

EQUITY RESEARCH

ILPRA

NEWS

Press release

BUY

TP 6.8€

Up/Downside: 36%

Pentavac Acquisition Finalised

ILPRA completed the acquisition of Pentavac, strengthening its business proposition and consolidating its position as a leading player in the industry.

Yesterday, ILPRA announced the completion of its acquisition of Pentavac, thus taking another important step in the group's growth.

Pentavac is an Italian player specialising in vertical packaging machines ("vffs"). In 2022, it generated revenue of approximately €5m and an Ebitda margin of 24.2%.

The operation's strategic value. The transaction comes on top of the recent acquisition of IDM Automation completed a few weeks ago. Like the latter, Pentavac is part of the group's desire to strengthen its commercial offer by broadening its portfolio's range of solutions and developing its customer network (local and foreign). Unlike IDM, Pentavac generates a higher margin than the group thanks to its customized solutions; therefore, we believe the target can provide an additional boost in terms of profitability. Both acquisitions were highly strategic and complementary and should allow the group to generate multiple cost and sales synergies, as well as guaranteeing the strengthening of its competitive position in the Italian market and abroad.

Rising estimates. Based on these integrations, we have adjusted our estimates. We believe that thanks to the acquisitions' contribution, particularly from a commercial point of view, and a flourishing market (Q1'23 revenue up 23%, with a 4% CAGR'26 (source: UCIMA), the group should be able to generate 2023 revenue of €58m (vs. €53m) and €66m in 2024 (vs. €56m). Despite Pentavac's higher margins, we believe that the IDM integration, which has a lower EBITDA margin (7% in 2022), will have a neutral impact on the group's profits. 2023 EBITDA margin estimates have been confirmed at around 23% in the short-term. However, we believe that the group has the potential to move towards a normative EBITDA margin of around 25% in the long-term. As a result of our new revenue estimates, we are increasing our 2023 EPS estimates by 10%. The transactions were carried out entirely with available cash, attesting to the group's significant liquidity, with ILPRA favouring to finance growth using its own resources.

Recommendation. Following the adjustment of our estimates and market parameters, our TP has been upgraded to €6.8 (vs. €5.7 previously). Our positive opinion of the group has been obviously confirmed and with it our Buy recommendation.

Key data

Price (€)	5.0
Industry	Industrial Machinery
Ticker	ILP-IT
Shares Out (m)	12.039
Market Cap (m €)	60.0
Average trading volumes (k shares / day)	7.200

Ownership (%)

Holds Srl	70.5
Free float	29.5

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.53	0.65	0.69
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.4	-3.3	8.0
Rel FTSE Italy	-0.4	-1.9	-5.1



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	48.7	58.0	66.3	69.6	EV/Sales	1.1	0.9	0.8
Current Op Inc (m €)	8.8	10.4	12.2	12.9	EV/EBITDA	4.8	4.1	3.6
Current op. Margin (%)	18.0	18.0	18.4	18.5	EV/EBIT	6.2	5.1	4.5
EPS (€)	0.43	0.53	0.65	0.69	PE	9.3	7.7	7.2
DPS (€)	0.12	0.14	0.18	0.19				
Yield (%)	2.4	2.9	3.5	3.8				
FCF (m €)	1.8	0.6	4.6	7.1				

Consensus FactSet - Analysts:2	12/23e	12/24e	12/25e
Sales	55.6	60.3	65.1
EBIT	10.4	11.6	12.8
Net income	6.0	6.7	7.5

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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	58.0	66.3	69.6
Changes (%)	1.0	30.5	15.3	19.1	14.3	5.0
Gross profit	23.2	28.3	35.0	41.7	47.8	50.2
% of Sales	71.8	67.0	71.8	71.9	72.1	72.1
EBITDA	6.2	9.0	11.2	13.4	15.4	16.3
% of Sales	19.0	21.3	23.0	23.1	23.3	23.4
Current operating profit	4.2	7.0	8.8	10.4	12.2	12.9
% of Sales	12.9	16.6	18.0	18.0	18.4	18.5
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.2	7.0	8.8	10.4	12.2	12.9
Net financial result	-0.2	-0.2	-0.5	-0.5	-0.5	-0.5
Income Tax	-0.8	-1.5	-1.8	-2.2	-2.6	-2.8
Tax rate (%)	19.7	-22.4	-22.4	-22.4	-22.4	-22.4
Net profit, group share	2.7	4.5	5.2	6.4	7.8	8.4
EPS	0.22	0.37	0.43	0.53	0.65	0.69
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	14.3	16.7	19.2
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.5	0.5	0.5	7.7	7.7	7.7
Working capital	15.2	13.3	17.0	22.5	25.0	25.5
Other Assets	0.2	0.0	0.0	0.0	0.0	0.0
Assets	27.5	24.5	29.9	44.5	49.5	52.4
Shareholders equity group	18.3	22.1	25.9	30.9	37.0	43.2
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	4.9	2.5	-2.0
Other liabilities	2.3	2.9	3.2	3.2	3.2	3.2
Liabilities	27.5	24.5	29.9	44.5	49.5	52.4
Net debt excl. IFRS 16	1.9	-3.4	-3.5	4.9	2.5	-2.0
Gearing net	0.1	-0.1	-0.1	0.1	0.1	-0.0
Leverage	0.3	-0.4	-0.3	0.4	0.2	-0.1
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	11.2	12.8	13.5
Δ WCR	0.3	0.3	-3.3	-5.5	-2.5	-0.4
Operating cash flow	5.8	7.4	6.1	5.7	10.3	13.1
Net capex	-2.3	-1.0	-3.8	-4.6	-5.2	-5.5
FCF	3.3	6.2	1.8	0.6	4.6	7.1
Acquisitions/Disposals of subsidiaries	0.0	-0.0	-0.3	-7.2	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	-1.7	-2.1
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	-0.4	-0.4	-0.4
Change in net cash over the year	7.0	6.2	2.0	-7.9	2.9	5.1
ROA (%)	6.4%	9.3%	8.7%	9.3%	10.0%	9.8%
ROE (%)	15.1%	21.2%	21.7%	21.4%	20.9%	18.9%
ROCE (%)	13.5%	34.9%	36.0%	28.6%	30.2%	30.1%

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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	82%	65%
Hold	16%	43%
Sell	1%	50%
Under review	1%	0%

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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.

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