

EQUITY RESEARCH

ILPRA
 RESULTS REVIEW

BUY

TP 7.0€ (vs 6.8€)
 Up/Downside: 37%

H1 2023: Double-Digit Growth

Against a challenging backdrop of high raw material prices and higher inventory levels, the group posted solid results for H1 2023.

Group revenue rose by +33.9% to €28.8m, with both market segments recording strong double-digit growth. Revenue generated in Italy rose to €10m (+28.2%), while foreign revenue increased to €18.8m (+37%), now accounting for around 65% of total group revenue (vs. 64% in H1 2022).

Despite the rise in raw material costs (by around +30%) and investments made throughout the half-year, EBITDA increased to €5.9m (+15.7%). To reduce its *time-to-market*, the group increased its inventory levels by around €5.5m (raw materials, semi-finished and finished products) since December 2022. This in turn put some pressure on the EBITDA margin, at 20.6% (vs. 23.8% in H1 2022), however still remains above the group's historical average (19.1%).

Following significant M&A activity in H1, the group's net debt increased to €15.9m. This change was mainly due to the acquisition of IDM Automation S.r.l. for €1.6m and Pentavac S.r.l. for €6.1m (both completed entirely using available cash), and the CAPEX deployed (€11.6m).

Management maintains a positive future outlook. According to UCIMA's latest market indicators, production rates are at their highest level since 2007, particularly at an international level. In fact, management expects the upward trend to continue throughout H2, with both revenue and order backlog increasing. Supported by a healthy order book and recent M&A activity, our current estimates have been confirmed.

Following the update of our market parameters and market peer comparisons, we are reiterating our Buy recommendation and upgrading our target price to €7 (from €6.8 previously).

Key data

Price (€)	5.1
Industry	Industrial Machinery
Ticker	ILP-IT
Shares Out (m)	12.039
Market Cap (m €)	61.4
Average trading volumes (k shares / day)	7.200
Next event	FY2023 - tbc

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	0.0	-1.9	10.6
Rel FTSE Italy	0.5	-3.9	-8.0



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e	Consensus FactSet - Analysts:2	12/23e	12/24e	12/25e
Sales (m €)	48.7	58.0	66.3	69.6	EV/Sales	1.1	1.0	0.9	Sales	55.6	60.3	65.1
Current Op Inc (m €)	8.8	10.4	12.2	12.9	EV/EBITDA	4.9	4.1	3.6	EBIT	10.4	11.6	12.8
Current op. Margin (%)	18.0	18.0	18.4	18.5	EV/EBIT	6.4	5.2	4.6	Net income	6.0	6.7	7.5
EPS (€)	0.43	0.53	0.65	0.69	PE	9.5	7.9	7.3				
DPS (€)	0.12	0.14	0.18	0.19								
Yield (%)	2.4	2.8	3.4	3.7								
FCF (m €)	1.8	0.6	4.6	7.1								

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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.

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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	80%	66%
Hold	16%	44%
Sell	3%	25%
Under review	1%	100%

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.

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