

Downgrade to HOLD

HOLD (Prev. BUY)

Target: € 13.8 (Prev. € 15.8)

Risk: Medium

STOCK DATA

Price €	12.9
Bloomberg code	IP IM
Market Cap. (€ mn)	1,377
Free Float	80%
Shares Out. (mn)	108.9
52-week range	11.35 - 15.95
Daily Volumes (mn)	0.20

PERFORMANCE

	1M	3M	12M
Absolute	-7.6%	1.8%	9.9%
Rel. to FTSE all shares	-2.6%	11.1%	-1.9%

MAIN METRICS

	2014	2015E	2016E
Revenues	672	889	901
EBITDA	136	178	184
Net income	57	115	86
Adj. EPS - € cents	57.5	75.1	79.6
DPS ord - € cents	18.0	23.0	28.0

MULTIPLES

	2014	2015E	2016E
P/E adj	19.6 x	17.2 x	16.2 x
EV/EBITDA	10.2 x	9.4 x	8.7 x

REMUNERATION

	2014	2015E	2016E
Div. Yield ord	1.6%	1.8%	2.2%
FCF yield	3.4%	4.9%	6.9%

INDEBTEDNESS

	2014	2015E	2016E
NFP	-152	-276	-205
Debt/EBITDA	1.1 x	1.6 x	1.1 x
Interests cov	25.3 x	25.1 x	26.8 x

PRICE ORD LAST 365 DAYS



ANALYSTS

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January 11, 2016

#2

MACRO HEADWINDS INTENSIFY

We downgrade Interpump to HOLD on a deteriorating macro outlook and strong outperformance vs. the main peers and reference sector. We trim our 2016 expectations (sales -2%, EPS -4%) to factor in a tougher North American market.

■ Deteriorating macro outlook in North America

In the last part of 2015, **the macro outlook on the North American industrial business deteriorated**. Outlook for 2016 in North America provided in December by ACT points to a **sharp drop (-23%) in heavy truck production**, well below the previous indications provided in mid-October by the main OEM manufacturers (e.g. -10% according to Volvo). **No support is coming from the agricultural business**, still expected to remain subdued at worldwide level throughout the full 2016. Last but not least, outlook provided by relevant global competitors in the hydraulic business like **Parker Hannifin has been quite gloomy** and is pointing to a -14/10% decline in sales at constant currency in both North America and International markets for the FY ending in June 2016 (double digit decline implied for the 1H16).

■ Interpump: room to outperform the market but not to defy gravity

We think **Interpump (IP) has room to gain market share**, thanks to the acquisitions and initiatives carried forward in the last 2-3 years. We expect North American hydraulic business to be supported by the broadening of the product portfolio (push on distribution of cylinders started in 2015 and hoses are targeted for 2016). However, **given the weaker macro scenario, we think it is more appropriate to factor in a moderate (-3%) decline in organic sales in North America** vs. company prospects of moderately positive organic growth.

We have therefore trimmed our estimates for 2016-2017, moving our organic top-line expectation from slightly positive (+2%) to marginally negative (-1%) and **cutting our EPS by 4% to €0.8**. We have confirmed our **expectations of €6-7 mn efficiency gains at group level**, thanks to the cost initiatives launched in 2015 **able to deliver moderate profit growth (+6%) in spite of the slightly negative top-line assumptions**. Our estimates are now **3% below consensus in terms of sales and 4% below consensus in terms of EPS**.

■ Outperformance vs. peers and reference sector less sustainable

In the last 12 months the stock **outperformed the Eurostoxx Industrial Index by 11% and the main industrial peers like Parker Hannifin by 30%** (in euro terms). **This pushed IP multiples above sector average (in line in terms of EV/EBIT on 2016-2017 and 30% premium in terms of PE due to IP higher tax rate)**. In our view, IP outperformance has already factored in its better organic prospects and its successful acquisition/integration strategy.

We cut our target to €13.8 (from €15.8) based on 16x PE 2017 discounted to present (from 18x) due to lower EPS momentum and higher rates.

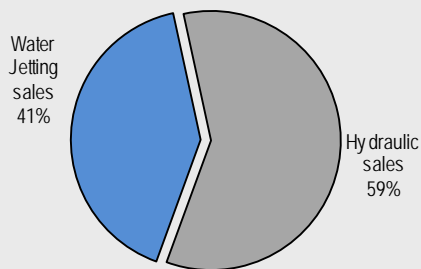
We move to HOLD on the stock, given:

- **good end-market and geographical diversification, synergies** from recent acquisitions and **additional M&A opportunities** offset by
- **outperformance vs. reference sector and peers, deterioration in North American outlook** leaving some risk on consensus estimates and higher-than-peers multiples.

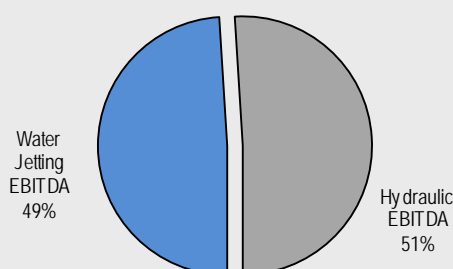
MAIN FIGURES € mn	2012	2013	2014	2015E	2016E	2017E
Revenues	527	557	672	889	901	948
Growth	12%	6%	21%	32%	1%	5%
EBITDA	105	105	136	178	184	200
Growth	10%	1%	29%	31%	3%	9%
Adjusted EBITDA	106	106	136	178	184	200
Growth	12%	1%	28%	31%	3%	9%
EBIT	83	79	104	136	142	158
Growth	9%	-4%	32%	31%	4%	12%
Profit before tax	75	71	93	162	134	150
Growth	12%	-5%	31%	74%	-17%	12%
Net income	51	43	57	115	86	96
Growth	25%	-16%	32%	102%	-25%	12%
Adj. net income	47	46	61	82	87	97
Growth	10%	-2%	32%	35%	6%	12%
MARGIN	2012	2013	2014	2015E	2016E	2017E
Ebitda Margin	19.8%	18.9%	20.3%	20.0%	20.4%	21.1%
Ebitda adj Margin	20.0%	19.1%	20.3%	20.0%	20.4%	21.1%
Ebit margin	15.7%	14.3%	15.5%	15.3%	15.7%	16.7%
Pbt margin	14.2%	12.8%	13.9%	18.2%	14.9%	15.9%
Ni rep margin	9.8%	7.8%	8.5%	13.0%	9.5%	10.2%
Ni adj margin	8.9%	8.3%	9.0%	9.2%	9.6%	10.2%
SHARE DATA	2012	2013	2014	2015E	2016E	2017E
EPS - € cents	55.1	40.8	55.0	108.2	80.6	90.5
Growth	23%	-26%	35%	97%	-25%	12%
Adj. EPS - € cents	49.2	42.7	57.5	75.1	79.6	89.3
Growth	8%	-13%	35%	31%	6%	12%
DPS ord - € cents	17.0	17.0	18.0	23.0	28.0	33.0
BVPS - €	3.6	3.9	4.2	5.1	5.7	6.3
VARIOUS - € mn	2012	2013	2014	2015E	2016E	2017E
Capital employed	471	522	619	839	831	838
FCF	38	41	39	68	95	91
Capex	18	30	34	32	32	33
Working capital	149	156	201	266	272	289
INDEBTNESS - €mn	2012	2013	2014	2015E	2016E	2017E
NFP	-75	-89	-152	-276	-205	-145
D/E	0.19 x	0.21 x	0.33 x	0.50 x	0.33 x	0.21 x
Debt/EBITDA	0.7 x	0.8 x	1.1 x	1.6 x	1.1 x	0.7 x
Interests cov	15.2 x	17.1 x	25.3 x	25.1 x	26.8 x	29.2 x
MARKET RATIOS	2012	2013	2014	2015E	2016E	2017E
P/E ord	10.3 x	20.7 x	20.4 x	11.9 x	16.0 x	14.3 x
P/E ord Adj	11.5 x	19.9 x	19.6 x	17.2 x	16.2 x	14.5 x
PBV	1.4 x	2.1 x	2.5 x	2.5 x	2.2 x	2.0 x
P/CF	7.7 x	12.7 x	12.6 x	11.2 x	10.7 x	9.9 x
EV FIGURES	2012	2013	2014	2015E	2016E	2017E
EV/Sales	1.2 x	1.8 x	2.1 x	1.9 x	1.8 x	1.6 x
EV/EBITDA	5.9 x	9.5 x	10.2 x	9.4 x	8.7 x	7.7 x
EV/EBIT	7.4 x	12.6 x	13.3 x	12.3 x	11.3 x	9.8 x
EV/CE	1.3 x	1.9 x	2.2 x	2.0 x	1.9 x	1.8 x
REMUNERATION	2012	2013	2014	2015E	2016E	2017E
Div. Yield ord	3.0%	2.0%	1.6%	1.8%	2.2%	2.6%
FCF yield	7.1%	4.5%	3.4%	4.9%	6.9%	6.6%
ROE	13.4%	11.3%	13.7%	16.1%	14.8%	14.9%
ROCE	12.7%	10.1%	11.4%	13.4%	11.0%	12.3%

Source: EQUITA SIM estimates & company data

SALES BREAKDOWN - 2014



EBITDA BREAKDOWN - 2014

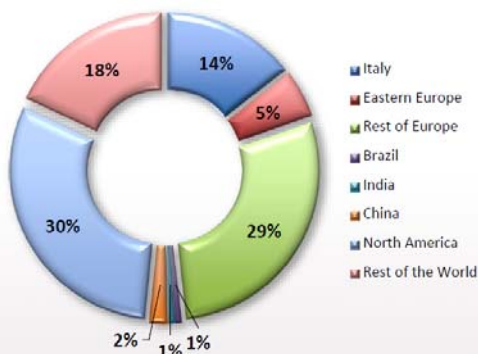


IP HISTORICAL PRE-TAX ROCE



* Based on IGAAP from 1996 to 2003, IFRS as of 2004
Source: Company presentation

SALES GEOGRAPHICAL BREAKDOWN - 2014



BUSINESS DESCRIPTION: A MARKET LEADER IN NICHE MECHANICAL SECTORS, VERY ACTIVE IN M&A

Interpump (IP) is an industrial group active in the mechanical component industry.

In 2013 around 86% of sales were generated outside of Italy and 60% were manufactured by Group’s subsidiaries outside of Italy.

IP top-line growth has been supported by moderate organic performance (IP operates in mature niche markets offering mid-single-digit growth opportunities) and by lively M&A (generating around 70% of group historical top-line growth).

IP operates in two major sectors:

- Water Jetting (41% of group sales and 49% of group EBITDA in 2014)
- Hydraulic (59% of group sales and 51% of group EBITDA in 2014)

Water jetting (41% of group sales and 49% of group FY14 EBITDA)

Interpump Group is the world’s largest manufacturer of high and ultra-high pressure plunger pumps, with a market share of 40-50%. High pressure pumps are used in high pressure cleaners, car wash systems, forced lubrication of tooling machines, water desalination with reverse osmosis and many other applications. Ultra high pressure pumps and systems are used for cleaning surfaces, ships, pipes, but also for deburring, cutting and removal of concrete, asphalt and paint from stone, cement or metal surfaces and for cutting solid materials.

Hydraulic (59% of group sales and 51% of group FY14 EBITDA)

Interpump Group is the world’s largest manufacturer of power take offs and one of the top manufacturer of hydraulic pumps, cylinders and other hydraulic components. Power take offs are used to transmit power from the engine of an industrial vehicle to the other hydraulic components and are connected to the vehicle’s transmission box. Other hydraulic components manufactured by companies of the Group (Hydraulic pumps, control units, valves, cylinders, tanks, adaptors) help performing special functions: lifting of dump bodies, operating on-board cranes, operating concrete mixers, etc..

Strong market position assures good and stable profitability and high free cash flow generation

IP enjoys high and pretty stable profitability, thanks to its leading position in market niches with a very large product range and a fragmented client base.

Interpump is a public company. The main shareholder (26% stake) is IPG Holding (a vehicle controlled by TIP - an independent investment-merchant bank focused on medium-sized companies - the Montipò family and other Italian entrepreneurs), which took over a relevant stake from the former leading shareholder (the private equity BC Partners) in 2003.

Strengths/opportunities

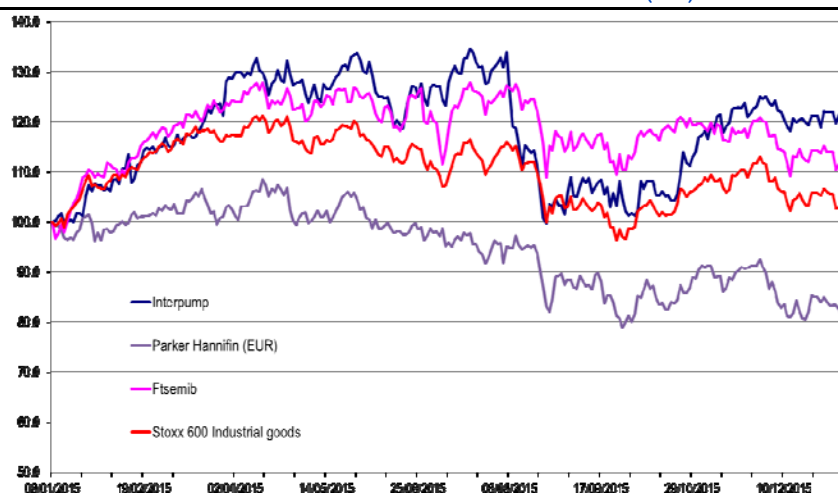
- Leading worldwide position in high-pressure and very-high-pressure pumps and in power take-offs
- High and stable margins
- Room to consolidate the hydraulic component market (cylinders, hoses, valves)

Weaknesses/threats

- Limited structural organic growth in the core markets (mature technologies)
- Limited exposure to Emerging Markets
- Still weak position in hydraulic components excl. power take-offs

APPENDIX: STOCK PERFORMANCE AND ESTIMATE REVISION

IP vs. EUROSTOXX INDUSTRIAL and PARKER HANNIFIN (EUR)



Source: Bloomberg data

ESTIMATE REVISION (€ mn)

	2015E	2015E	2016E	2016E	2017E	2017E
	Prev.	Curr.	Prev.	Curr.	Prev.	Curr.
Revenues	889.2	889.2	921.9	901.5	972.6	948.2
% chg		0.0%		-2.2%		-2.5%
Abs chg		0		-20		-24
EBITDA	177.8	177.8	189.3	183.8	206.6	200.3
% chg		0.0%		-2.9%		-3.1%
Abs chg		0		-5		-6
EBIT	136.3	136.3	147.3	141.8	164.6	158.2
% chg		0.0%		-3.7%		-3.9%
Abs chg		0		-5		-6
Net income	115.2	115.2	89.4	85.9	100.5	96.4
% chg		0.0%		-4.0%		-4.1%
Abs chg		0		-4		-4
Adj. EPS	75.0	75.0	82.8	79.5	93.0	89.2
% chg		0.0%		-3.9%		-4.0%
Abs chg		0		-3		-4
NFP	-276	-276.0	-208.9	-205.4	-146.1	-144.6
% chg		0.0%		-1.7%		-1.0%
Abs chg		0		4		1

Source: EQUITA SIM estimates & company data

SALES DIVISIONAL BREAKDOWN (€ mn)

SALES	2013	2014	2015E	2016E	2017E
Water Jetting sales	262.4	275.8	329.9	338.4	353.1
Hydraulic sales	294.1	396.2	559.3	563.1	595.1
Total sales	556.5	672.0	889.2	901.5	948.2
SALES GROWTH	2013	2014	2015E	2016E	2017E
Water Jetting	-2.6%	5.1%	19.6%	2.6%	4.3%
Hydraulics	14.1%	34.7%	41.2%	0.7%	5.7%
TOTAL	5.6%	20.8%	32.3%	1.4%	5.2%

Source: EQUITA SIM estimates & company data

EBITDA DIVISIONAL BREAKDOWN (€ mn)

EBITDA	2013	2014	2015E	2016E	2017E
Water Jetting EBITDA	63.7	66.7	81.8	83.7	89.1
Hydraulic EBITDA	41.4	69.4	96.0	100.1	111.2
TOTAL EBITDA	105.2	136.1	177.8	183.8	200.3
EBITDA margin	2013	2014	2015E	2016E	2017E
Water Jetting EBITDA margin	24.3%	24.2%	24.8%	24.7%	25.2%
Hydraulic EBITDA margin	14.1%	17.5%	17.2%	17.8%	18.7%
TOTAL EBITDA margin	18.9%	20.3%	20.0%	20.4%	21.1%

Source: EQUITA SIM estimates & company data

APPENDIX: VALUATION AND PEERS MULTIPLES

PE MULTIPLE VALUATION		SENSITIVITY ANALYSIS				
(A) 2017E multiple	16 x	14.0 x	15.0 x	16.0 x	17.0 x	18.0 x
(B) 2017 fully diluted eps @ target (€)	0.89	0.89	0.89	0.89	0.89	0.89
(C)=(A)x(B) Stock value (€)	14.3	12.5	13.4	14.3	15.2	16.1
(D) Dividends to be cashed-in (€)	0.51	0.51	0.51	0.51	0.51	0.51
(E) = (C)+(D) Total stock value (€ PS)	14.8	13.0	13.9	14.8	15.7	16.6
(F) Discount (1+Ke)t	1.07	1.07	1.07	1.07	1.07	1.07
(G)=(E)/(F) Target (€ PS)	13.8	12.1	13.0	13.8	14.6	15.5

Source: EQUITA SIM estimates

EV/EBIT MULTIPLE SENSITIVITY		SENSITIVITY ANALYSIS				
(A) 2017E multiple		8.0 x	9.0 x	10.0 x	11.0 x	12.0 x
(B) 2017 EBIT		158	158	158	158	158
(C)=(A)x(B) EV		1266	1424	1582	1741	1899
(D) NFP		-145	-145	-145	-145	-145
(E) minorities and others		-26	-26	-26	-26	-26
(F)=(C)+(D)+(E) Stock value (€)		1095	1253	1411	1569	1728
(G) Dividends to be cashed-in (€)		54	54	54	54	54
(H) = (F)+(G) Total stock value (€)		1149	1307	1466	1624	1782
(I) # shares outstanding fully diluted		109	109	109	109	109
(J) Discount (1+Ke)t		1.07	1.07	1.07	1.07	1.07
(K)=(H)/(I)/(J) Target (€ PS)		10.2	11.6	13.0	14.4	15.8

Source: EQUITA SIM estimates

PEER MULTIPLES

Company	Price	Mkt cap (€ mn)	EV/EBITDA			EV/EBIT			PE			EBITDA MARGIN		
			2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E
EATON	50	21,173	9.2	8.9	8.3	12.4	11.9	10.9	11.8	11.6	10.5	16%	17%	17%
WEIR	868	2,500	8.2	7.6	7.0	14.2	11.3	8.8	10.9	10.9	9.4	16%	17%	18%
PARKER HANNIFIN*	92	11,535	8.0	8.4	8.1	9.7	10.2	9.5	13.4	14.3	13.6	15%	14%	15%
AVERAGE			8.4	8.3	7.8	12.1	11.1	9.8	12.0	12.3	11.2	15%	16%	16%
INTERPUMP	12.9	1,408	9.4	8.7	7.7	12.3	11.3	9.8	17.2	16.2	14.5	20%	20%	21%

* FY ending in June, multiple calculated as average of 2 fiscal years
Source: EQUITA SIM estimates & Bloomberg data

STATEMENT OF RISK

The primary elements that could **impact Interpump** stock performance include:

- Significant improvement/deterioration in the reference macroeconomic scenario
- Ability to integrate acquired companies
- Ability to complete new acquisitions/disposals
- Ability to penetrate new markets.
- Significant increase/decrease in interest rates

P&L	2012	2013	2014	2015E	2016E	2017E
Revenues	527	557	672	889	901	948
Growth	12%	6%	21%	32%	1%	5%
Total opex	-423	-451	-536	-711	-718	-748
Growth	12%	7%	19%	33%	1%	4%
Margin	-80%	-81%	-80%	-80%	-80%	-79%
EBITDA	105	105	136	178	184	200
Growth	10%	1%	29%	31%	3%	9%
Margin	20%	19%	20%	20%	20%	21%
Depreciation& amortization	-22	-26	-32	-41	-42	-42
Provisions	na	na	na	na	na	na
Depreciation&provision	-22	-26	-32	-41	-42	-42
EBIT	83	79	104	136	142	158
Growth	9%	-4%	32%	31%	4%	12%
Margin	16%	14%	16%	15%	16%	17%
Net financial profit/Expenses	-7	-6	-5	-7	-7	-7
Profits/exp from equity inv	na	na	na	na	na	na
Other financial profit/Exp	na	na	na	na	na	na
Total financial expenses	-7	-6	-5	-7	-7	-7
Non recurring pre tax	0	0	0	32	0	0
Profit before tax	75	71	93	162	134	150
Growth	12%	-5%	31%	74%	-17%	12%
Taxes	-22	-27	-35	-46	-47	-53
Tax rate	-30%	-38%	-38%	-28%	-35%	-35%
Minority interests	-1	-1	-1	-1	-1	-1
Non recurring post tax	0	0	0	0	0	0
Net income	51	43	57	115	86	96
Growth	25%	-16%	32%	102%	-25%	12%
Margin	10%	8%	8%	13%	10%	10%
Adj. net income	47	46	61	82	87	97
Growth	10%	-2%	32%	35%	6%	12%
Margin	9%	8%	9%	9%	10%	10%
CF Statement	2012	2013	2014	2015E	2016E	2017E
Cash Flow from Operations	74	69	98	125	130	141
(Increase) decrease in OWC	-19	-4	-24	-25	-2	-17
(Purchase of fixed assets)	-18	-30	-34	-32	-32	-33
(Other net investments)	-15	-57	-52	-204	0	0
(Distribution of dividends)	-12	-18	-18	-20	-24	-30
Rights issue	41	21	-34	33	0	0
Other	0	5	2	0	0	0
(Increase) Decrease in Net Debt	53	-14	-63	-124	71	61

Source: EQUITA SIM estimates & company data

INFORMATION PURSUANT TO ARTICLE 69 ET SEQ. OF CONSOB (Italian securities & exchange commission) REGULATION no. 11971/1999

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EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE

RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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MOST RECENT CHANGES IN RECOMMENDATION AND/OR IN TARGET PRICE (OLD ONES IN BRACKETS):

Date	Rec.	Target Price (€)	Risk	Comment
14 May 2015	BUY (BUY)	16.1 (14.5)	Medium	Change in estimates / valuation

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