,84
EV/EBIT	122,8	114,9	114,0
<b>Equity Value post 25% discount</b>			
EV/EBITDA	86,9	85,3	85,4
EV/EBIT	92,1	86,2	85,5
<b>Average</b>	<b>89,5</b>	<b>85,8</b>	<b>85,5</b>

Source: Integrae SIM

The equity value of ILPRA using the market multiples EV/ EBITDA and EV/EBIT is equal to € 116.8 million. To this value, we have applied a 25% discount. **Therefore, as a result, the equity value is € 86.9 million.**

## 2.3 Equity Value

**Table 9 – Equity Value**

<b>Average Equity Value (€/mln)</b>	<b>84,3</b>
Equity Value DCF (€/mln)	81,7
Equity Value multiples (€/mln)	86,9
<b>Target Price (€)</b>	<b>7,00</b>

Source: Integrae SIM

The result is an average equity value of € 84.3 million. **The target price is, therefore, € 7.00 (prev. € 7.50). We confirm BUY rating and MEDIUM risk.**

**Table 10 – Target Price Implied Valuation Multiples**

<b>Implied Valuation Multiples</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EV/EBITDA	8.1x	7.4x	6.9x
EV/EBIT	10.3x	9.2x	8.6x

Source: Integrae SIM

**Table 11 – Current Price Implied Valuation Multiples**

<b>Implied Valuation Multiples</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EV/EBITDA	4.1x	3.7x	3.5x
EV/EBIT	5.2x	4.7x	4.4x

Source: Integrae SIM

## Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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28/09/2021	4,28	Buy	7,00	Medium	Update
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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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