

## Interpump

Rating  
**BUY**

### Key takeaways from CEO conference call

Target price  
**EUR17.2**

The conference call with Interpump CEO Paolo Marinsek and CFO Carlo Banci yielded the following:

#### No significant slowdown in North America, management outlook positive

Management expects no significant slowdown in North America. Despite a potentially weaker truck market, Interpump now runs a much more diversified business. Following years of growth through acquisitions the truck sector now accounts for only 20% of the hydraulics division (ie, 10-12% of the total). Indeed some macro indicators – such as housing starts and manufacturing activity of sectors like agriculture – indicate better conditions ahead. While some US-based peers appear to be suffering due to unfavourable forex, it is likely that Interpump is gaining market share.

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#### Recovery also seen gaining further traction in Europe

Despite the gloomy start to the year in financial markets, management expect the recovery in Europe to gain traction supported by the ECB 's ongoing commitment to its QE programme. Low oil prices and a favourable EUR/USD forex meanwhile should continue to bolster exports.

#### Less exposed than most peers to emerging markets turmoil

Despite Interpump's presence in China as a producer for US end-markets, the group has very limited exposure to Chinese end-markets. Therefore the renminbi devaluation should play in Interpump's favour. In Brazil the group expects profitability to improve gradually in 2016 following recent restructuring and investment, that saw the group combine three companies into a single plant and cut back heavily on labour costs.

Key Financials & ratios (EUR/m)	2014 A	2015 E	2016 E	2017 E
Sales	685	859	1007	1052
Ebitda	134	166	202	213
Ebitda margin	19.56%	19.32%	20.06%	20.25%
Ebit	104	135	161	171
Ebit margin	15.18%	15.72%	15.99%	16.25%
EPS, adj.	0.52	0.73	0.88	0.95
EPS adj. growth		40.38%	20.55%	7.95%
P/E adj.	22.1	15.7	13.0	12.1
EV/Sales	2.0	1.6	1.4	1.3
EV/Ebitda	10.1	8.5	7.1	6.3
EV/Ebit	13.0	10.5	8.9	7.8
Net Debt/Ebitda	1.1	1.3	1.2	0.7
ROCE (%)	16.8%	17.5%	18.6%	20.5%
FCF yield (%)	0.84%	4.79%	6.64%	9.33%
Dividend yield (%)	1.48%	1.57%	1.92%	2.09%

Closing price  
**EUR11.48**

Market cap  
**EUR1.25bn**

Bloomberg  
**IP IM**

Trading vol.  
**575,761**

### **Outlook remains bright ahead of 2015 reporting**

Management ruled out any negative surprises in Q4 and FY2015 results due 12 February. Above all, positive organic growth is expected for 2016 in the low-mid- single digits, including for North America.

### **Further M&A ahead**

Interpump has enlarged and enriched its product portfolio with a period of intense M&A activity. In 2016 management expects to pursue significant commercial synergies by re-organising brands to exploit more cross-selling opportunities. Management confirmed they are looking at multiple deals and could finalise other acquisitions during H1 for about EUR60-70m of assets in both the hydraulics and water-jetting sectors (already priced in our model). So far Interpump has executed more than two-thirds of the target announced two years ago calling for EUR250m of acquisitions to reach EUR1bn of sales by end-2016.

### **BUY rating and EUR17.2 target price maintained**

After the call we confirm our estimates and reiterate our BUY rating with a target price of EUR17.2 per share.

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