

INTERPUMP - Outperform, TP €13.30

Release date: 12 May

Despite a tough comparison base (top line organic growth was +4.6% in 1Q 15), we expect the group to post a marginal positive top line growth in 1Q 16 (+0.2%). This thanks mainly to the positive contribution of the Water Jetting business. In the Hydraulic segment, we expect European subsidiaries to offset the weak organic performance of US subsidiary Muncie (low double-digit decline Y/Y, similar to the trend observed in 4Q 15). At operating level, this business mix would lead to 1Q 16 EBITDA of around €43.5m, overall flat Y/Y. At bottom line level, we note that last year company registered a positive one-off of €6.2m related to existing put options exercised.

At cash flow level, we forecast a 1Q 16 net debt of €300m (including put options of €23m) factoring in seasonal WC absorption, €8m capex and €21m cash-out for the purchase of own shares.

Figure 8: Interpump - 1Q 16 preview

(€m)	1Q 16E	1Q 15A	YoY chg.
Total sales	225.8	222.6	1.4%
EBITDA	43.6	43.5	0.2%
EBITDA margin	19.3%	19.5%	
EBIT	33.4	33.6	-0.7%
EBIT margin	14.8%	15.1%	
Net profit	19.4	29.2	-33.7%
Net debt*	299.6	345.7	
Adj.net profit	19.4	23.0	-15.8%

Source: Mediobanca Securities, *including put options worth €23m

MB view: Our valuation implies a target price of €13.3 taking the average of: 1) DCF analysis based on WACC of 5.9% and 1.5% perpetual growth, which returns a fair value of €14.4/share; and 2) EVA valuation based on the same assumptions as the DCF analysis and net capital employed of €899m, which returns a fair value of €12.3/share. Our estimates reflect some cracks versus the company guidance, but a normalised free cash flow of c.€95m, implying a c.7% yield may offset the low earnings visibility, in our view. We confirm the Outperform rating in light of positioning in profitable market niches, increasing cross-selling and limited exposure to emerging markets (15% of sales). With this report, we officially introduce our 2018E FY estimates.