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EQUITY RESEARCH

ILPRA
RESULTS REVIEW
Press release

BUY
TP 5.7€
Up/Downside: 31%

A New Demonstration of Value

FY 2022 confirms the group's value and its ability to maintain steady revenue and profit growth.

Yesterday, Ilpra released its FY 2022 results which landed above our expectations both in terms of revenue and margins. Revenue amounted to €49m (vs. €46m estimated), up 15% (+24% in H2-22), driven by a strong increase in demand, both on the local market (revenue +6%) than on the foreign market (revenue up +22%). Despite the current inflationary environment, which has led to an increase in production costs, the group has seen no impact on margins. Indeed, the Gross margin and the Ebitda margin increased respectively to reach 71.8% (vs. 67.6% estimated) and 23% (vs. 21.5% estimated). This improvement was due to: 1) a mix more focused on higher margin foreign sales; 2) raw material accounting for only 30% of machine costs (the rest being the cost of software and personnel); 3) the production cost increase was successfully passed on through selling prices. Indeed, the group counted on a growing demand, a very specialised and personalised product to easily justify the price increase. Furthermore, the group has not been particularly affected by the increase in energy costs, thanks to the photovoltaic panels which cover almost all of Ilpra Spa's energy needs. The increase in the cost of materials and an anticipated supply impacted WC, in particular the increase in inventories (+€7m). However, this increase was partly due to the nature of the group's business model. Ilpra has always had high inventory levels in order to guarantee a fast time to market with a solid competitive advantage. Despite the impact of WC, cash generation remains solid (FCF of €2m), which enables it to remunerate its investors by offering a dividend of €0.12/share (2.8% yield). The group's outlook remains positive, given: (1) a steadily increasing market demand, which should have a positive effect on the order book, and (2) the possible acquisition of Ponapack (binding agreement concluded, but transaction in the process of being finalised), a Turkish company, which would allow them to reduce production costs and gain access to new markets in the East (e.g. Iran), thus boosting sales. Based on these strong prospects, we have adjusted our 2023 revenue estimates to €53m (vs. €49m) and the 2023 EBITDA margin to 23.1% (vs. 21.8%).

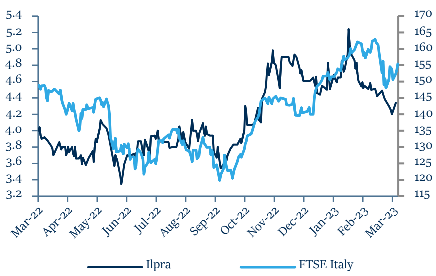
The significant liquidity (net cash of €3.5m) allows the group to consider other acquisitions during the year. Therefore, we have not excluded a pleasant surprise on the M&A side, which would further increase the group's value. Based on the results, our positive opinion is reinforced, as our Buy recommendation and TP, which increased to €5.7 (vs. €5.5 previously).

Key data	
Price (€)	4.3
Industry	Industrial Machinery
Ticker	ILP-IT
Shares Out (m)	12.039
Market Cap (m €)	52.2
Average trading volumes (k shares / day)	24.600

Ownership (%)	
Holds Srl	70.5
M. Bertocco	0.0
Free float	29.5

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.49	0.52	0.55
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.0	-4.4	-5.9
Rel FTSE Italy	-1.2	-1.6	-15.2



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e
Sales (m €)	48.7	53.2	55.9	58.1
Current Op Inc (m €)	8.8	9.7	10.3	10.7
Current op. Margin (%)	18.0	18.2	18.4	18.4
EPS (€)	0.43	0.49	0.52	0.55
DPS (€)	0.12	0.13	0.14	0.15
Yield (%)	2.8	3.0	3.3	3.4
FCF (m €)	1.8	3.2	6.1	8.1

Valuation Ratio	12/23e	12/24e	12/25e
EV/Sales	0.9	0.8	0.6
EV/EBITDA	3.8	3.3	2.7
EV/EBIT	4.9	4.2	3.4
PE	8.9	8.3	7.9

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	32.4	42.2	48.7	53.2	55.9	58.1
Changes (%)	1.0	30.5	15.3	9.2	5.0	4.1
Gross profit	23.2	28.3	35.0	38.2	40.3	41.9
% of Sales	71.8	67.0	71.8	71.9	72.1	72.1
EBITDA	**6.2**	**9.0**	**11.2**	**12.3**	**13.0**	**13.6**
% of Sales	19.0	21.3	23.0	23.1	23.3	23.4
Current operating profit	**4.2**	**7.0**	**8.8**	**9.7**	**10.3**	**10.7**
% of Sales	12.9	16.6	18.0	18.2	18.4	18.4
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.2	7.0	8.8	9.7	10.3	10.7
Net financial result	-0.2	-0.2	-0.5	-0.5	-0.5	-0.5
Income Tax	-0.8	-1.5	-1.8	-2.1	-2.2	-2.3
Tax rate (%)	19.7	-22.4	-22.4	-22.4	-22.4	-22.4
Net profit, group share	**2.7**	**4.5**	**5.2**	**5.9**	**6.3**	**6.6**
EPS	0.22	0.37	0.43	0.49	0.52	0.55

Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	0.4	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	11.1	10.7	12.3	14.1	16.0	17.9
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.5	0.5	0.5	0.5	0.5	0.5
Working capital	15.2	13.3	17.0	19.4	19.2	17.4
Other Assets	0.2	0.0	0.0	0.0	0.0	0.0
Assets	27.5	24.5	29.9	34.0	35.8	35.8
Shareholders equity group	18.3	22.1	25.9	30.4	35.1	40.0
Minorities	2.8	2.7	3.9	5.2	6.4	7.7
LT & ST provisions and others	0.2	0.2	0.3	0.3	0.3	0.3
Net debt	1.9	-3.4	-3.5	-5.0	-9.3	-15.4
Other liabilities	2.3	2.9	3.2	3.2	3.2	3.2
Liabilities	27.5	24.5	29.9	34.0	35.8	35.8
Net debt excl. IFRS 16	1.9	-3.4	-3.5	-5.0	-9.3	-15.4
Gearing net	0.1	-0.1	-0.1	-0.1	-0.2	-0.3
Leverage	0.3	-0.4	-0.3	-0.4	-0.7	-1.1

Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	5.5	7.2	9.4	10.2	10.8	11.3
ΔWCR	0.3	0.3	-3.3	-2.3	0.1	1.8
Operating cash flow	5.8	7.4	6.1	7.9	10.9	13.1
Net capex	-2.3	-1.0	-3.8	-4.2	-4.4	-4.6
FCF	3.3	6.2	1.8	3.2	6.1	8.1
Acquisitions/Disposals of subsidiaries	0.0	-0.0	-0.3	0.0	0.0	0.0
Other investments	0.0	-0.1	0.2	0.0	0.0	0.0
Change in borrowings	2.7	1.2	1.1	0.0	0.0	0.0
Dividends paid	-0.3	-1.1	-2.0	-1.4	-1.6	-1.7
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	-0.2	-0.3	0.0	0.0	0.0
Others	0.0	0.0	0.9	-0.2	-0.2	-0.2
Change in net cash over the year	7.0	6.2	2.0	2.0	4.7	6.6

ROA (%)	6.4%	9.3%	8.7%	9.0%	8.9%	8.6%
ROE (%)	15.1%	21.2%	21.7%	20.1%	18.3%	16.6%
ROCE (%)	13.5%	34.9%	36.0%	34.9%	35.1%	36.5%

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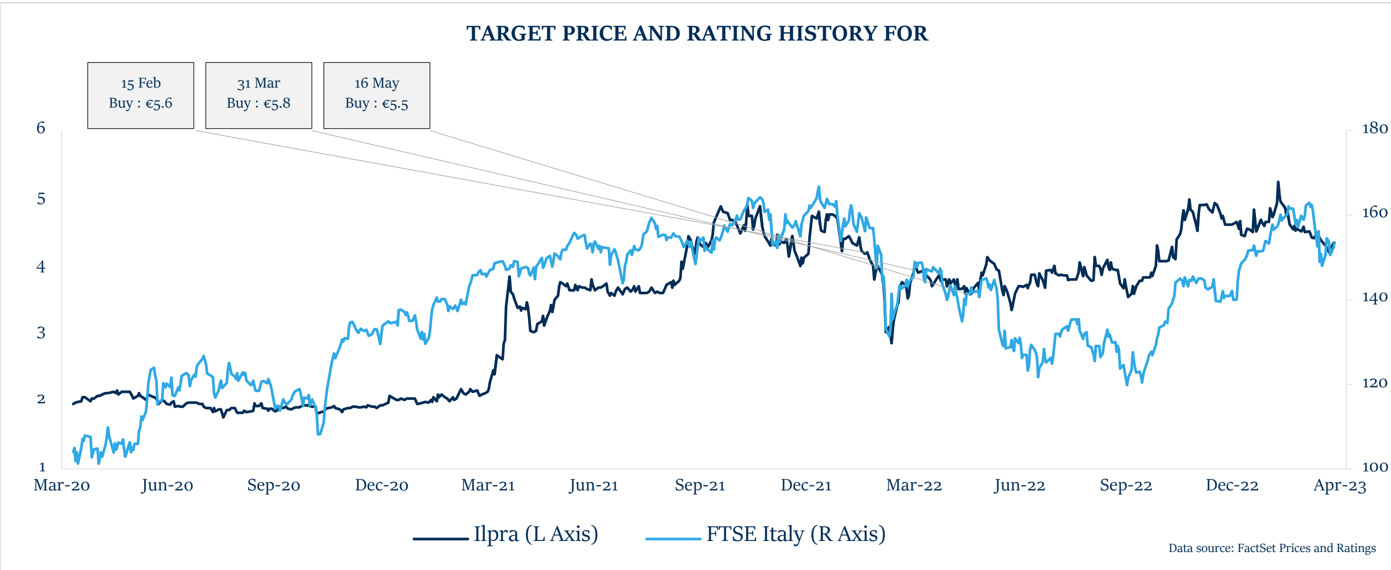
This Report may mention evaluation methods defined as follows:
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, 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 between TP ICAP Midcap and the Issuer

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	84%	65%
Hold	14%	38%
Sell	1%	50%
Under review	1%	0%

Midcap employs a rating system based on the following:
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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.

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