



## Strategic M&A to further strengthen market position

### Sector: Producer Manufacturing

#### Highly strategic acquisitions to strengthen product offering and competitive position.

Over the last two months Ilpra closed two M&A transactions in line with strategic guidelines to vertically integrate production lines and strengthen the commercial offering in the cosmetics and medical application. According to our forecast the acquisitions should contribute with an additional c. Euro 10 m of pro-forma revenues in FY23 considering the full 12 months (Euro 6 m pro-quota consolidated) and a pro-forma EBITDA of c. Euro 2.3 m (Euro 1.4 m on a consolidated basis):

**IDM Automation:** on May 18th the Group announced the acquisition of a 68% stake in IDM Automation, a company active in the manufacturing and sale of automated filling, assembling and packaging solutions for the cosmetics, pharma and food industries. In FY22 the company recorded sales of Euro 3.6 m, EBITDA of Euro 0.3 m (EBITDA margin of 6.7%), and a Net Income of Euro 0.1 m). The Net Cash position stood at Euro 0.2 m. The agreement provided for a total payment of Euro 1.5 m financed by Group's cash.

**Pentavac:** on June 8th the Group completed the acquisition of 70% of Pentavac's shares Pentavac is an Italian player specialized in automatic vertical packaging machines with a presence in over 50 countries. In FY22 the company recorded c. Euro 4.9 m of revenues, EBITDA of Euro 1.2 m (24.2% EBITDA margin), EBIT of Euro 1.1 m and a Net Cash position of Euro 1.4 m. The total consideration of the deal was of Euro 5.7 m entirely financed by the Group's available resources.

**Perfect strategic fit.** After the acquisition of MACS last year, the new acquisitions represent another important step in the Group's growth strategy based on a mix of organic growth and M&A and allows the Group to integrate its product offering with complementary solutions while developing its distribution network to further consolidate the Group's position as a market leader in the packaging industry in Italy as well as internationally. We also believe that the integration of the companies in Ilpra Group should allow for several cost and commercial synergies.

**Estimate upgrade and new TP at Euro 9.59 p.s..** We updated our estimates to factor in the acquisitions of IMD Automotion and Pentavac, leaving our assumptions for Ilpra standalone unchanged. We estimate the acquisitions to count for c. Euro 6 m in consolidated revenues, in FY23, Euro 10 m in FY24 and Euro 11 in FY25 with consolidated sales reaching Euro 62 m in FY23 and Euro 72 m in FY24. In terms of profitability, we confirm an EBITDA margin of 23.3% in FY23 as the higher profitability of Pentavac (24% vs. Ilpra Group of 23%) should be offset by the integration of IMD (EBITDA margin of about 7%). For FY24-25 we slightly raised our expectations for EBITDA margin (23.8% vs 23.6% and 24.2% vs. 23.9%) as synergies should start to kick in. Overall, we increased our revenue, EBITDA and EPS expectations by an average of +14%, 15% and 14% respectively. Running our valuation model on the new estimates and up-to-date market data we obtain a target price of Euro 9.59 p.s. (Euro 8.89 pr.). At our valuation the stock would be trading on FY23/24 EV/EBITDA multiples of 8.0x and 6.8x respectively vs. peers' average of 11.2x and 10.3x.

**Target Price 9.59 (8.89 pr.)**

Market Cap (€ m) **63**

EV (€ m) **65**

Market Price (€) **5.25**

*As of June 15<sup>th</sup>, 2023*

#### Share Data

Market	Euronext Growth Milan
Reuters/Bloomberg	ILP:IM/ILP.MI
ISIN	IT0005359101
N. of Shares	12,038,600
Free Float	29.51%
CEO	Maurizio Bertocco

#### Financials

	22A	23E	24E	25E
<b>Sales</b>	48,7	62,0	71,6	78,8
YoY %	+15%	14,5	17,1	19,1
<b>EBITDA</b>	11,2	14,5	17,1	19,1
EBITDA %	23%	23%	24%	24%
<b>EBIT</b>	8,8	11,7	14,0	16,0
EBIT %	18%	19%	20%	20%
<b>Net Income</b>	6,5	8,3	9,9	11,4
<b>Net D/(C)</b>	(3,5)	(2,3)	(9,4)	(17,4)
<b>Equity</b>	29,8	36,2	43,6	52,0

#### Performance

	1M	3M	6M
Absolute	+7%	+20%	+7%
Relative (FTSE Italia Growth)	+7%	+21%	+10%
52-week High/Low (Eu)	5.55	/	3.35



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