Interpump Group S.p.A.

"Second Quarter 2026 Financial Results Conference Call"

Wednesday, August 05, 2026, 15:00 CET

MODERATORS: FABIO MARASI, CHIEF EXECUTIVE OFFICER

FEDERICO PAVESI, HEAD OF INVESTOR RELATIONS

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Interpump Second Quarter 2026 Financial Results Conference Call. As a reminder, all participants are in listen-only mode, and after the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Federico Pavesi, Head of Investor Relations of Interpump. Please go ahead, sir.

FEDERICO PAVESI: Thanks. I am Federico Pavesi, Head of Investor Relations of Interpump Group, Welcome to this Interpump 2026 second quarter financial results conference call, and thanks to all of you connected for joining us today. Please be aware of the cautionary language that is included in our forward-looking statements, included in the material that we have distributed today. For example, you can find it in the appendix of the presentation, Slide 27.

With that, I would like now to hand it over to Mr. Marasi, Interpump's CEO.

FABIO MARASI: Thank you, Mr. Pavesi. It is my pleasure to welcome you again to Interpump Group, and to wish you all the best for your future within the company.

Let's start by looking at our consolidated financial results in Slide 2 of the presentation, which reflect our guidance and expectations. During the second quarter 2026, group sales were down by 0.7% on an organic basis year-over-year, affected by the decrease in Water Jetting, characterized, as you know, by a very challenging comparison basis with the first half of 2025. Hydraulics, on the other hand, delivered the fourth consecutive quarter of organic improvement with a very meaningful plus 6.2%. I will come back soon with additional color on both divisions.

Consolidated EBITDA margin stood at 22.9% in the quarter, from 23.8% a year ago, as the combination of the stronger Hydraulics and the weaker Water Jetting has negatively impacted the mix. Our colleagues in operations across both divisions were able to maintain a lean structure, although in 2 very different environments.

On one hand, in Hydraulics, this is the fourth quarter of organic growth improvement, after a couple of years of decline. On the other hand, in Water Jetting, we are stabilizing production after some demand spikes experienced about year ago. Despite the volatile macroenvironment, thanks to our diversification and operational flexibility, we keep demonstrating a very resilient margin profile that few industrial companies are able to match.

Looking at EPS result, plus 8.2%, is consistent with the trend of the operating performance we have discussed a few moments ago, a pretty stable tax rate around 30%, and a lower share count supported by the buyback we have been doing so far this year.

Net debt at the end of June was €306 million, from almost €400 million a year ago. The solid year-on-year improvement was driven by our sound cash generation, €62 million in Q2, up 35% in comparison with the €46 million of the same quarter of last year.

Let's now look at the details for both of our divisions. Let's start from Hydraulics, which is summarized on Slide 3. Segment recovery goes on, as this is the fourth consecutive quarter of organic growth. Among the most important applications, machinery, construction and earthmoving both posting a double-digit sales increase, as machinery demand remains solid, supported by infrastructure and data center investments. Also, general industrial vehicles was positive, as the overall truck industry keeps showing some sign of stabilization.

From a geographical standpoint, the improvement was mostly coming from developed markets. North America improved mid-teens in the quarter, and remained one of the biggest contributors. Far East and Oceania was up high-single-digit, while Europe was up low-single-digit. Latin America, on the other hand, was significantly down, as volatility in the area remains elevated.

Business profitability has improved, with an EBITDA margin increased by 30 basis points to 21.2%, supported by the operating leverage and the better utilization rate of the manufacturing capacity across the division. This is an outstanding result, as we have managed to improve margins despite consolidating the newly acquired companies in the year, and in particular, Padoan, Tutto Hidraulicos, Borghi Assali, and Farma.

Turning to the Water-Jetting division on Slide 4, we have made clear that the nature of the first half 2025 results was exceptional, mainly because of the big orders Hammelmann got in China in the first half 2025. So the year-over-year sales decline takes into account that weak comparison base.

Let's look at the applications in the Water Jetting. Starting from the weak spot, shipyard and marine was often one of the most affected businesses, together with chemical, suffering mostly from the very positive results we had in the first half 2025. The biggest contributor of the division remains food and beverage, which grew its sales high-single-digit in the quarter, in an industry characterized by trade uncertainty and distinct trends across each sub-segment.

From a geographical standpoint, in the quarter, APAC was, not surprisingly, the weakest region, while North America was down low-single-digit. On the positive side, we have recorded sales in Europe and Latin America up low-single-digit. Despite the strong sales drop, we managed to keep Water jetting margins above 26%, in line with historical values.

At a group level, I would like to emphasize, once again, the importance of the broad diversification we have in Interpump, which is probably the characteristic of our group that I love the most. The weak Water Jetting results were offset by the sound Hydraulics performance, enabling us to maintain the excellent level of the EBITDA margin, despite the headwinds coming from the mix and from a challenging market environment.

Moving to the cash flow on Slide 5, it is important to underline that the sound operating performance was the main driver of our €62 million of free cash flow in the second quarter 2026, with a 35% increase in comparison with the same period of the previous year. Capital expenditures stands at 4% of our group sales, in line with our commitment and consistent with the production needs of our group.

Trade working capital absorption was consistent with the revenue trend, and overall, it remains a key element both in supporting growth and protecting profitability, especially during these periods of input cost inflation. Going forward, we reiterate our target of returning to what we consider the optimal level for our group that is 35%, 36% of sales, from approximately 40% in 2025.

In Q2, we have distributed over €57 million to shareholders, between €35 million of dividends and €22 million of share buyback. Let me spend a couple of minutes on M&A. At the end of July, we announced 2 small, but meaningful acquisitions: MVV and Teknoice, both in Water Jetting division. MVV manufactures dosing gear pump for chemical and textile applications, and will consolidate Alfa Valvole's dosing pump business and expanding our product portfolio and market presence in developed markets.

Teknoice engineers and produces complete lines, including pasteurization systems, freezers, extrusion and filling lines, and wrapping machines for the ice cream companies. This food and beverage application allows us to leverage synergies with other products in our portfolio, with a balanced exposure to developed and emerging geographies.

On M&A, nothing has changed in our strategy. We continue to actively assess many opportunities that can strengthen our portfolio and create shareholder value. Given the time remaining in the year, we believe there is still scope to complete further transactions, provided they meet our strategic and financial criteria, and most important, that they fit in our industrial portfolio and are priced correctly.

We continue to see and process a healthy pipeline of opportunities. While we remain selective and discipline in our approach, there is still sufficient time and capacity before year-end to pursue additional value-attractive transactions, should the right opportunities arise.

More broadly, we remain fully committed to our long-term ambition of being a leading consolidator in our industry, bringing together complementary businesses across Hydraulics, Flow Handling and Flow Processing. We believe our strong industrial footprint, know-how, global reach and proven integration capabilities position us well to continue driving consolidation in these attractive applications.

Moving now to 2026 outlook on Slide 6. We reiterate for our group sales our forecast of an organic growth rate range between minus 2% and plus

3%. As we have passed the half-year mark with 0.7% organic growth in the most challenging part of the year, we are now much more confident on the positive part of this range. On top of that, you should also consider the contribution from the latest acquisitions that we are now estimated at around 2.5% of sales.

EBITDA margin is reiterated between 22% and 22.5% of sales, despite the headwind coming from the divisions mix, with a stronger Hydraulics and a weaker Water Jetting compared to 2025. As for free cash flow, we confirm the goal to consolidate and improve what we achieved in 2025 to a new record.

Let me conclude now with some thoughts about the rest of the year. Expansion in the Middle East are still yet to be considered over. With a more definitive and stable solution, we are closely monitoring how the macro environment is being affected by it. Some projects, some business, some CAPEX is being postponed in the region, and this has clearly a direct impact on Interpump business.

As for indirect impact, the cost of transportation and the cost of energy are probably the most affected, and this is something that we are managing, also thanks to our higher-than-normal level of inventories. To offset those higher input costs, in recent weeks we have been implementing price increases and/or surcharges to our customers.

US tariffs have transitioned from an acute issue to a chronic, but manageable one, with firms adapting prices and supply chain strategies accordingly.

In the second quarter, we experienced another €6 million of impact from tariffs, which has been completely transferred to our customers. Some markets or applications in Hydraulics are recovering, most important trucks and construction machinery, while agriculture industry outlook has slightly deteriorated. We are accelerating sequentially, but we still have situations in which we are not utilizing at 100% our internal manufacturing capacity, and in which we are very focused in optimizing the profitability.

Overall, July sales trend is a clear support for our full year 2026 forecast, amid the uncertain geopolitical environment and volatile supply chain. After a first half characterized by a stronger Hydraulics versus Water Jetting, as the latter was faced with a weak comparison base, the second part of the year should be characterized by a more balanced contribution between the 2 divisions.

This keeps us in the right trajectory for our 2028 targets, that are around €2.5 billion in sales, which includes some M&A consistent with what I discussed a few minutes ago, about 22.5% EBITDA margin, which represents a level of excellence that cannot be compromised, and a net financial position that will be close to zero, supported by the cash flow generation that we aim to deliver, and considering the usual bolt-on M&As.

This concludes our prepared remarks and we can now start the Q&A session.

Q&A

OPERATOR: Thank you, this is the Chorus Call conference operator. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. To remove yourself from the question queue, please press "*" and "2."

first question is from Matteo Bonizzoni, Kepler Cheuvreux.

MATTEO BONIZZONI: Thank you. Thank you everybody. 2 questions. The first one is on the guidance which we have provided, or let's say fine-tuned on the organic part, so you expect to meet, let's say, the high part of the range. Personally, I'm there because I am 2.5 for the year. But the question is as regard 2 division. The comparison will reverse in the second half, so it will become easier in Water Jetting, but more difficult in Hydraulic, which last year was already significantly recovering in the second half. So I would like to ask, is it in your view reasonable to assume a lower organic growth, but still positive in Hydraulics for the second half, and around the mid-single-digit organic growth in Water Jetting? Also, if you can comment about the book-to-bill in the order, which we know is something which you like to do during the conference call.

The second question is on the margin. I'm doing some reasoning on the margin. The first half 22.4%. Here, if I am right, you are not commenting about low or high part. You are commenting on the high part, if I have read correctly on the organic and not on the margin. Typically here, I would say that second half tends to be a little bit weaker, particularly over the last 2 years Q4 was significantly weaker, but maybe this year is not the case. So is it fair to assume that 22.4% can be considered a sort of ceiling of cap for a full year also? Thanks.

FABIO MARASI: Okay. Thank you. Thank you, Matteo, for these questions. Regarding the fine-tuning of the guidance, you are absolutely correct in underlying that this fine-tuning refers mainly to the range that we have provided for the top line. Because, as you know, the minus 2%, plus 3% was a pretty large range that we provided in February when we had the full year in front of us with a lot of uncertainty and very limited visibility.

Considering that now we have passed the first 2 quarters, that were the most difficult ones in terms of comparison base because of the very strong Water Jetting performance, because of the very important order that Hammelmann got in China last year. We are now much more confident that at the end of the year we will be in the positive side of this range. Then in the upper part of this, minus 2%, plus 3% in terms of top line, in terms of organic growth. And, of course, we are very happy about this.

Having closed with a growth…with an organic growth in the first half of the year was not something that we were taking for granted in February. Then we are in some way much more confident because of the results of the first half, because of the order backlog that we have, because of the book-to-bill that remains above one in the full first half of the year in both divisions, and because of the discussion and the feedbacks that we are having from our customers.

Going in more granularity, more details between the 2 divisions, I believe that your assumptions are correct in saying that we may expect a still positive but lower organic growth rate from Hydraulics and a positive contribution from Water Jetting. I believe that is something that we can expect from the next couple of quarters.

Regarding margins, 22.4% in the first half of the year. We believe that we don't need to restrict further the range, considering that the range that we have provided in May was much more precise than the range that we provided in February regarding the top line, because 22%, 22.5% is a very narrow range. And then we are not restricting it further, or we are not reducing it further, this range. Clearly, as much as we will be able to grow organically during the year, as much we will have the possibility to be in the upper part of this range. But we consider that 22% to 22.5% range in terms of EBITDA margin is a pretty accurate and pretty precise range that we are confirming.

You are also right in saying that the last 3 years, not only the last 2, but the last 3 years, have been disappointing in the last quarter of the year, mainly because of the very weak performance of the Hydraulics division. The Hydraulics division demand was…or has been very negative in the last 3 years, and at the end of the year, we have faced huge postponement or order cancellation from customer.

This year, considering that Hydraulics is recovering or has recovered already, we are much more confident that we will not see, or we will not face the same magnitude at the end of the year from our customer, aimed at managing their own inventories and so on. And for this reason, we do not expect the same reduction in EBITDA margin in the second half of the year in comparison with what we achieved in June.

MATTEO BONIZZONI: Clear, thank you.

FABIO MARASI: Grazie, Matteo.

OPERATOR: Next question is from Domenico Ghilotti, Equita.

DOMENICO GHILOTTI: Good afternoon. A few questions. The first, just a check on the tariff. When you were referring to the tariff that you were still paying in the second quarter, should we expect that this will remain? So I think tariffs are not over. And if you had any tariff refund booked in the second quarter, if you expect anything going forward?

Second question is on Hydraulic profitability. Still, say after 4 quarters of organic growth, the margin expansion has been quite muted. So if a matter of you were referring to some agro sluggishness, so it is not same trend that you have seen in construction. So some limited recovery in Walvoil or the other Agro and how do you expect this to move in the second half?

And last, just a check on, you were running at €41 million CAPEX. It's still fair to assume, so I add something more than €90 million. Can you give us some update on the CAPEX plan for the year?

FABIO MARASI: Okay. Thank you, Domenico. Regarding tariffs, in the second quarter, we had an impact of €6 million that we have clearly recharged to our American customers. And now, we are thinking about how to manage the reimbursement regarding the previous tariffs that we have paid, but we are not foreseeing any benefit in terms of P&L. We are not factoring any contribution to our 2026 profitability regarding this reimbursement. As you know, from the end of July, tariffs will normalize to 10% to 15%, depending on the countries. And it is something that is more…much more normal than what we have seen so far in the last 12 months. Hopefully that nothing will change again.

Regarding profitability in the Hydraulics division, you have to consider that the 30-basis point increase is, I believe, a very positive result, because we are enjoying some operating leverage in the companies that suffered the most in the previous downturn. Y-Drive, Walvoil, some companies in the cylinder business, and so on. But there is some mix also within the division, and there is some dilution coming from M&A.

I've mentioned in my speech that we are consolidating, for the first time in this quarter, 4 different companies that we have acquired in 2025, that are slightly diluting our profitability. From an organic point of view, the Hydraulics division profitability was or has increased a little bit more than the 30 basis points reported. €41 million in CAPEX that are below 4% in comparison with sales. I believe that is well within the range that we have commented many times. That apart the extraordinary projects or the extraordinary investment plan that we put in place in the post-COVID boom, or to manage the post-COVID boom, we are now well in track to stay around 3% to 4% on sales range. Then I believe that your €90 million estimates of 2026 CAPEX are, I believe, more than enough.

DOMENICO GHILOTTI: Just to follow-up on the book-to-bill you were mentioning before. You were referring to the semester. Have you seen a deterioration in the book-to-bill in Water Jetting in the second quarter, or it's still up year-on-year?

FABIO MARASI: It is still above 1, slightly below the 1.15 that we recorded in the first quarter of the year.

DOMENICO GHILOTTI: Okay.

FABIO MARASI: But we are commenting about zero point something.

DOMENICO GHILOTTI: Okay. Thank you.

OPERATOR: Next question is from Michele Baldelli, BNP Paribas.

MICHELE BALDELLI: Hi, good afternoon to everybody. I have a couple of questions. The first one, as always, if you can give us a little bit of color on the pipeline of M&A, if you can provide it?

And the second one is on the growth in US. Do you see an acceleration in the Hydraulics division in the coming quarters or not?

FABIO MARASI: Thank you, Michele. Regarding the M&A pipeline, we are…first of all, we are satisfied of the 2 acquisitions that we have announced last week, because these are typical acquisitions of Interpump Group, are reinforcing our existing business, are consolidating further our presence in the Flow Handling and Food Processing part, and are demonstrating, once again, our commitment to consolidate that business as well, not only Hydraulics, but to consolidate Flow Handling and Water Jetting business as well, and to maintain a balanced exposure to the 2 divisions. This is a fundamental characteristics of Interpump, and we would like absolutely to protect these characteristics and this balancing between these 2 divisions.

Regarding Hydraulics performance, I do not see a further acceleration, considering that the comparison base in the third and the fourth quarter will be a little bit more challenging, because as you may remind, since the third quarter 2025, we have recorded organic growth in Hydraulics. But in any case, we are seeing a pretty positive market environment, mainly in construction or in truck outfitter business, in comparison with agriculture. But we are positive, and we are confident that this positive momentum will continue in the second part of the year.

MICHELE BALDELLI: Thank you.

OPERATOR: Next question is from Alessandro Tortora, Mediobanca.

ALESSANDRO TORTORA: Yes, hi. Good afternoon to everybody. Ciao, Fabio. Let's say I have 3 questions, okay? The first one is, just a follow-up on your M&A pipeline, but also the fact that I see in the presentation that when you reiterated your 2028 targets, you also highlighted the fact that you may explore, or you are exploring the possibility of undertaking a larger transaction. So we say, I would like if you can elaborate a little bit more about this opportunity that's clearly not on top of your usual bolt-on M&A activity, and if you can help us understand, how can I say, the major, or the identity, or the target that you are looking for in case. So this is the first question. Thanks.

FABIO MARASI: Okay. Thank you. You mentioned 2028 target, and we wanted to reiterate the feasibility of this target without considering any larger transaction that may happen, but that we are not factoring in our numbers. The 2 acquisitions that we made are clearly bolt-on acquisitions. The first one, MVV, was a clear add-on for Alfa Valvole, and the second one was…Teknoice, was an expansion in new business, in equipment for the ice cream world that is expanding our portfolio of products. But because of the size, these are 2 small-to-midsize companies or acquisitions in line with what we have done in the last couple of years.

We have a pretty interesting pipeline that is diversified, but it is clearly very difficult to factor any future contribution. We are actively pursuing, with our usual opportunistic approach, many different opportunities, but we are not confident in commenting anything further in a more precise way, in particular regarding the larger transactions that I clearly understand are the most interesting for you and that are the basis of your questions. It is very difficult to budget it, and this is the reason why, in our 3-year plan, we didn't factor any larger transaction, but only the bolt-on or add-on acquisitions.

ALESSANDRO TORTORA: Okay, thanks. And then the second question is, I just read, let's say also on your website or some local website, that you have been expanding the capacity of Walvoil in China. Now, related also now to your comment on, we see, let's say a positive trend in construction, maybe some deterioration…slight deterioration into Ag. So just a comment on your strategy on the investments that you are going to do in this field, also considering that the level of capacity saturation has improved, but maybe is not yet at the level you are targeting. Thanks.

FABIO MARASI: Yes, you are following us very carefully, Alessandro. Congratulations. And, this investment and this expansion of Walvoil in China is following the very meaningful growth that we are experiencing now. You may note that the Hydraulics division in the second quarter grew 8% in Far East, but Walvoil, in China in particular grew much, much more. And we are benefiting from the recovery of the construction activities in China and the recovery in the production plants of our very important OEMs that are based in China and that are also exporting their machines. I'm referring to Sany, XCMG, Zoomlion, this kind of players that are becoming more and more global and that are relying more and more on export for their products and their machines.

And we are very well-positioned because Chinese OEMs are, in general, utilizing low-quality, low-cost components for the machine, let's say, the poor machine for the internal market. But they are using top quality international components manufacturer for the top of the high part of their product range and for the machines that are aimed at exporting. And then we are having a very, very important development and growth in this part of the market. And this is the reason why we are moving to a new, far larger plant in China for Walvoil, almost doubling the size of the building.

ALESSANDRO TORTORA: Okay, thanks. And the last comment, sorry, Fabio, I didn't catch your comment on the trade working capital on sales. So in the current context, you are targeting, let's say, an improvement. I didn't get if it was related to this year or let's say in a kind of 1 to 3 years to have a lower level of trade working capital on sales.

FABIO MARASI: Yes, I have been commenting on this target for many quarters so far. And then I'm not super happy of the results that we have achieved, but considering the global uncertainties, considering the difficulties in sourcing some material from some region, and more important, considering the increase or the inflation on some of material cost, once again, our inventories are protecting us. And the investments, let's put it this way, on working capital, is a good investment that on an industrial point of view, we historically made. But this is, I hope and I assume, a temporary situation, and I believe that in a normal world, we can live easily with a 35%, 36% net working capital on sales range. And then we have still room for improving our ratios and our return on capital employed and our free cash flow generation.

ALESSANDRO TORTORA: Okay, thanks.

OPERATOR: As a reminder, if you wish to register for a question, please press "*" and "1" on your telephone. Once again, if you wish to ask a question, please press "*" and "1" on your telephone. Mr. Pavesi, there are no more questions registered at this time.

FEDERICO PAVESI: Okay. We can close the call. Thanks, everybody, and enjoy the summer.

FABIO MARASI: Thank you, everybody. Let's speak in November. Bye.