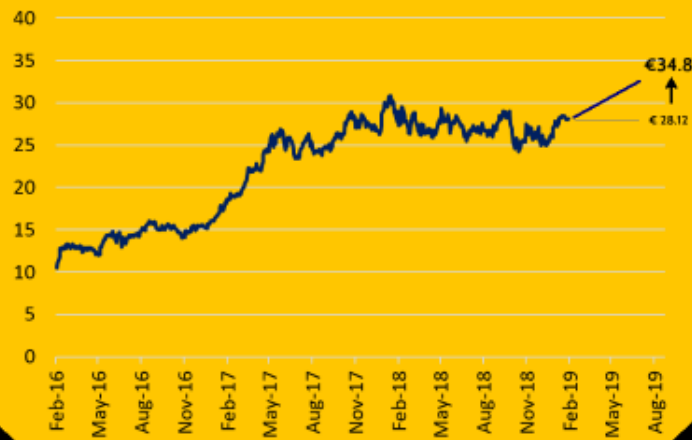


# BUY

TARGET PRICE: € 34.8

Upside: + 24%



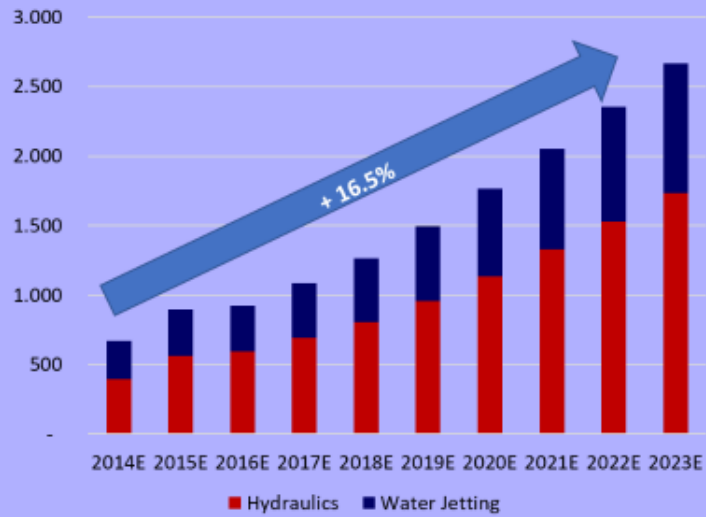
Business Segments

M&A Strategy

Geographical Distribution

Future Strategy

## Business Segments



Water  
Jetting

Hydraulics

# Water Jetting

- Niche of Very high pressure plunger pump (leader position)



- Flow Handling, Food, Cosmetic & Pharma (from 2015)



Approximately 1/3 of revenues  
come from after-sales  
(maintenance, parts & services)





# Hydraulics

- Largest manufacturer of PTO
- Hydrocontrols and components



## Strategy of growth by external lines



Organic  
Growth  
1/3 of yr growth

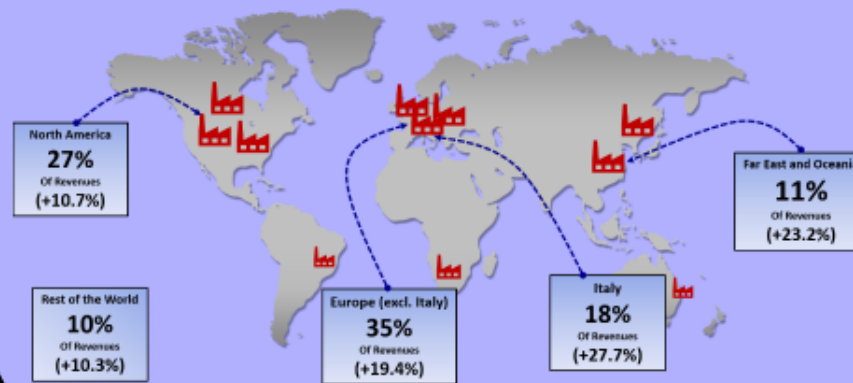


External  
Growth  
2/3 of yr growth

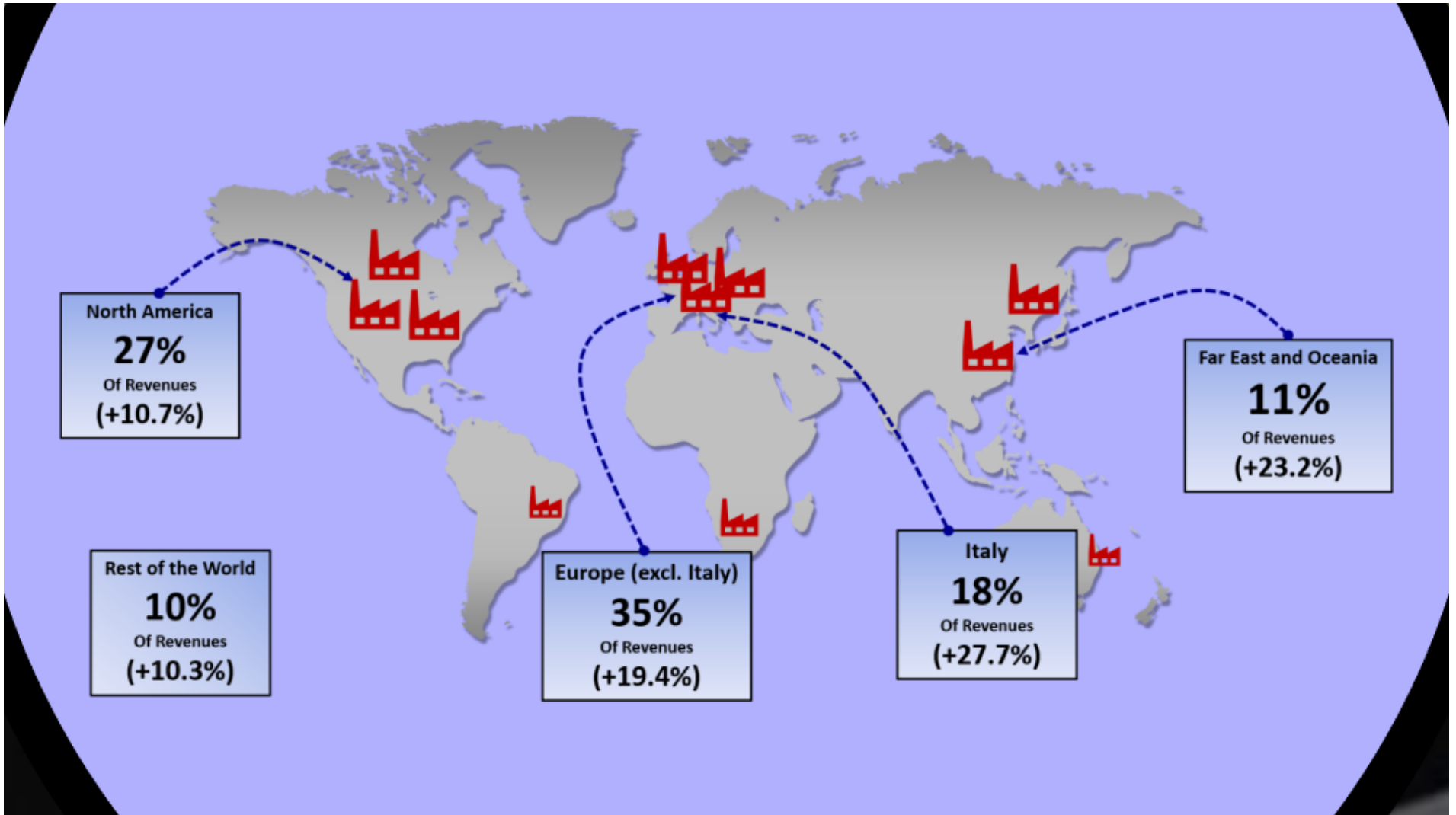


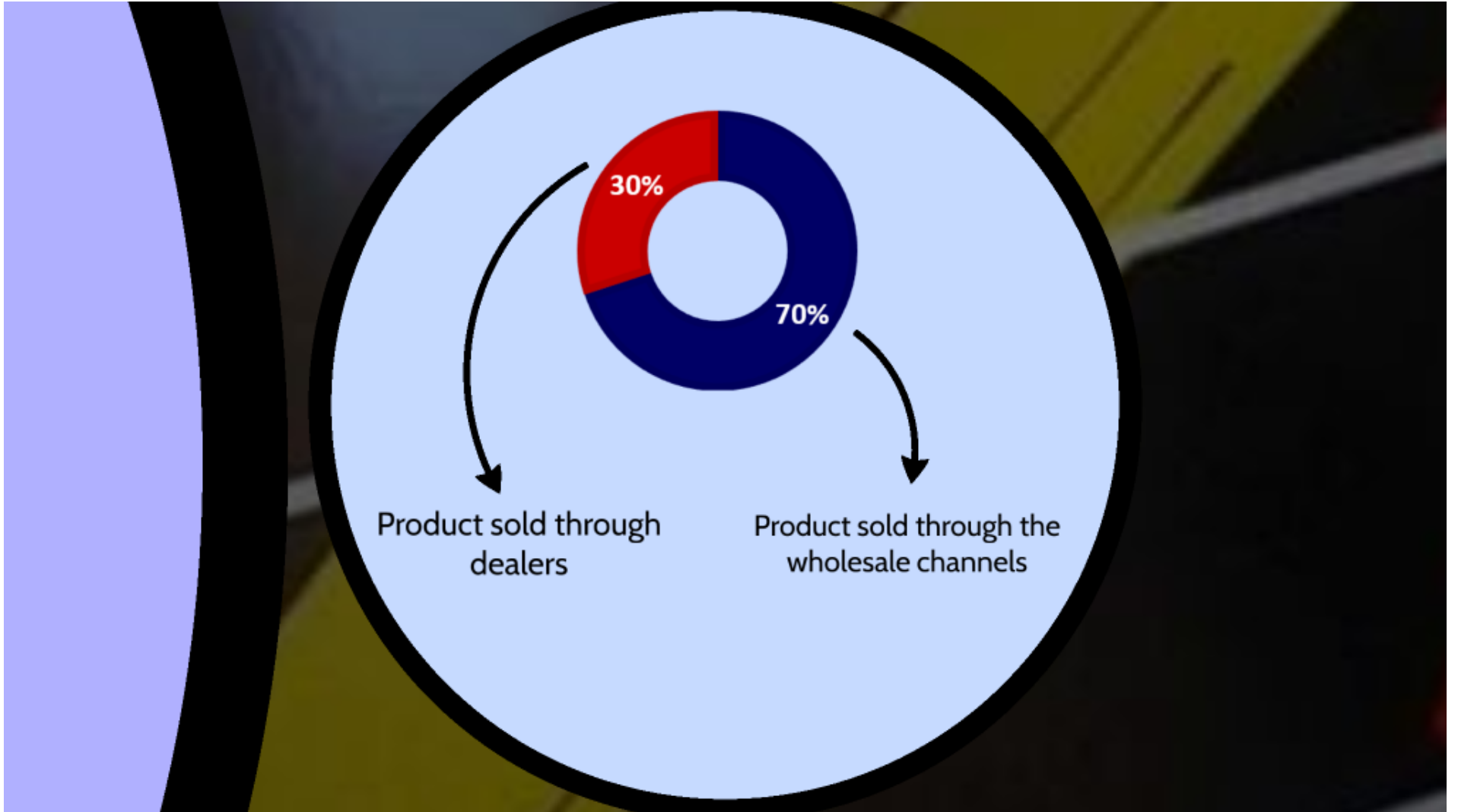
77  
COMPANIES

# Geographical Distribution



Distribution  
Networks







# Future Growth Strategy

 DIVERSIFICATION

 CYCLICALITY



**New application across  
different industries**



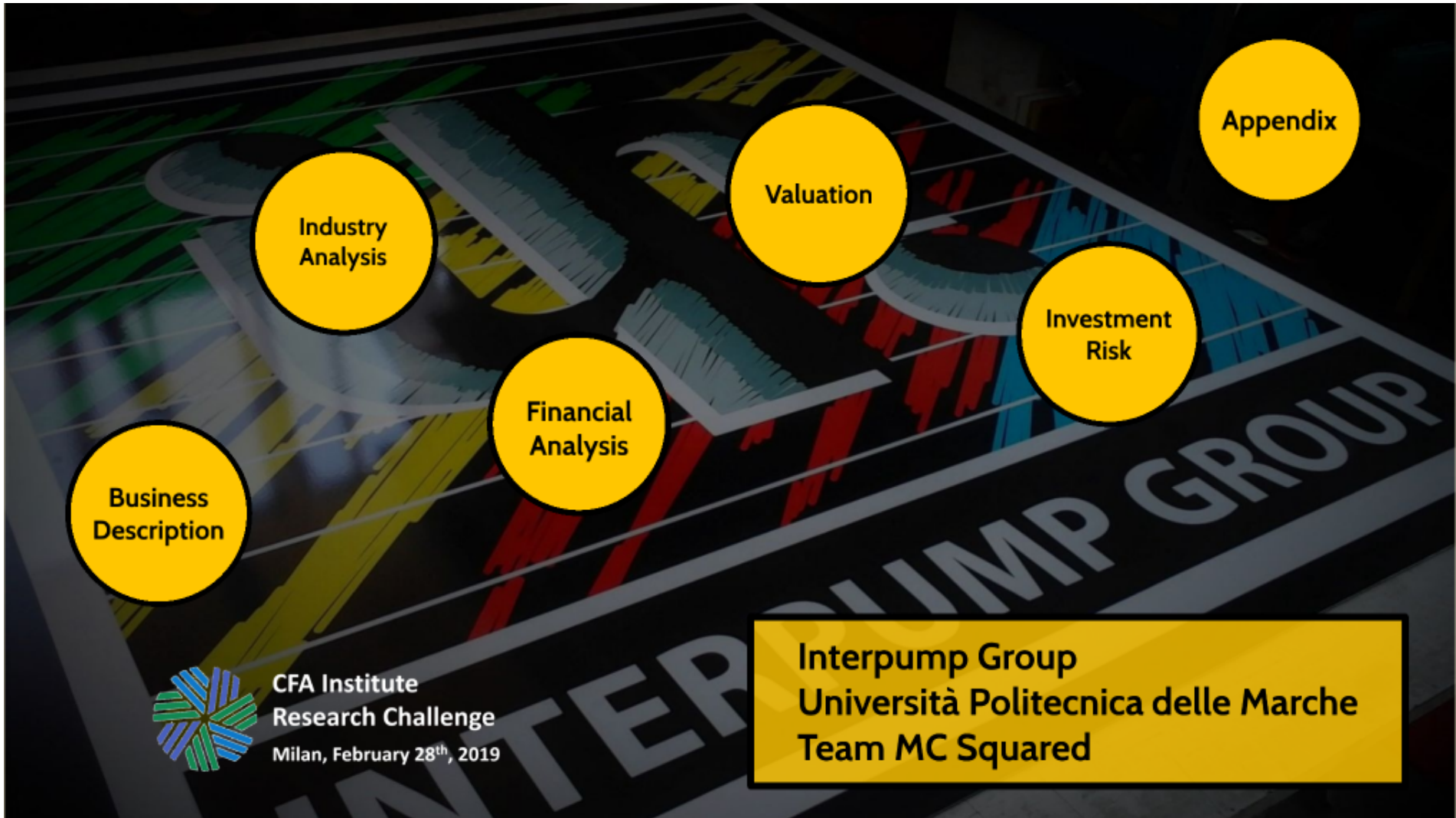
**Widen the products  
portfolio**

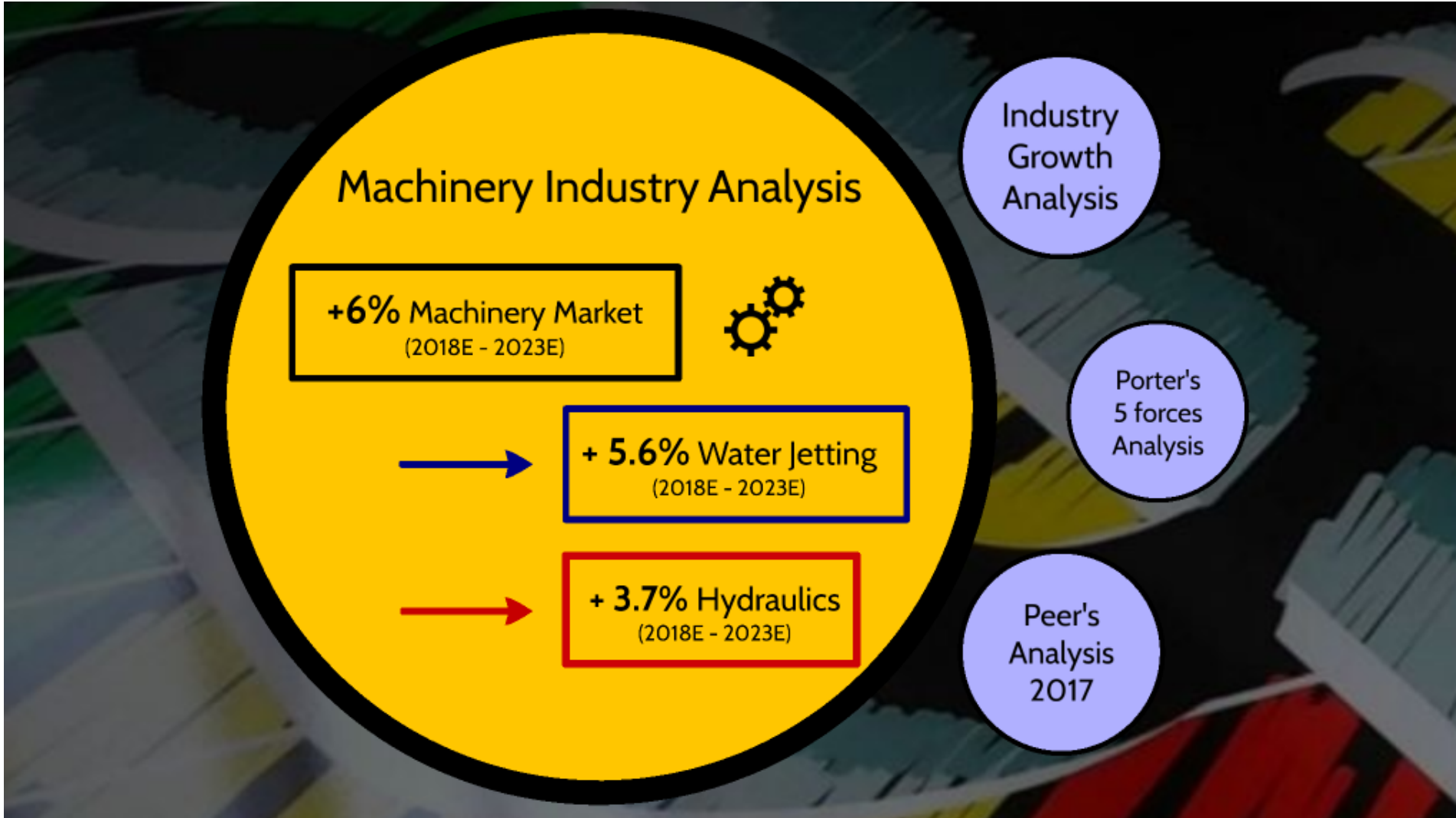


**Increasing the presence  
globally**

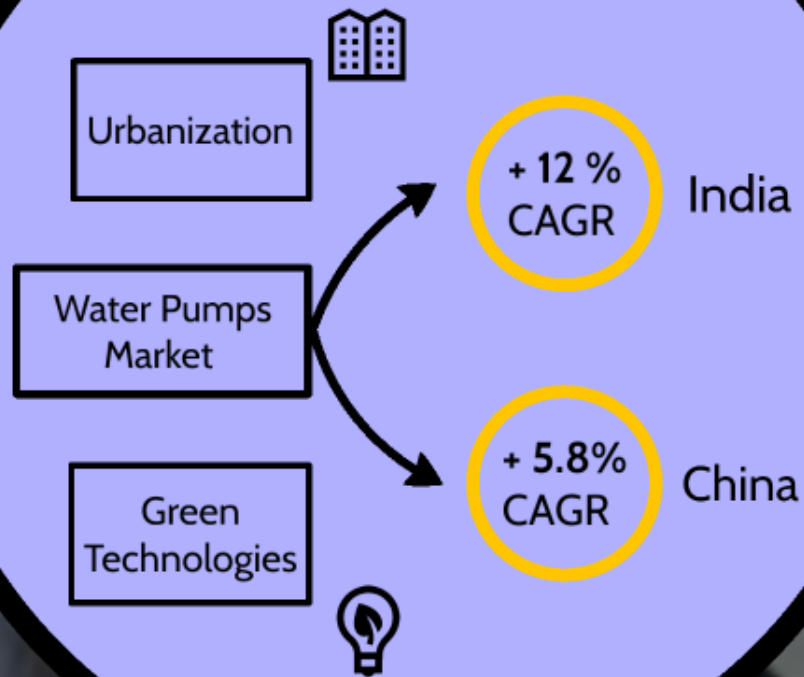


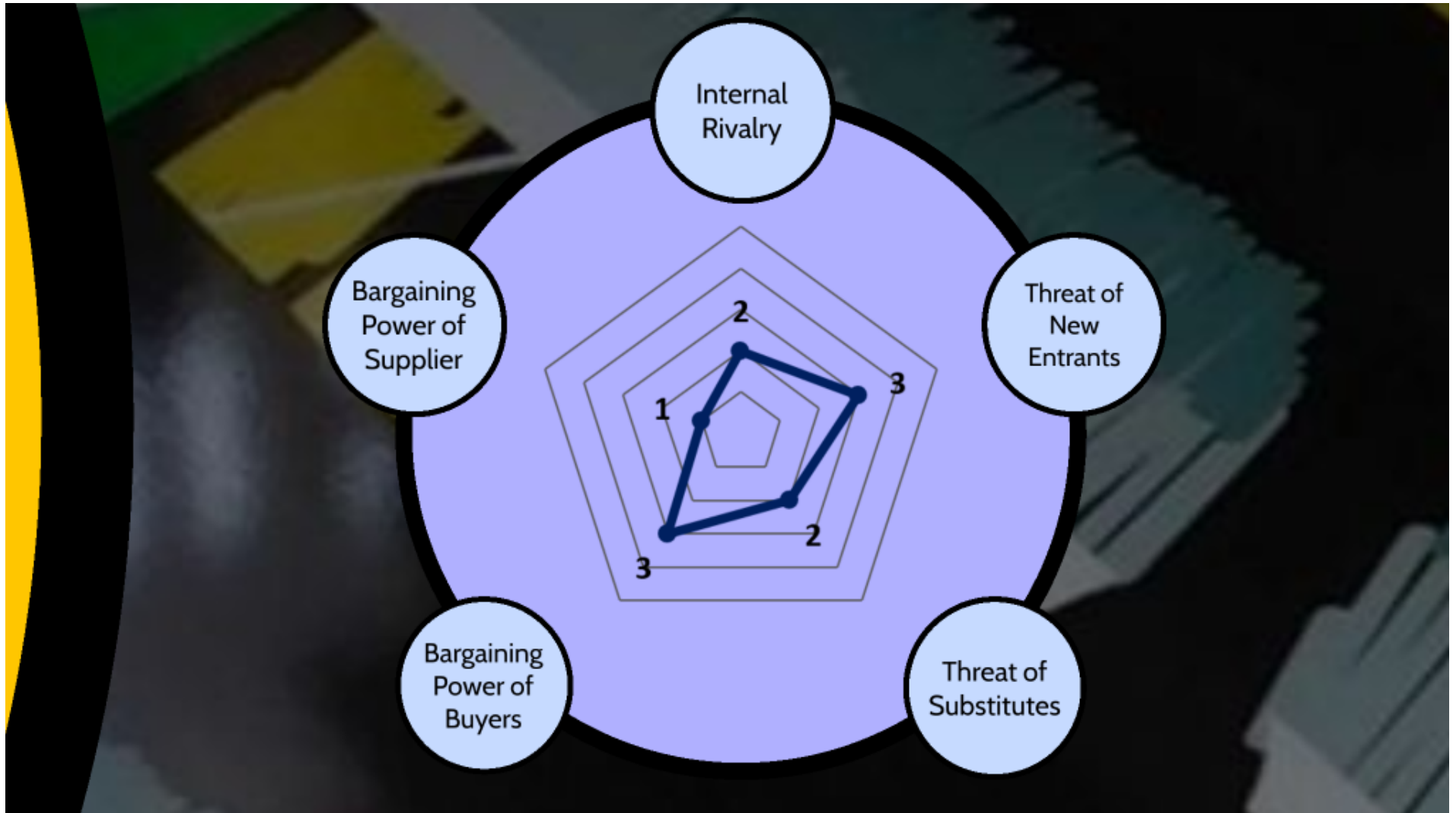
**Refine on sales channels**





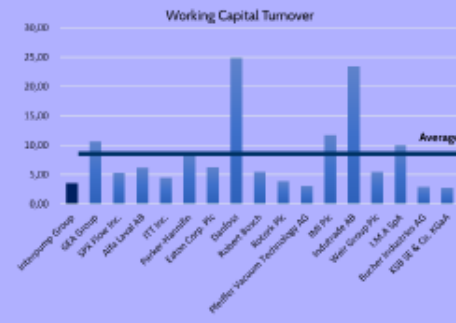
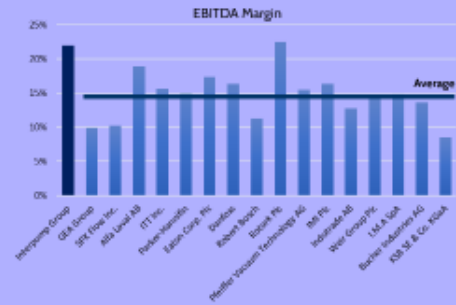
## Industry Growth Analysis



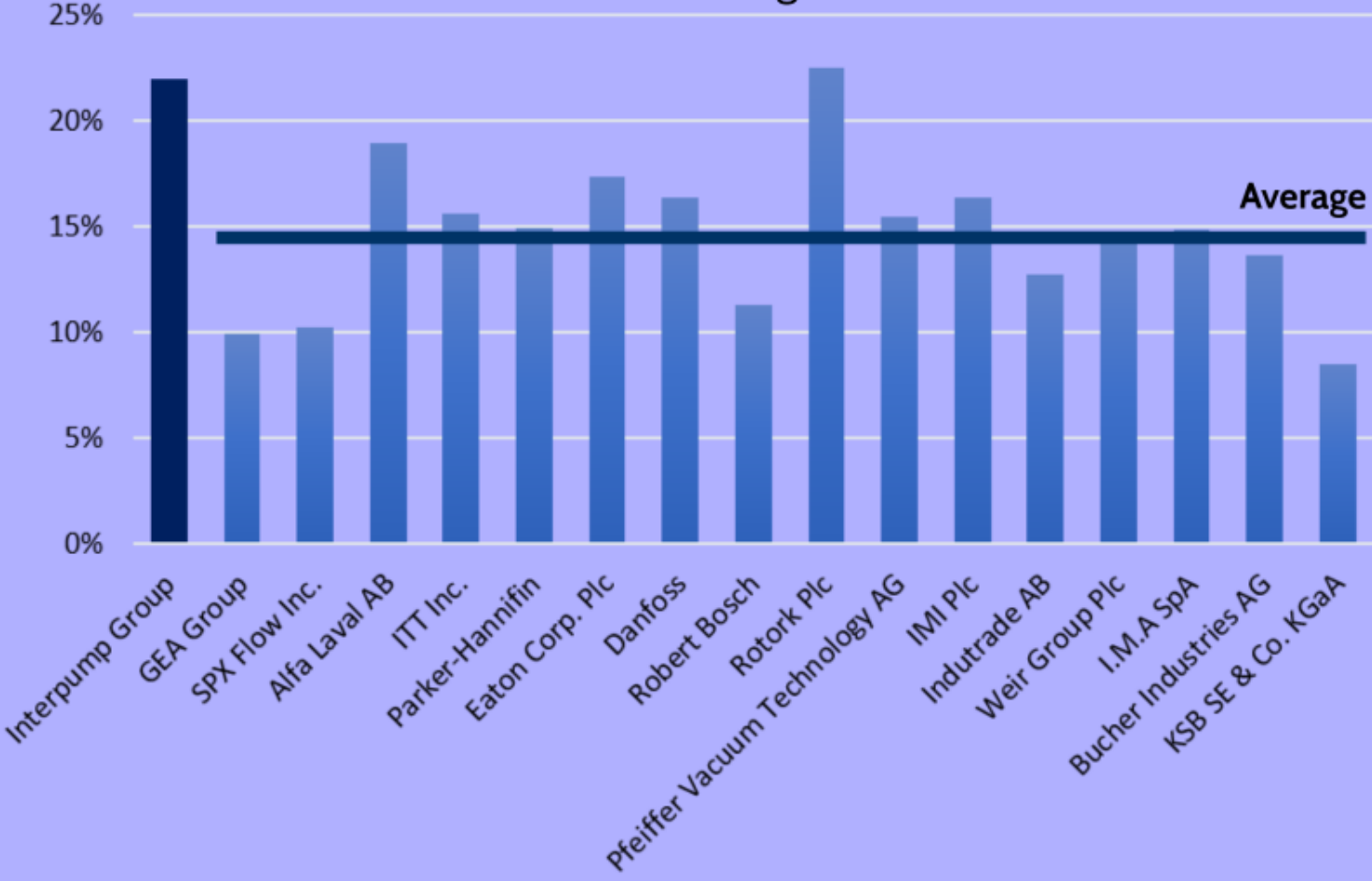




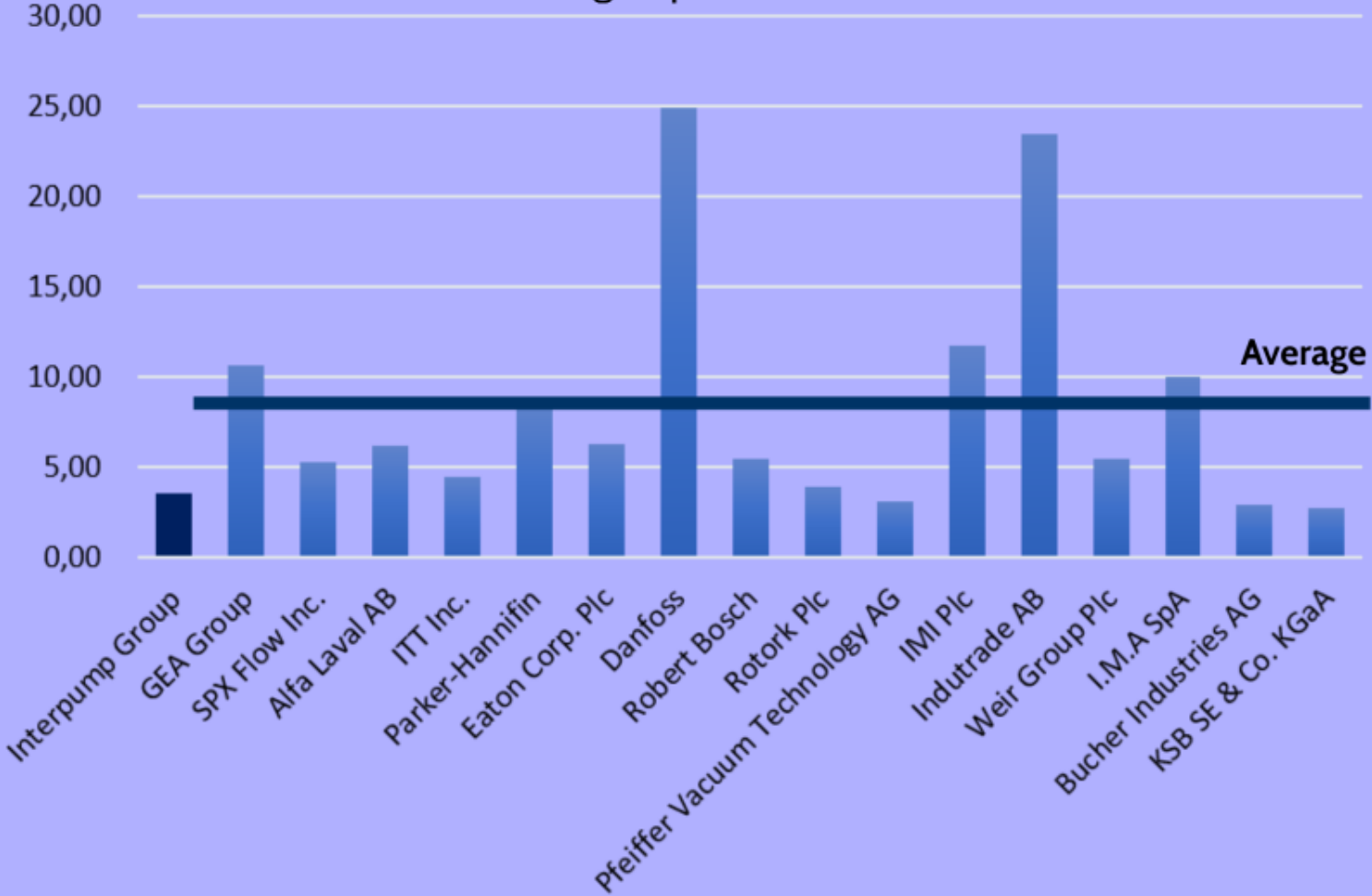
## Peer's Analysis 2017

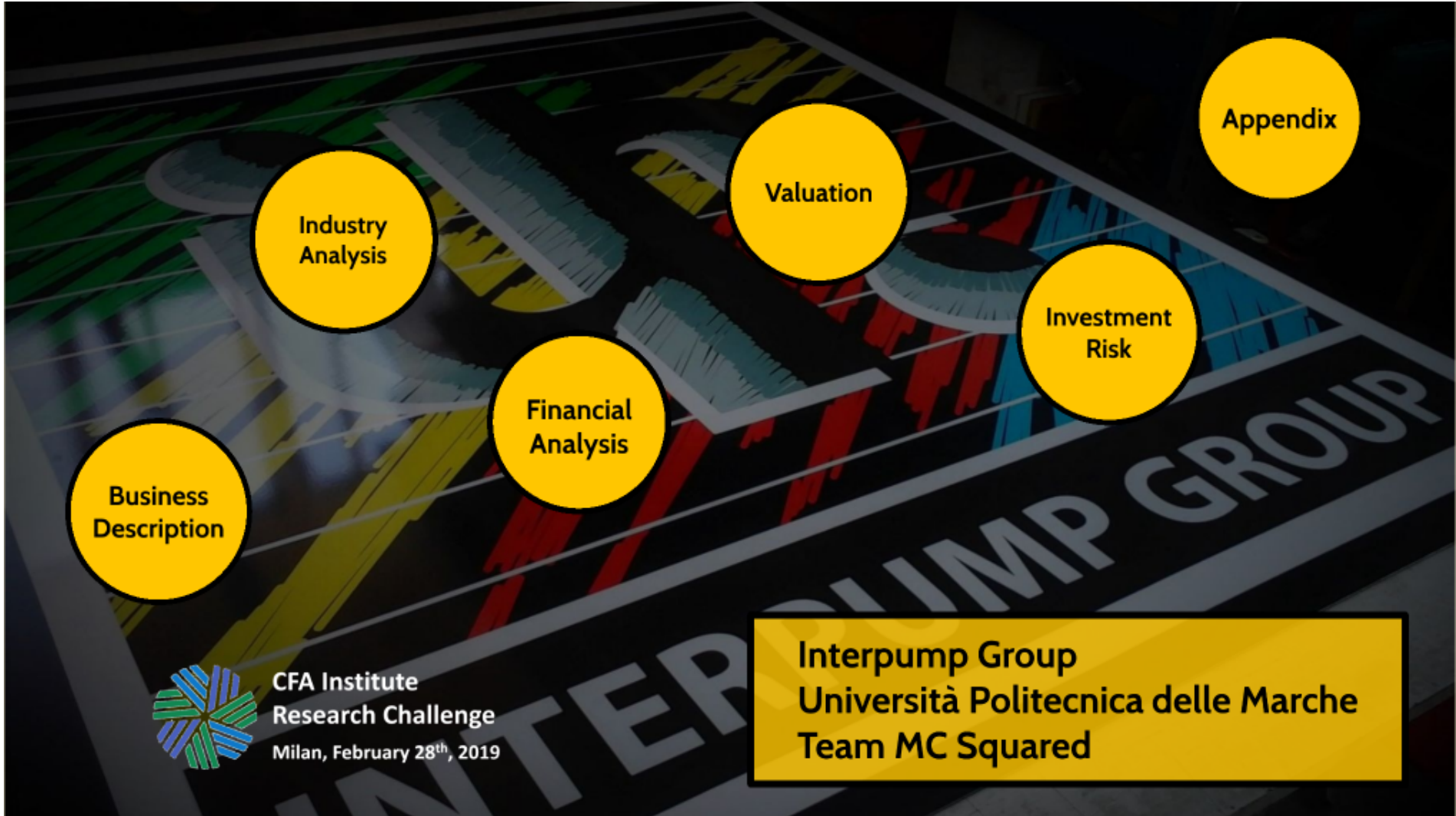


# EBITDA Margin



# Working Capital Turnover





# Future Performance Analysis 2018E - 2023E

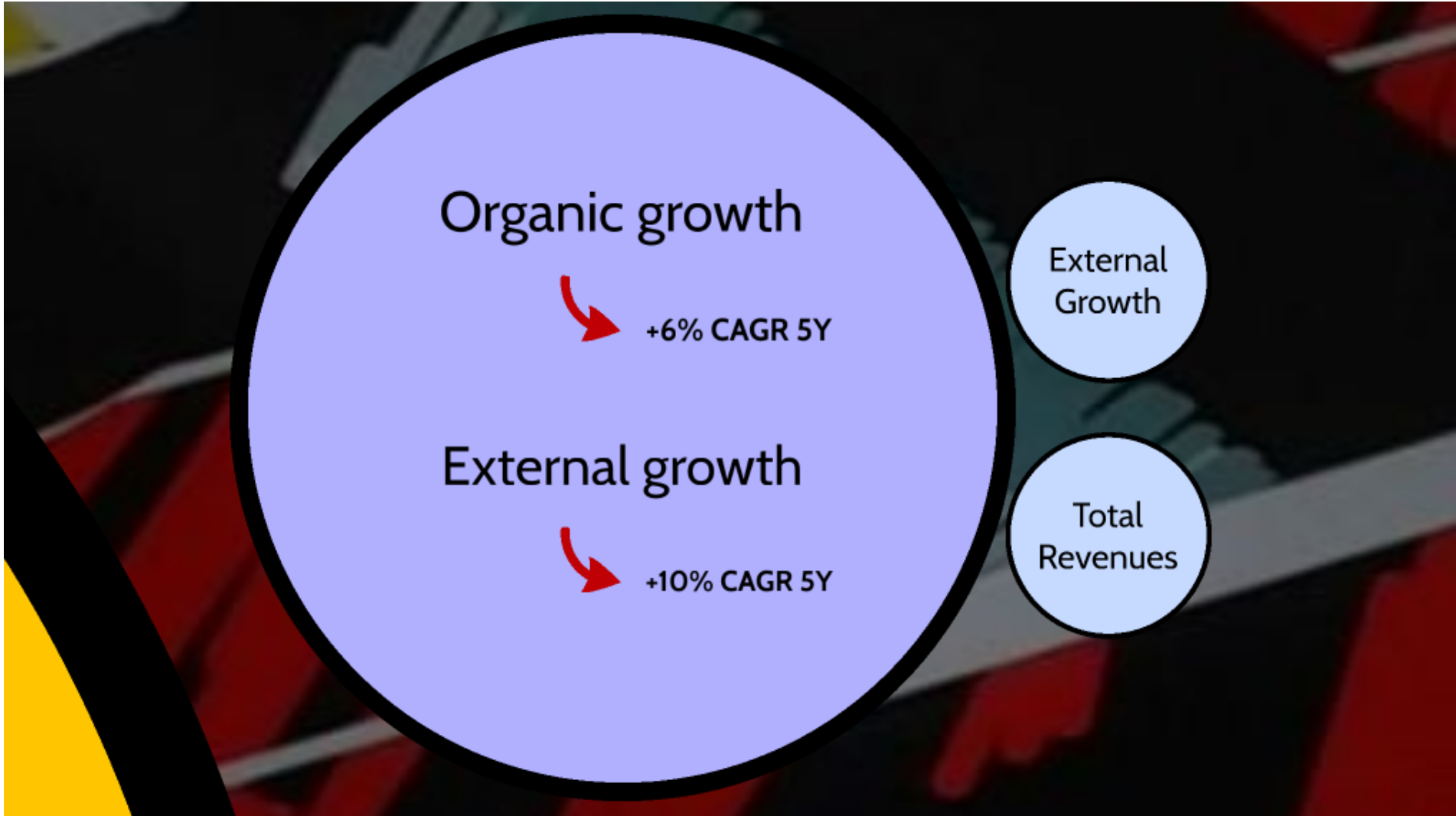


Future  
Performance

Cost and  
Margins

Cash  
Flow





### Acquisitions:

- 1 company per year in each segment
- price of €100 mln for each one
- max leverage 2x Debt/EBITDA



2023E

+ 16% CAGR 5Y

**Hydraulics**

65%  
of Tot. Rev.

**Water Jetting**

35%  
of Tot. Rev.

Geographical  
Growth

2023E

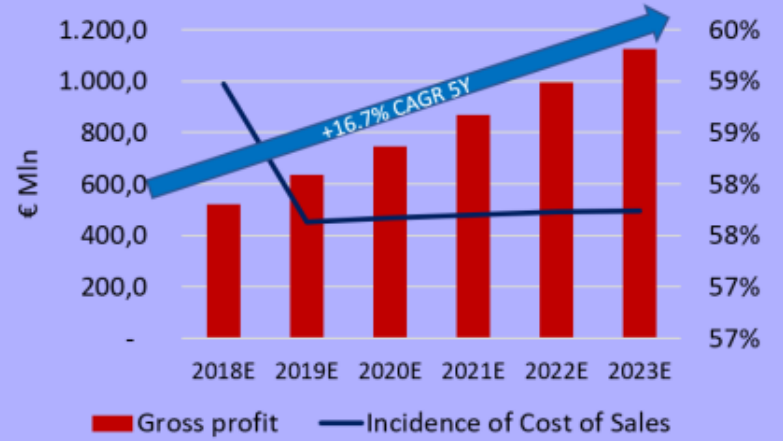
**Europe**  
16.6% CAGR 5Y

**Italy**  
18% CAGR 5Y

**Far East and Oceania**  
17.4% CAGR 5Y

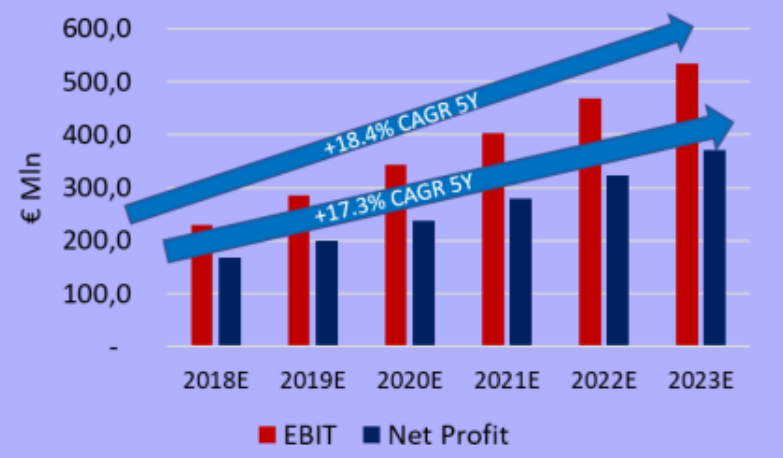
Gross Profit  
from €519.3mln  
to €1,125.8 mln

Cost of sales %  
from 59% to 58%



EBIT  
from €229.7 mln  
to €534.3 mln

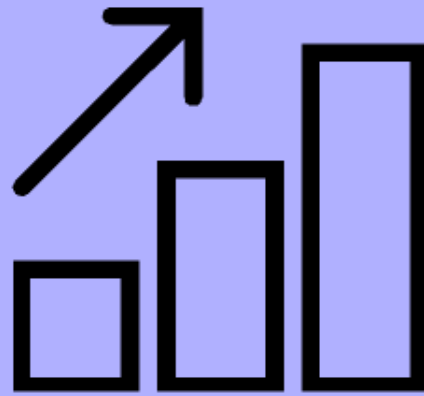
Net income  
from €167.1 mln  
to €370.4 mln

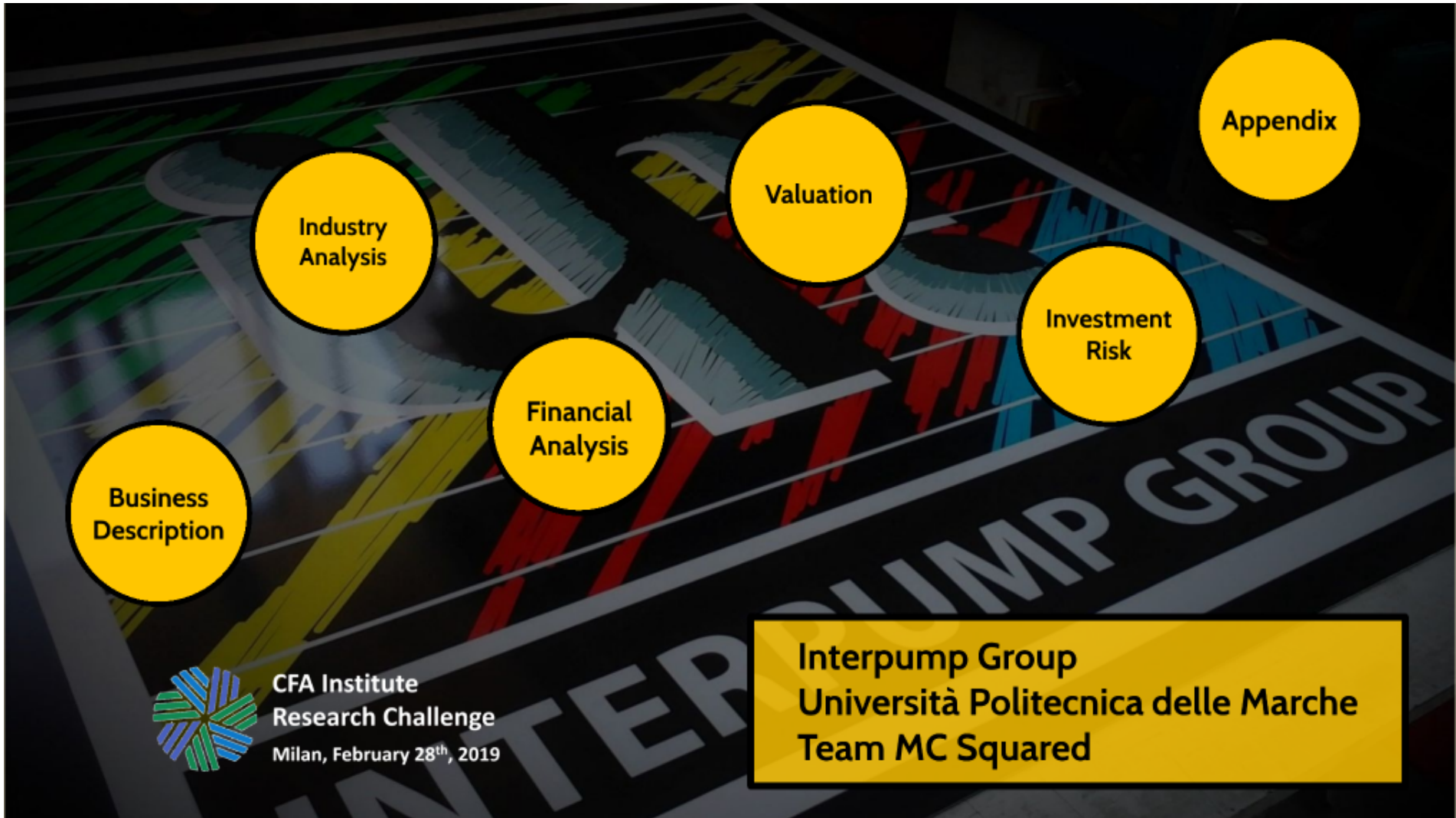




Cash Flow

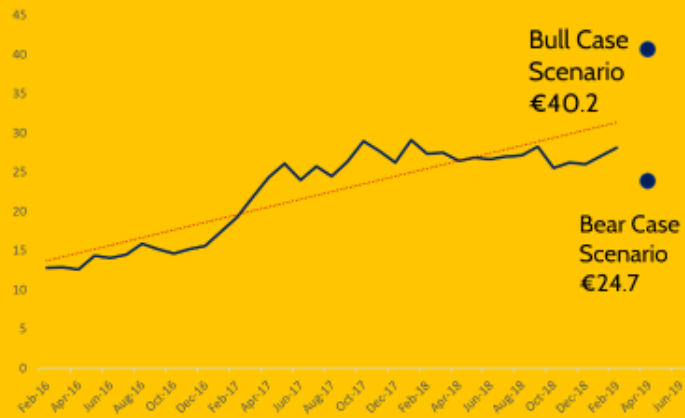
+ 13% CAGR 5Y





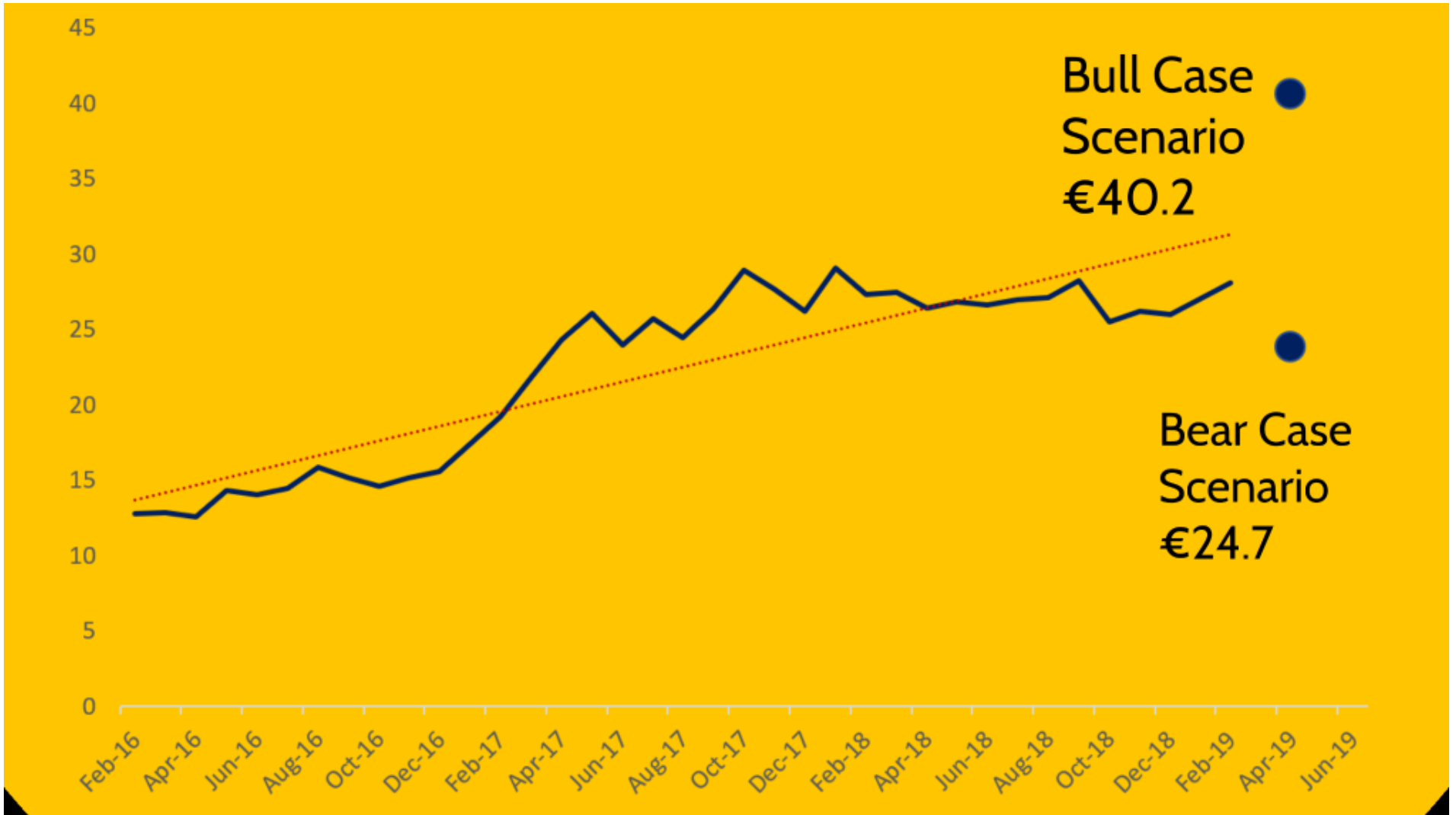
Closing Price at 6th  
February 2019: 28.12€

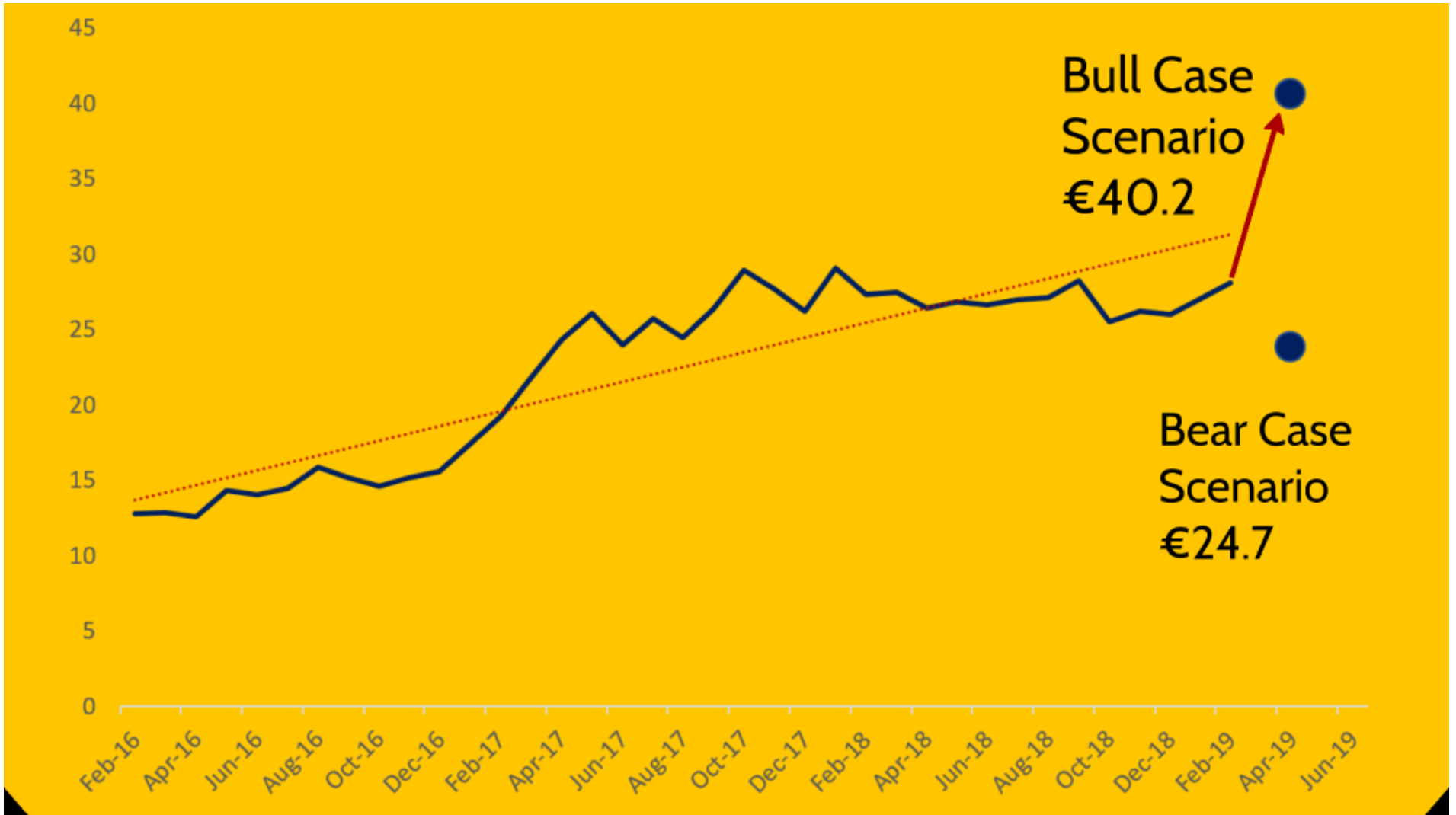
Target Price: €34.8

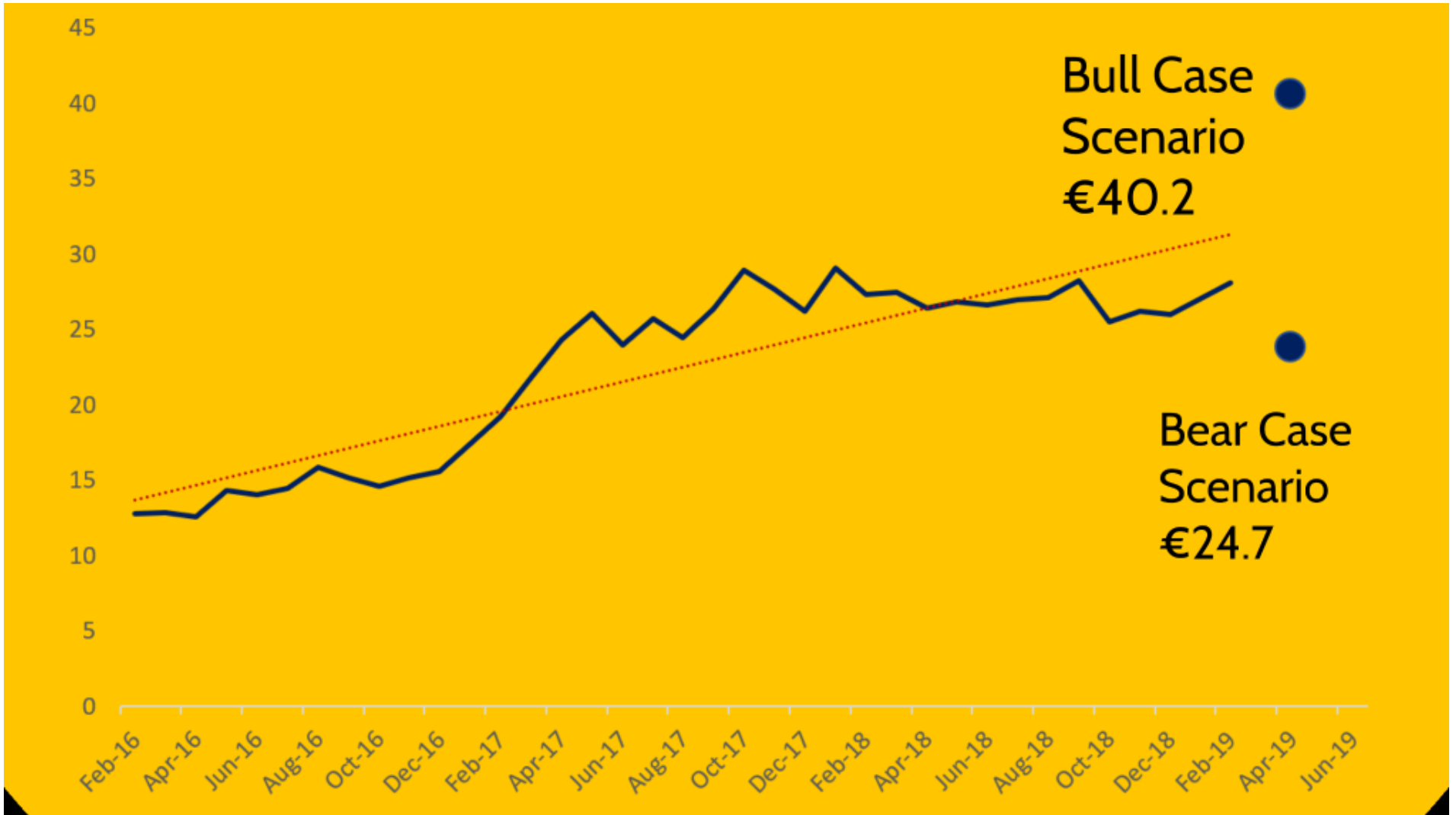


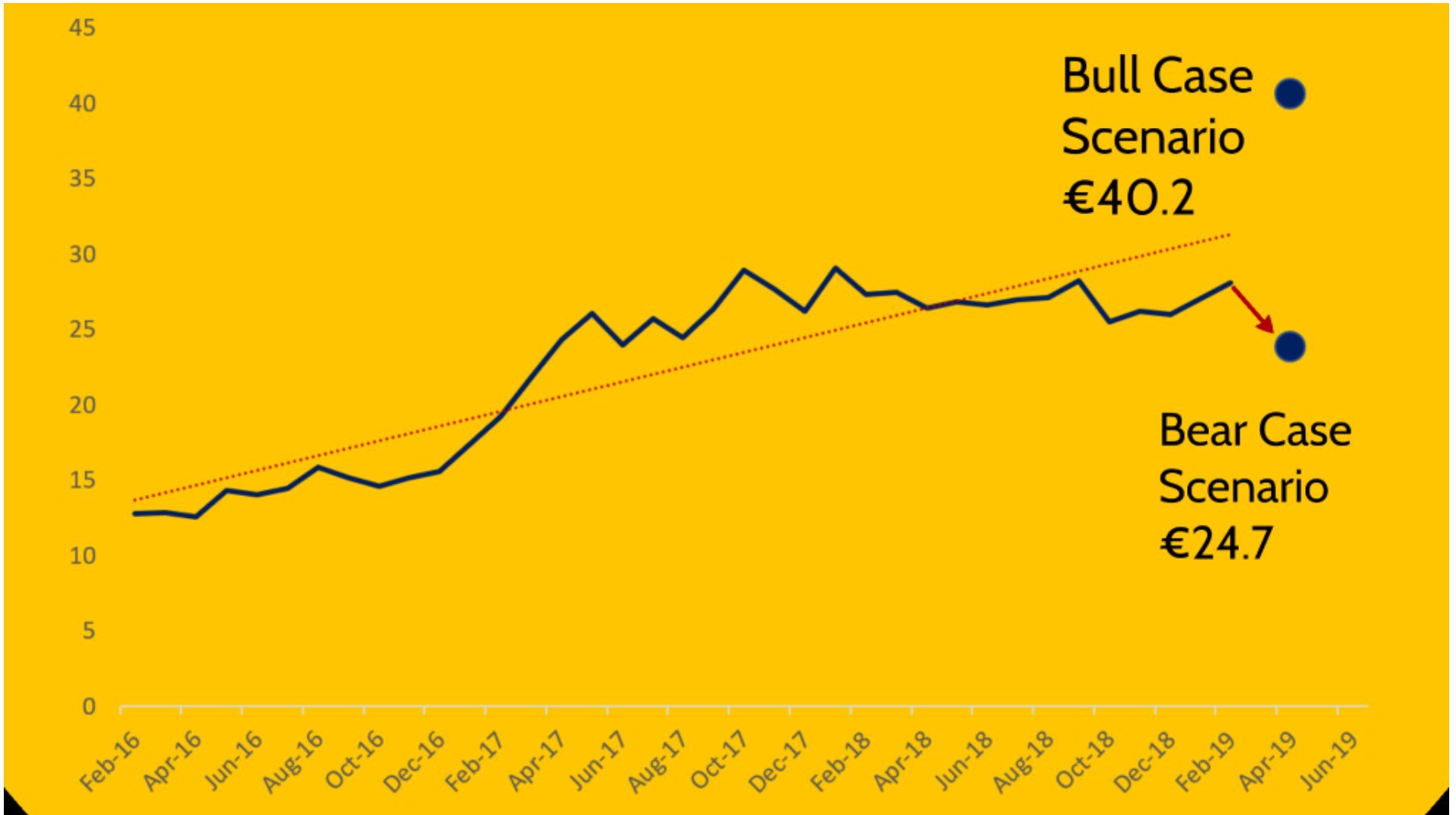
DCF  
Model

Transaction  
Multiples  
Model

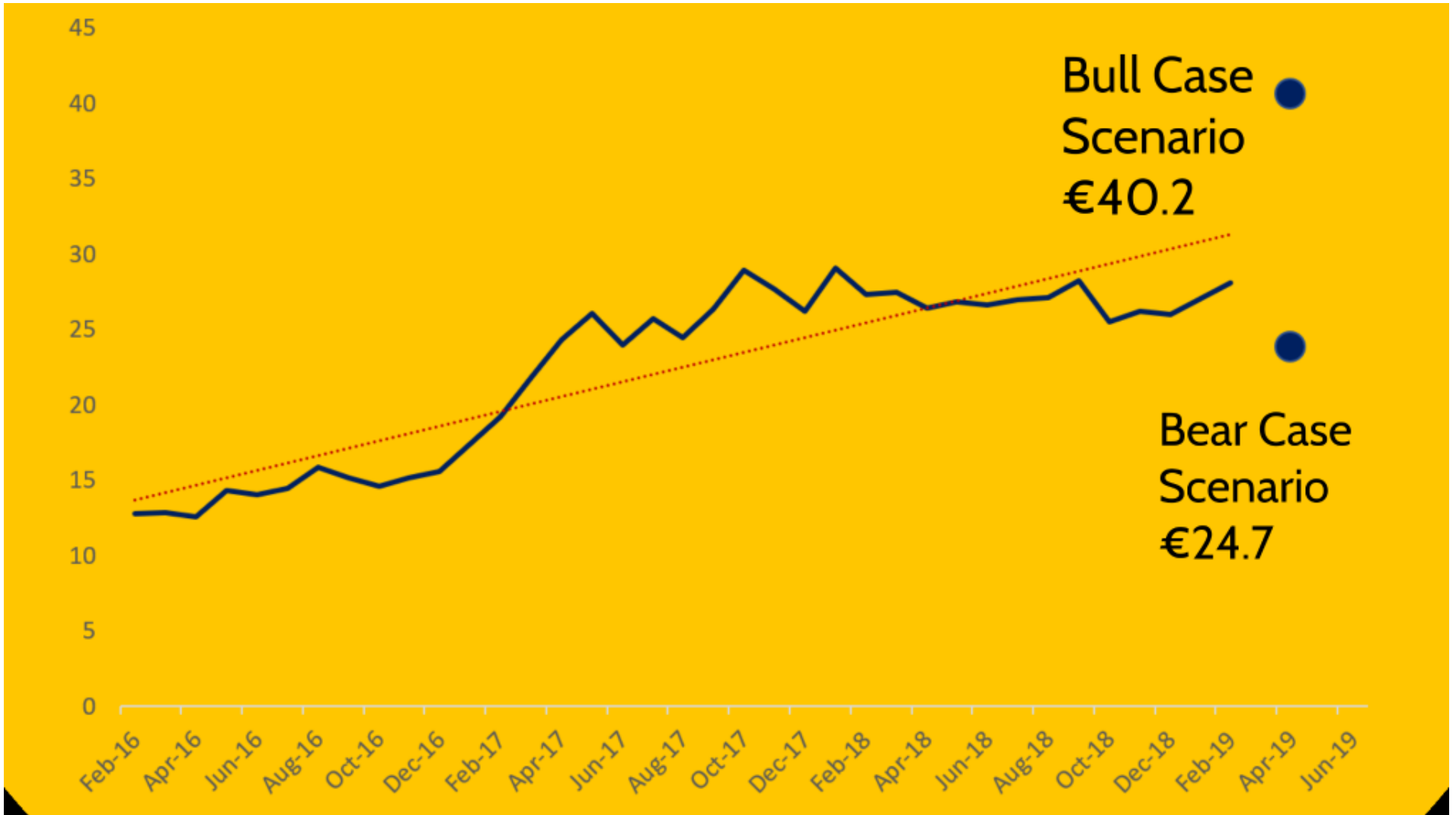




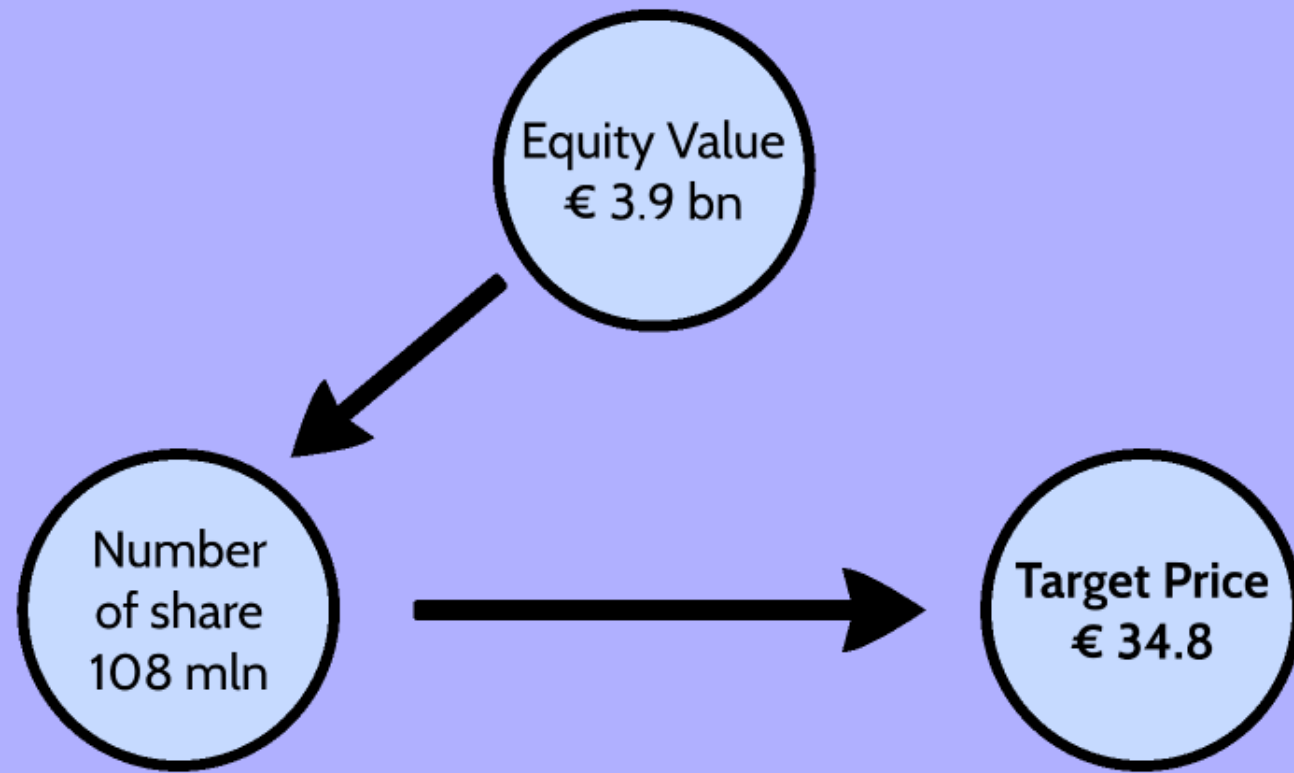






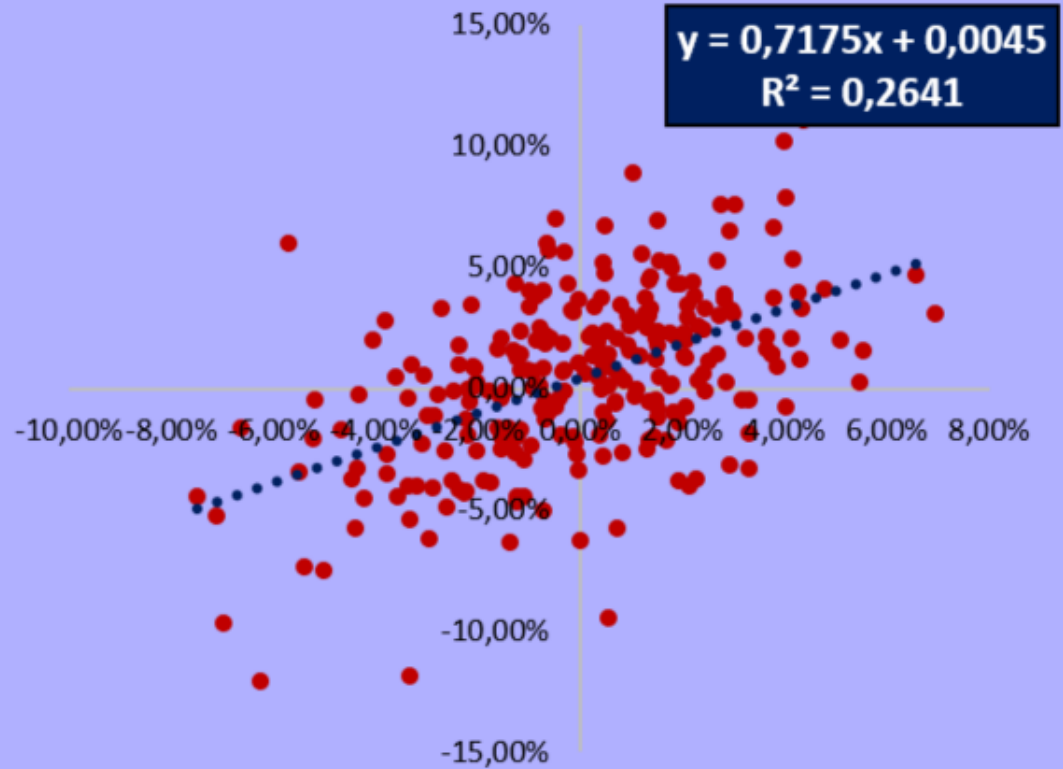


# Three Stage DCF Model

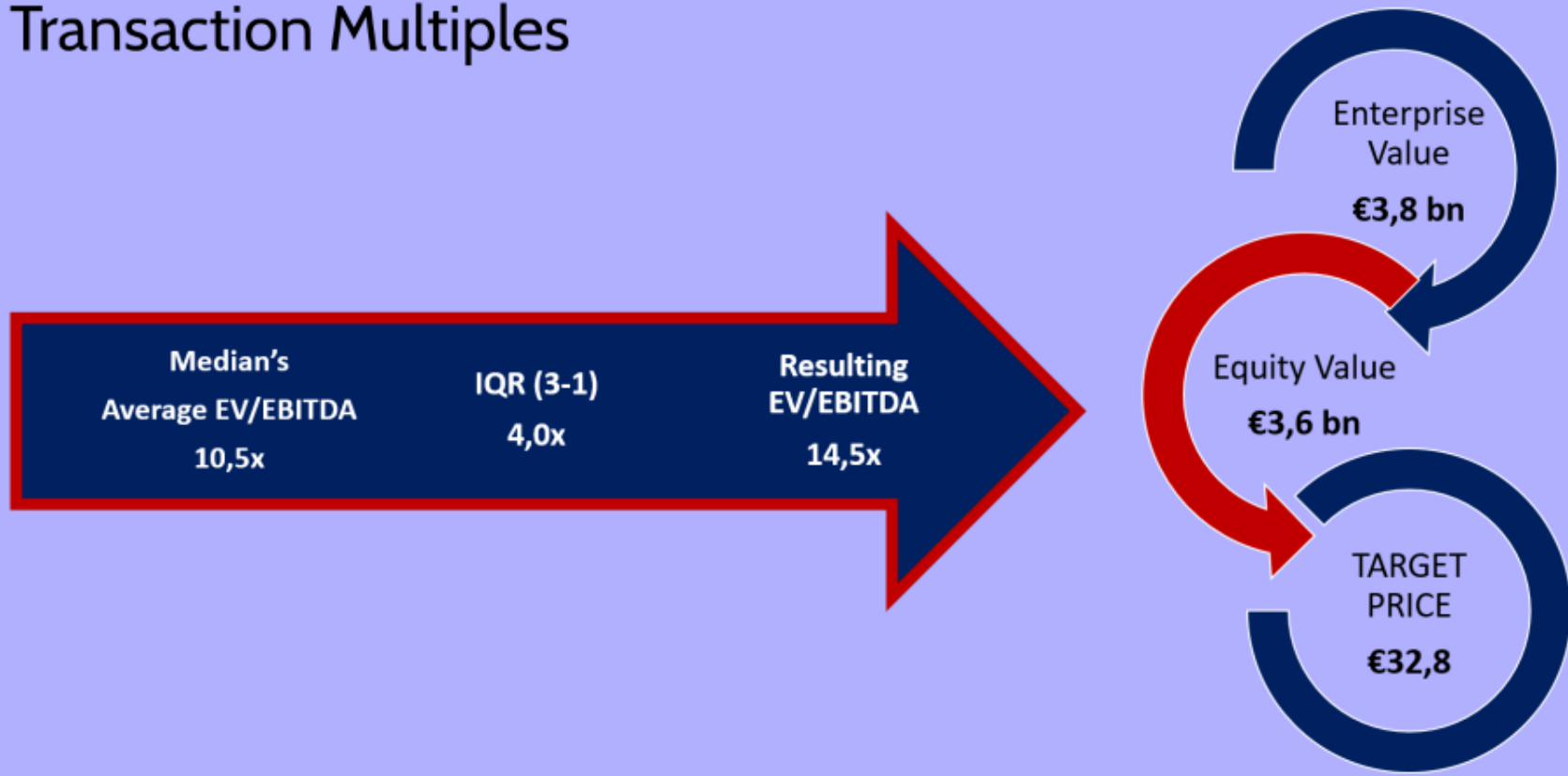


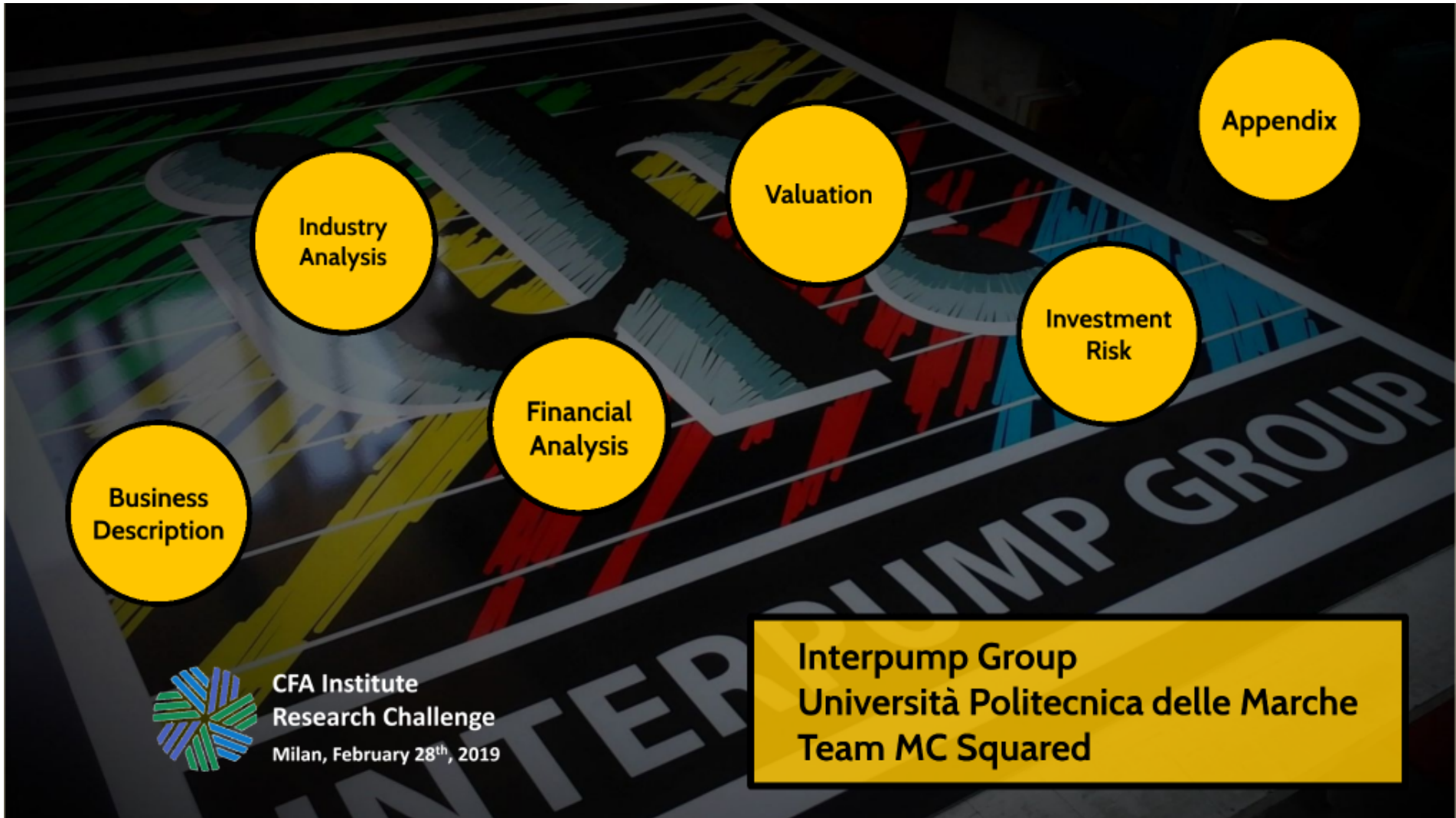
# WACC Assumptios

- 5.1% Cost of Equity
- 3.9% Cost of Debt
- 6.0% Equity Risk Premium
- 29% Tax Rate
- 0.8 Beta (FTSE All Share)

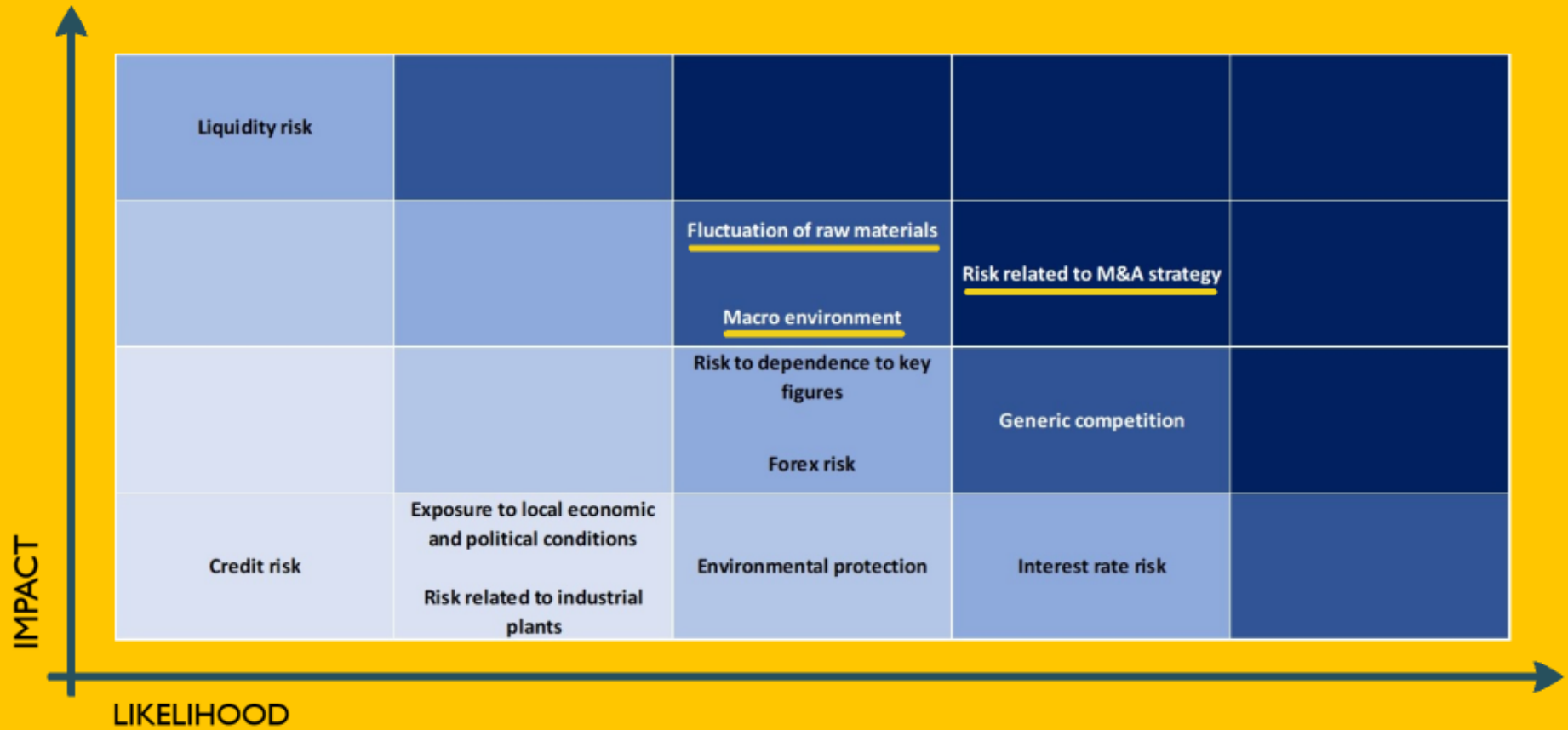


# Transaction Multiples

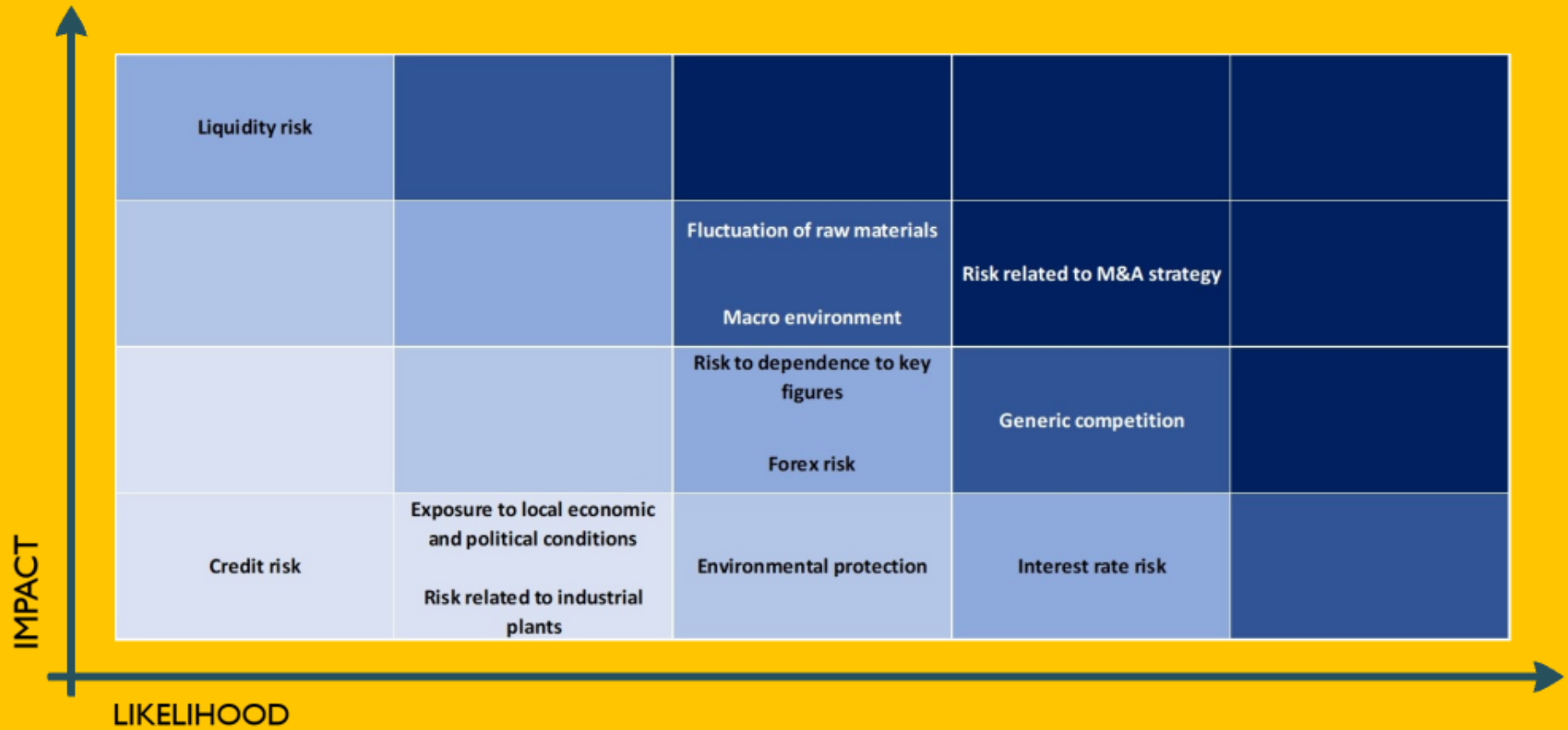




# Investment Risk

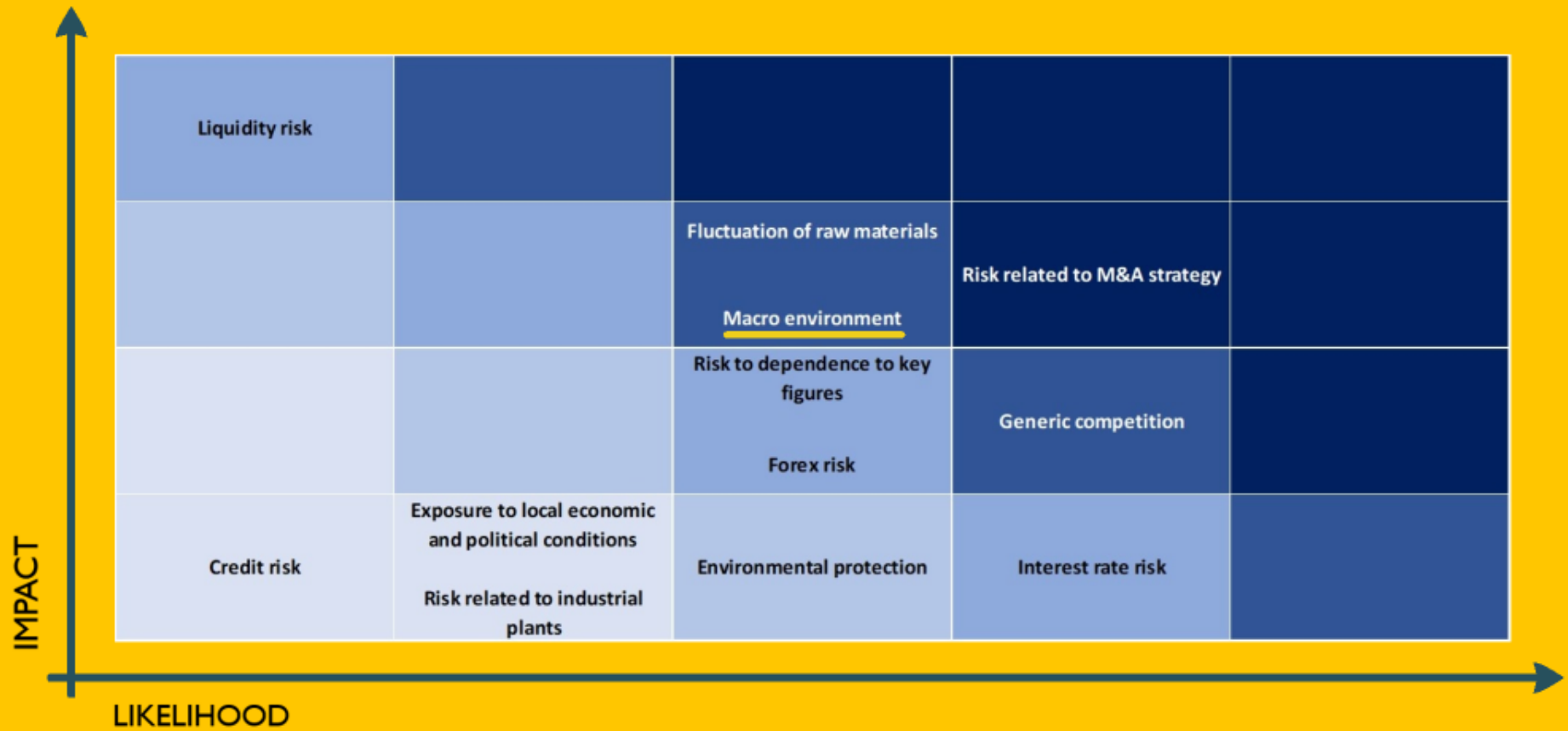


# Investment Risk

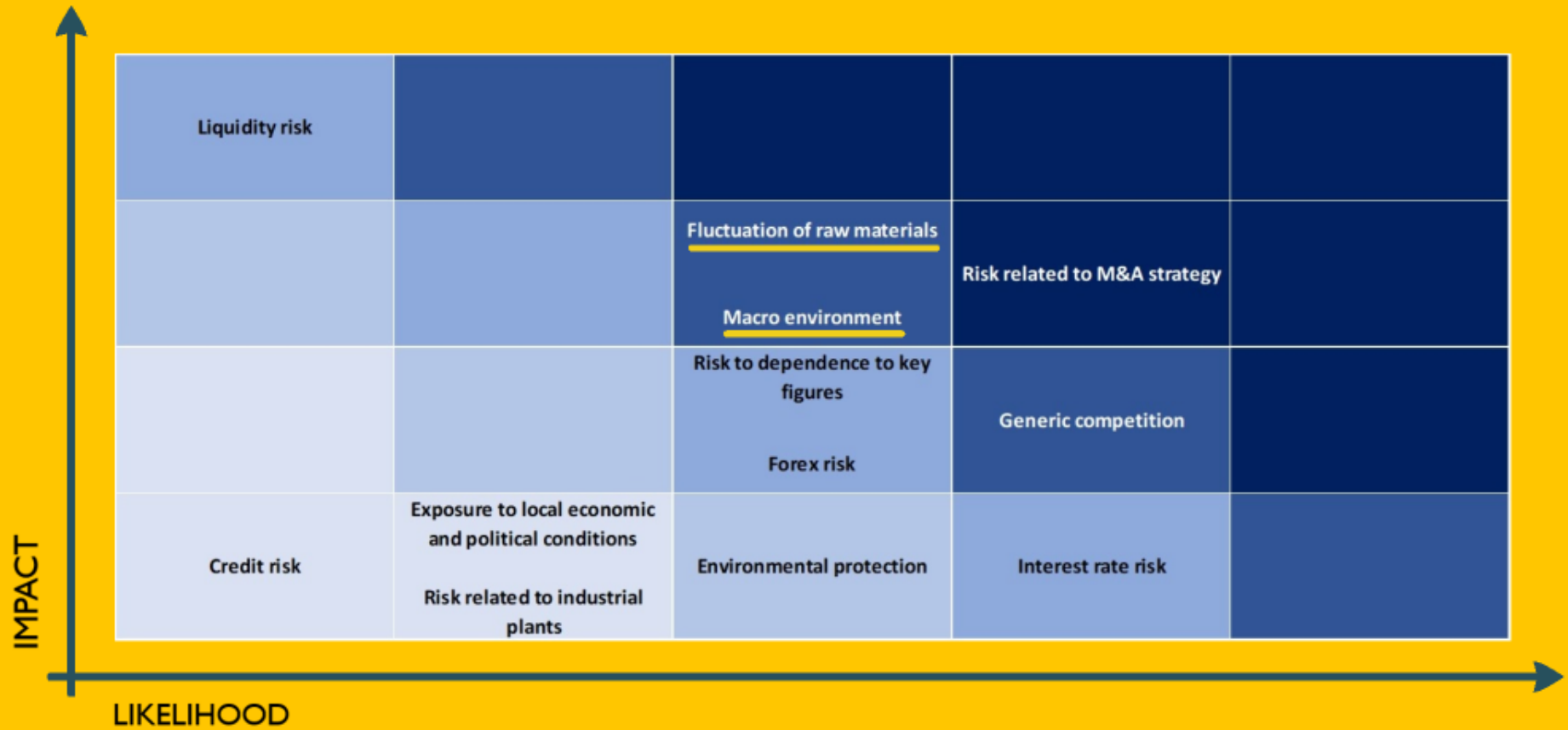




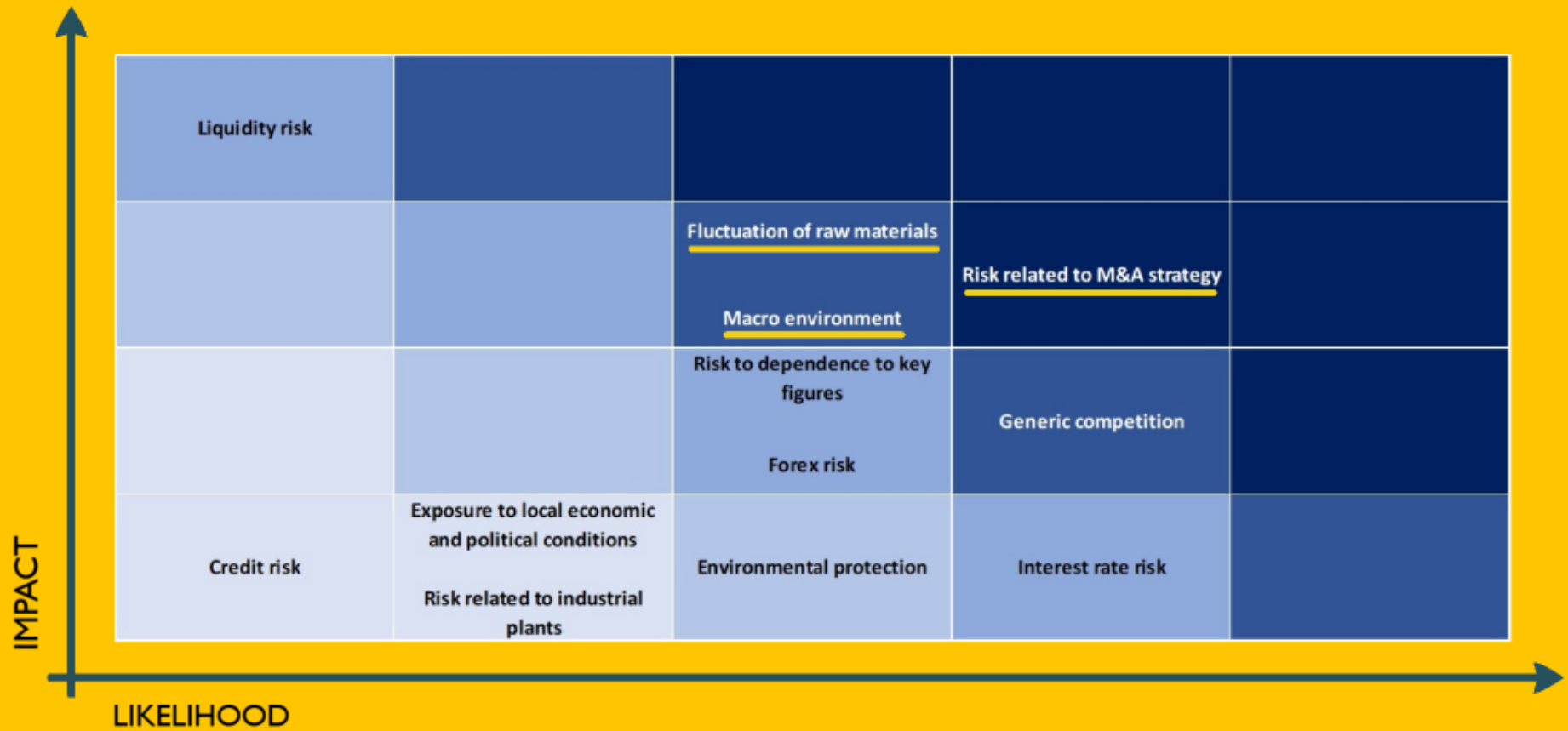
# Investment Risk



# Investment Risk



# Investment Risk



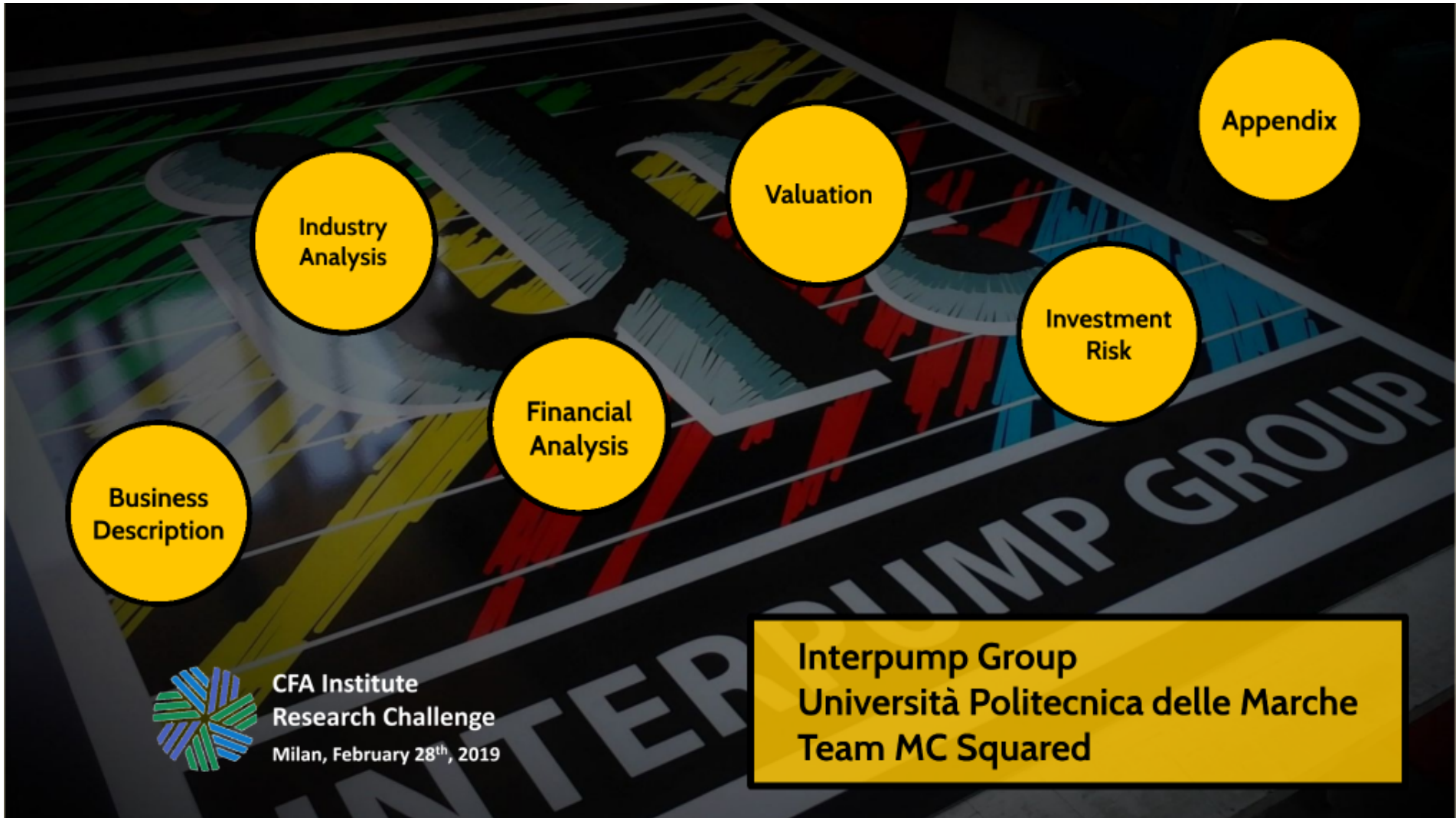
# Investment Recommendation

**BUY**

**TARGET PRICE: € 34.8**

Upside: + 24%

**THANK YOU FOR  
YOUR ATTENTION!!!**



# Appendix



Business  
Description

Industry  
Analysis

Financial  
Analysis

Valuation

Tables



# Business Description



Geographical  
Distribution  
2017

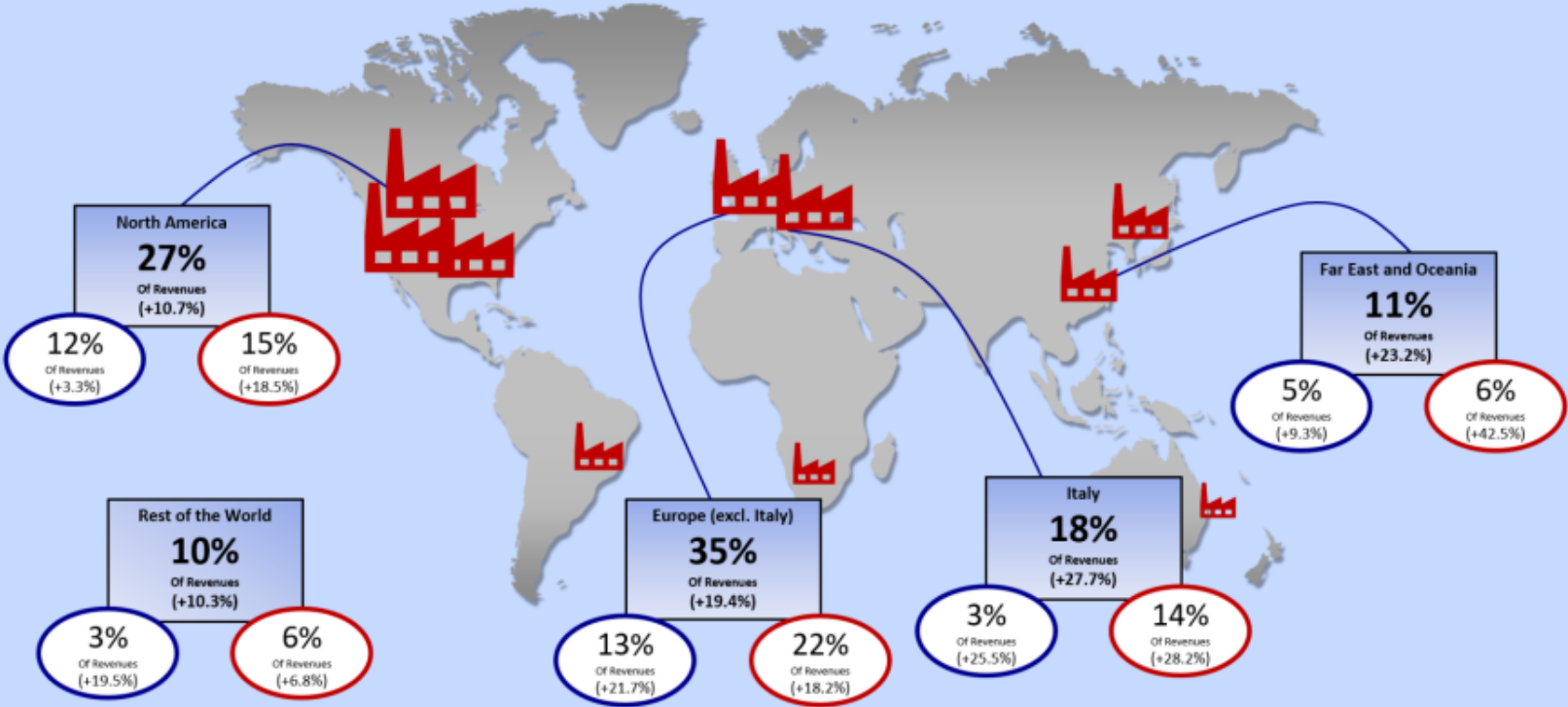
Geographical  
Distribution  
2023E

Wholesale  
Segments

Distribution  
Network

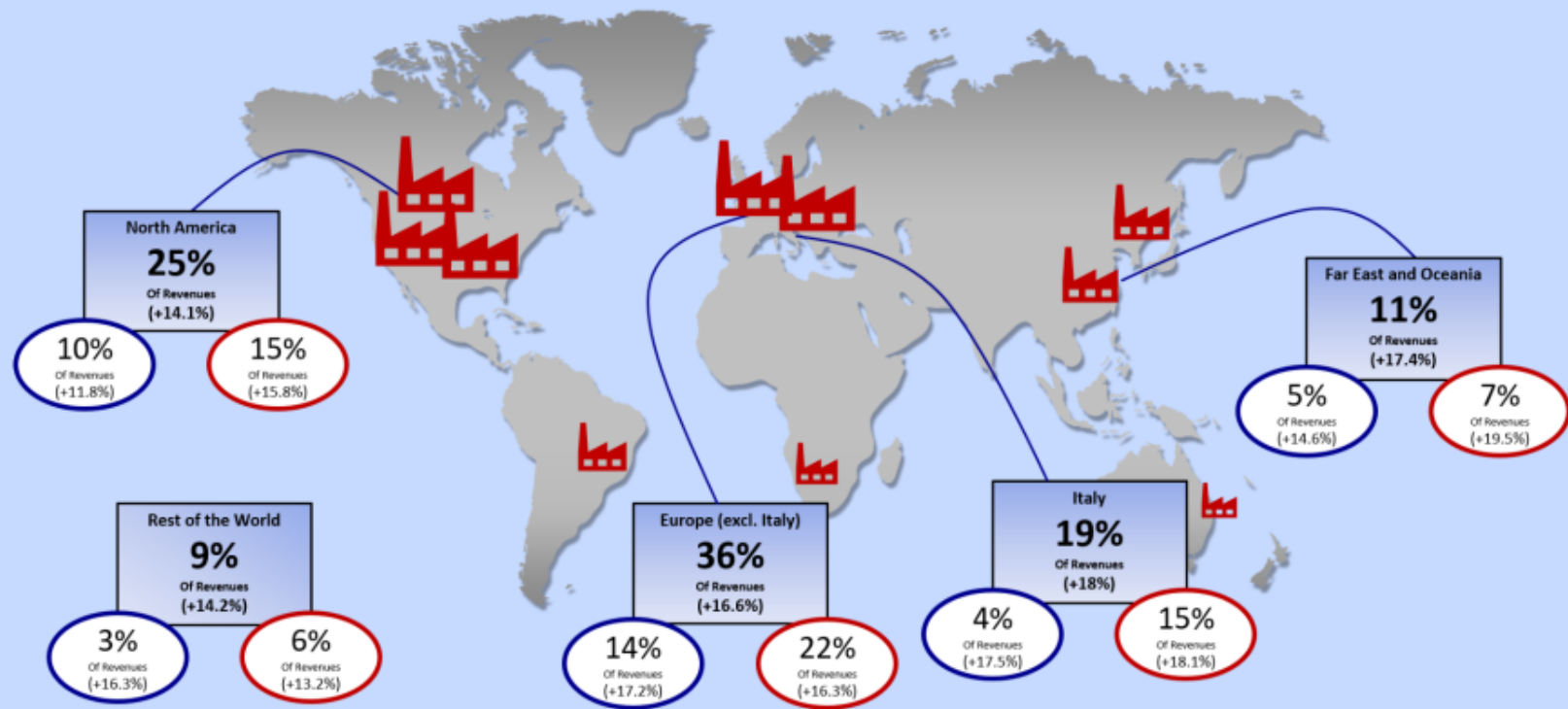
# Geographical distribution 2017

% of Revenues for **Water Jetting** and **Hydraulics**



# Geographical distribution 2023E

% of Revenues for **Water Jetting** and **Hydraulics**



# Geographical distribution 2023E

% of Revenues for **Water Jetting** and **Hydraulics**

WATER JETTING WHOLESALE SEGMENTS

Food/Pharma & Cosmetics 19%	Contractors 14%	Automotive 7%	Other Industry 6%	
		Other 6%	Steel/ Alu 4%	Indus... Vehic... 4%
Cleaning 18%	Construction 8%	Oil&Gas 5%	Marine 4%	Che... 3%

HYDRAULICS WHOLESALE SEGMENTS

Truck Outfitters 22%	Earth Moving 14%	Lifting 10%	Industry 10%	Truck Manufa... 9%
	Agriculture 11%	Construction 10%	Other 8%	Tunnell... Mining 6%



- 39 Products commercialization
- 6 Manufacturing companies
- 28 Production and sales
- 4 Sub-Holdings

# Industry Analysis



Porter's  
5 forces

SWOT  
Analysis

Peer's  
Analysis  
2017

# Porter's 5 Forces

## Internal Rivalry

### Water Jetting

Very High-Pressure Plunger Pumps sector:

- Leader position

Flow Handling Food, Cosmetics & Pharma sector:

- Rapidly growing sector that allows significant developments for all companies

### Hydraulics

Competition strategy based on cross-selling and specialize in key technologies (DCV and PTO).

## Threat of New Entrants

### Water Jetting

Very High-Pressure Plunger Pumps sector:

- High barriers to entry

Flow Handling Food, Cosmetics & Pharma sector:

- Barriers to entry relatively low but the rapidly growing support pricing power.

### Hydraulics

- Low barriers to entry due to standardized products.

## Bargaining Power of Supplier

### Water Jetting & Hydraulics

- The supplier base is well diversified
- Large stocks of raw materials

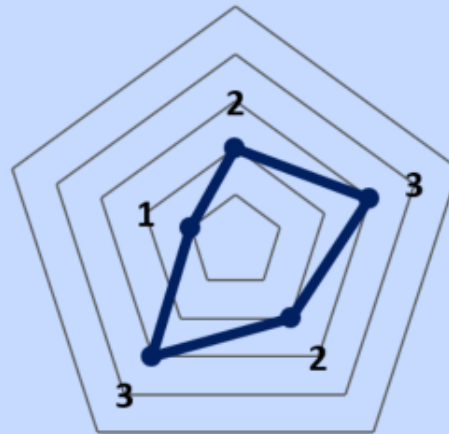
## Bargaining Power of Buyers

### Water Jetting

Premium Price Power

### Hydraulics

Price Taker



## Treat of Substitute

### Water Jetting & Hydraulics

There aren't development of new technologies and substitutes products.



# SWOT Analysis

Strengths: 4.4/5	IPG's Points	Effect on Return	Opportunities: 4.5/5	IPG's Points	Effect on Return
▪ Leader positioning in the niche market segment of Very High-Pressure Pumps, Power Take-Offs (PTO) and Directional Control Valves (DCV)	5	5	▪ Expansion in the flow Handling, Food, Cosmetics & Pharma segment with an estimated market size of € 8 bn/yr	5	5
▪ High entry barriers and high profitability in Water Jetting sector, premium price, reputable brand	5	5	▪ Widening the geographical presence in emerging markets like China and India	4	5
▪ Wide products diversification in Hydraulic Segment, Cross-Selling	4	5	▪ Reduction of cyclicity increasing the presence in less cyclical industries like Food, Cosmetic & Pharma	5	5
▪ Importance of after-sales in Water jetting segment	4	3	▪ Search for new application fields for the existing product base	4	4
▪ Successful track record in external growth and the integration of purchased companies	5	5	▪ Continue to increase external growth through M&A	5	5
▪ Sound net debt position and low cost of debt	4	5	▪ Design tailor-made solutions for costumers	4	5
▪ Significant FCF generation allow the group to implement further acquisitions	4	5			
Weaknesses: 3.8/5	IPG's Points	Effect on Return	Threats: 4/5	IPG's Points	Effect on Return
▪ Low brand identification in Hydraulics market	3	4	▪ Effect of a macroeconomic downturn in the developed market	4	5
▪ Presence of large market leaders in the Hydraulic segment	4	4	▪ Forex translation risk	4	4
▪ Limited growth in the niche market of Very High-Pressure Plunger Pumps	4	5	▪ The amount of the free float is about 75%	4	3
▪ Products perceived as commodities in Hydraulic sector, no premium price power	4	5			
▪ Still limited presence in emerging markets	4	3			

# Peer's Analysis 2017

	Company Name	Calendar Period	Sales (€ mln)	Sales 1 Year Growth (%)	Gross Margin (%)	EBIT Margin (%)	EBIT 1 Year Growth (%)	EBITDA Margin (%)	SG&A to Sales (%)	Return on Asset (%)	Return on Equity (%)	Working Capital Turnover	Total Debt / Total Equity (%)	Dividend Payout ratio
	Interpump Group	2017	1,086.5	17.74	36.97	17.59	30.25	21.96	19.78	9.14	18.76	3.59x	55.12	16.71
Water Jetting	GEA Group	2017	4,605	2.51	31.17	7.41	-2.75	9.93	23.74	3.79	8.30	10.66x	10.05	64.89
	SPX Flow Inc.	2017	1,730.2	-2.23	30.68	7.09	1.10	10.23	23.59	1.75	5.38	5.25x	92.88	-
	Alfa Laval AB	2017	3,665	-0.90	33.13	14.27	4.07	18.94	18.87	5.61	14.68	6.20x	62.30	59.94
	ITT Inc.	2017	2,292	7.48	31.61	11.57	13.42	15.64	20.04	3.15	7.61	4.46x	10.77	40.00
Hydraulics	Parker-Hannifin	2017	11,035	5.88	23.91	11.99	15.13	14.94	11.92	7.14	19.99	8.69x	111.57	35.59
	Eaton Corp. Plc	2017	18,09	3.33	33.46	12.92	6.46	17.40	19.75	9.47	18.57	6.26x	44.93	35.93
	Danfoss	2017	5,827	10.43	34.44	12.33	21.81	16.42	22.68	7.22	17.31	24.92x	45.44	-
	Robert Bosch	2017	78,066	6.75	35.44	5.84	27.96	11.34	29.22	3.34	7.84	5.44x	16.41	-
	Rotork Plc	2017	733.3	8.84	39.59	15.98	9.84	22.54	23.61	7.32	12.48	3.91x	16.58	84.38
	Pfeiffer Vacuum	2017	587.0	23.77	35.30	11.92	3.68	15.46	23.38	10.63	16.92	3.09x	18.80	36.63
	IMI Plc	2017	1,999.2	6.19	42.91	12.64	6.63	16.40	30.27	8.81	25.24	11.71x	59.89	65.89
	Indutrade AB	2017	1,540.9	14.60	32.60	9.65	17.18	12.77	22.95	8.71	21.57	23.45x	77.83	43.91
Water Jetting & Hydraulics	Weir Group Plc	2017	2,689.9	27.70	30.19	9.40	46.62	14.22	20.79	4.54	11.37	5.48x	76.73	59.86
	I.M.A SpA	2017	1,444.7	10.21	30.47	12.11	21.65	14.88	18.05	5.94	27.40	9.99x	74.74	77.98
	Bucher Industries AG	2017	2,384.7	11.22	20.42	10.18	23.22	13.64	8.64	6.58	13.22	2.92x	23.34	38.69
	KSB SE & Co. KGaA	2017	2,205.0	1.81	19.16	5.56	-4.10	8.51	12.82	1.56	5.13	2.76x	10.50	35.33
	Average	2017	7,276.49	9.14	31.85	11.08	14.25	15.01	20.59	6.16	14.81	8.16x	47.52	49.70
Median	2017	2,205.00	7.48	32.60	11.92	13.42	14.96	20.79	6.58	14.68	5.48x	45.44	41.96	

# Financial Analysis



Cost and  
Margin  
2018-2023

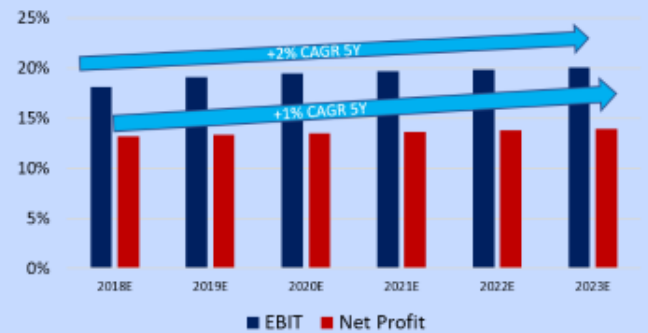
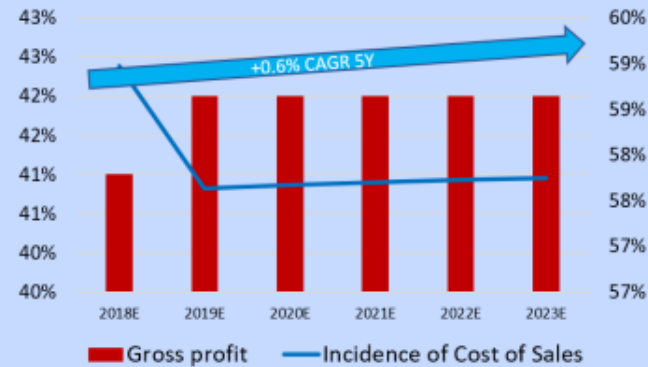
EBITDA  
Margin  
2018-2023

Cash Flow  
2018 - 2023

External  
Growth

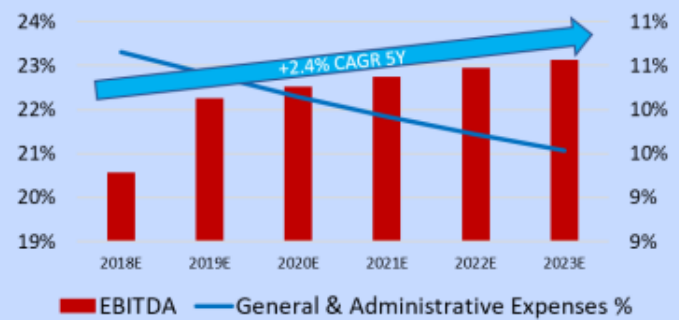
# Cost and Margin 2018-2023

- Gross profit (+3%)  
from 41% to 42%
- Cost of sales % (-2.1%)  
from 59% to 58%
- EBIT (+10.5%)  
from 18% to 20%
- Net income (+5.9%)  
from 13% to 14%



# EBITDA Margin 2018-2023

- EBITDA MARGIN  
from €260.4 mln to €616.3 mln
- EBITDA MARGIN (+12.4%)  
from 21% to 23%
- General & Administrative Expenses % (-10.6%)  
from 11% to 10%



# Cash Flow 2018 - 2023

	2018E	2019E	2020E	2021E	2022E	2023E
<b>Goodwill</b>	427	627	827	1027	1227	1427
<b>Long-term borrowings</b>	228	405	565	708	837	954
<b>CAPEX/Revenues</b>	4,4%	4,4%	4,4%	4,4%	4,4%	4,4%
<b>Net Cash Flow</b>	66	36	70	81	99	122

€200 mln of acquisitions per year (+27.3% CAGR 5Y)

acquisitions financed entirely by debt (+33.1% CAGR 5Y)

last 5Y median +13% CAGR 5Y

# External Growth

	<b>Water Jetting</b>	<b>Hydraulics</b>
Target company's Price per year	€100 mln	€100 mln
EBITDA Multiple	6x	6x
Target company's EBITDA	€17 mln	€17 mln
EBITDA/Total Revenues	24%	13%
Target company's Revenues per year	€69 mln	€125 mln

# Valuation



DCF  
Model

WACC  
Assumptions

Value Creation  
and EPS Trend

Sensitivity  
Analysis

Transaction  
Multiples



€Mln	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
<b>Revenues</b>	<b>1.497,9</b>	<b>1.763,1</b>	<b>2.050,4</b>	<b>2.352,4</b>	<b>2.664,1</b>	<b>2.816,0</b>	<b>2.976,5</b>	<b>3.146,2</b>	<b>3.325,5</b>	<b>3.515,0</b>
Revenues growth	18,4%	17,7%	16,3%	14,7%	13,3%	5,7%	5,7%	5,7%	5,7%	5,7%
<b>EBIT</b>	<b>286,2</b>	<b>342,7</b>	<b>403,3</b>	<b>467,5</b>	<b>534,3</b>	<b>564,8</b>	<b>597,0</b>	<b>631,0</b>	<b>667,0</b>	<b>705,0</b>
% margin	19%	19%	20%	20%	20%	20%	20%	20%	20%	20%
% growth	24,6%	19,7%	17,7%	15,9%	14,3%	5,7%	5,7%	5,7%	5,7%	5,7%
Tax rate	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%
- Tax	-83,1	-98,9	-116,1	-134,7	-154,2	-163,0	-172,3	-182,1	-192,5	-203,5
<b>NOPAT</b>	<b>203,2</b>	<b>243,9</b>	<b>287,1</b>	<b>332,8</b>	<b>380,1</b>	<b>401,8</b>	<b>424,7</b>	<b>448,9</b>	<b>474,5</b>	<b>501,5</b>
% growth	27%	20%	18%	16%	14%	6%	6%	6%	6%	6%
-Changes in Total Asset	-169,5	-201,6	-236,2	-273,4	-312,3	-330,1	-348,9	-368,8	-389,8	-412,0
-CAPEX	-65,9	-77,6	-90,2	-103,5	-117,2	-123,9	-130,9	-138,4	-146,3	-154,6
+D&A	67,6	79,6	92,5	106,2	120,2	127,1	134,3	142,0	150,1	158,7
<b>FCFF</b>	<b>35,4</b>	<b>44,3</b>	<b>53,3</b>	<b>62,1</b>	<b>70,9</b>	<b>74,9</b>	<b>79,2</b>	<b>83,7</b>	<b>88,5</b>	<b>93,5</b>
Discount Factor	0,96	0,92	0,88	0,85	0,81	0,78	0,74	0,71	0,68	0,66
<b>Present Value</b>	<b>34,0</b>	<b>40,7</b>	<b>47,0</b>	<b>52,5</b>	<b>57,4</b>	<b>58,2</b>	<b>58,9</b>	<b>59,7</b>	<b>60,5</b>	<b>61,3</b>

Stage I (2018E-2023E)	231,6
Stage II (2024E - 2028E)	298,7
Terminal Value	3.472,1

Terminal WACC	4,3%
Terminal Growth Rate	2,5%

Enterprise Value	4.002,4
Net Financial Position	-209,0
Equity Value	3.793,3

n° of share 108.879.294

Target Price **34,84**

Current Price (EUR) 28,12

Premium/(Discount) to Current (%) **23,9%**

## Three-Stage DCF Model

€Mln	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
<b>Revenues</b>	<b>1.497,9</b>	<b>1.763,1</b>	<b>2.050,4</b>	<b>2.352,4</b>	<b>2.664,1</b>	<b>2.816,0</b>	<b>2.976,5</b>	<b>3.146,2</b>	<b>3.325,5</b>	<b>3.515,0</b>
Revenues growth	18,4%	17,7%	16,3%	14,7%	13,3%	5,7%	5,7%	5,7%	5,7%	5,7%
<b>EBIT</b>	<b>286,2</b>	<b>342,7</b>	<b>403,3</b>	<b>467,5</b>	<b>534,3</b>	<b>564,8</b>	<b>597,0</b>	<b>631,0</b>	<b>667,0</b>	<b>705,0</b>
% margin	19%	19%	20%	20%	20%	20%	20%	20%	20%	20%
% growth	24,6%	19,7%	17,7%	15,9%	14,3%	5,7%	5,7%	5,7%	5,7%	5,7%
Tax rate	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%
- Tax	-83,1	-98,9	-116,1	-134,7	-154,2	-163,0	-172,3	-182,1	-192,5	-203,5
<b>NOPAT</b>	<b>203,2</b>	<b>243,9</b>	<b>287,1</b>	<b>332,8</b>	<b>380,1</b>	<b>401,8</b>	<b>424,7</b>	<b>448,9</b>	<b>474,5</b>	<b>501,5</b>
% growth	27%	20%	18%	16%	14%	6%	6%	6%	6%	6%
-Changes in Total Asset	-169,5	-201,6	-236,2	-273,4	-312,3	-330,1	-348,9	-368,8	-389,8	-412,0
-CAPEX	-65,9	-77,6	-90,2	-103,5	-117,2	-123,9	-130,9	-138,4	-146,3	-154,6
+D&A	67,6	79,6	92,5	106,2	120,2	127,1	134,3	142,0	150,1	158,7
<b>FCFF</b>	<b>35,4</b>	<b>44,3</b>	<b>53,3</b>	<b>62,1</b>	<b>70,9</b>	<b>74,9</b>	<b>79,2</b>	<b>83,7</b>	<b>88,5</b>	<b>93,5</b>
Discount Factor	0,96	0,92	0,88	0,85	0,81	0,78	0,74	0,71	0,68	0,66
<b>Present Value</b>	<b>34,0</b>	<b>40,7</b>	<b>47,0</b>	<b>52,5</b>	<b>57,4</b>	<b>58,2</b>	<b>58,9</b>	<b>59,7</b>	<b>60,5</b>	<b>61,3</b>
Stage I (2018E-2023E)	231,6									
Stage II (2024E - 2028E)	298,7									
<b>Terminal Value</b>	3.472,1									
<b>Terminal WACC</b>	4,3%									
<b>Terminal Growth Rate</b>	2,5%									
<b>Enterprise Value</b>	4.002,4									

Stage I (2018E-2023E)	231,6
Stage II (2024E - 2028E)	298,7
<b>Terminal Value</b>	<b>3.472,1</b>
<b>Terminal WACC</b>	<b>4,3%</b>
<b>Terminal Growth Rate</b>	<b>2,5%</b>
<b>Enterprise Value</b>	<b>4.002,4</b>
<b>Net Financial Position</b>	<b>-209,0</b>
<b>Equity Value</b>	<b>3.793,3</b>
<b>n° of share</b>	<b>108.879.294</b>
<b>Target Price</b>	<b>34,84</b>
<b>Current Price (EUR)</b>	<b>28,12</b>
<b>Premium/(Discount) to Current (%)</b>	<b>23,9%</b>

# WACC Assumptions

<i>Risk Free Rate</i>	0,26%	10Y BUND rate (21/01/19)
<i>Equity Risk Premium</i>	6,00%	8-year (2010 – 2018) average estimate of ERP for EU and USA equity markets
<i>Beta</i>	0,812	Computed with a linear regression between IPG's stock price weekly returns and weekly returns of FTSE ALL SHARE Italy Index
<i>Cost of Equity</i>	5,13%	$R_f + \beta \cdot \text{EquityRiskPremium}$ . ERP = 8-year (2010 – 2018) average estimate of ERP for EU and USA
<i>Cost of Debt</i>	3,97%	Average cost of debt from IPG's balance sheet 2016A and 2017A data
<i>Tax Rate</i>	29%	Taken from the 2017 financial report

# Cost of Debt

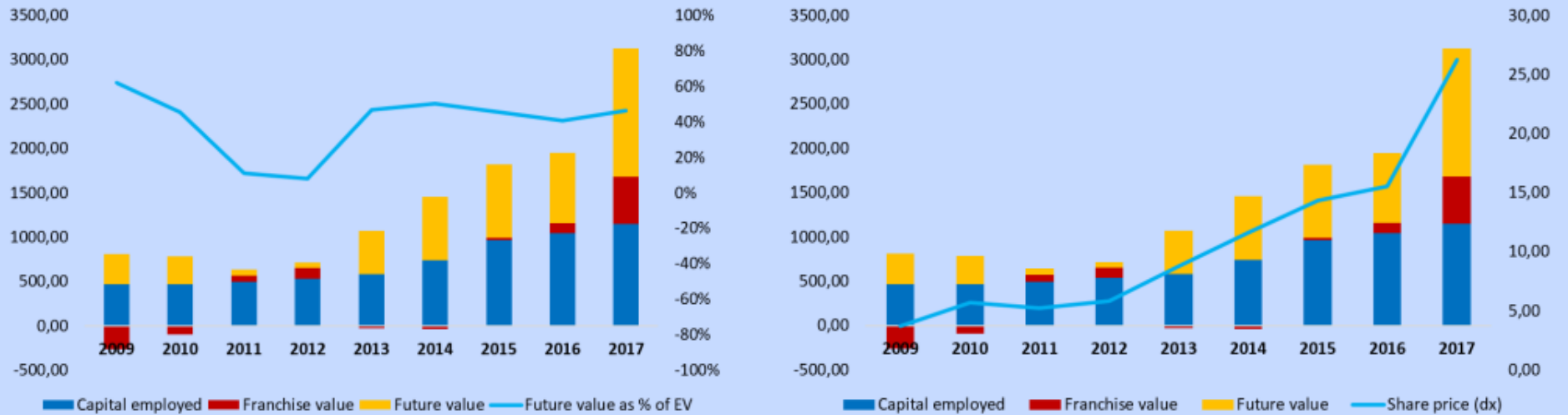
Amounts in million euros	2015A	2016A	2017A
Financial debts	390,2	455,2	418,5
Average Financial debts		422,7	436,8
Financial expenses		12,9	21,4
% Financial expenses/Average Financial debts		3,0%	4,9%
<b>Average cost of debt</b>			<b>3,97%</b>

# Equity Risk Premium

- Regression of the (2010-2018) average ERP for EU USA markets
- Banca d'Italia:
  - "Rapporto sulla stabilità finanziaria novembre 2018"
- CFA Research Institute Foundation:
  - "Rethinking the equity risk premium"
  - "The equity risk premium: a contextual literature review"



# Value Creation and EPS Trend



EPS Trend	DEC '18	DEC '19	DEC '20
P/E	23,04	25,95	29,43
EPS	1,10	1,35	1,66
Share price	25,23	35,08	48,73

# Sensitivity Analysis

		TV Wacc								
		2,91%	3,26%	3,61%	3,96%	4,31%	4,66%	5,01%	5,36%	5,71%
Beta	34,84	47,42	45,84	44,32	42,85	41,44	40,08	38,76	37,49	36,27
	0,732	45,25	43,75	42,29	40,90	39,55	38,24	36,99	35,78	34,61
	0,752	43,29	41,85	40,46	39,12	37,83	36,59	35,38	34,23	33,11
	0,772	41,50	40,12	38,79	37,51	36,27	35,08	33,92	32,81	31,74
	0,792	39,86	38,54	37,26	36,03	34,84	33,69	32,59	31,52	30,49
	0,812	38,36	37,09	35,86	34,67	33,53	32,43	31,36	30,34	29,34
	0,832	36,98	35,75	34,57	33,42	32,32	31,26	30,23	29,24	28,29
	0,852	35,71	34,52	33,37	32,27	31,21	30,18	29,19	28,23	27,31
	0,872	34,52	33,37	32,27	31,20	30,17	29,18	28,22	27,30	26,41

		Delta TV Wacc								
		-2,00%	-1,50%	-1,00%	-0,50%	0,00%	0,50%	1,00%	1,50%	2,00%
Terminal Growth	34,84	28,24	26,91	25,64	24,44	23,29	22,21	21,17	20,19	19,26
	1,50%	30,72	29,27	27,89	26,58	25,33	24,15	23,03	21,96	20,95
	1,75%	33,73	32,13	30,62	29,18	27,82	26,52	25,29	24,12	23,00
	2,00%	37,48	35,70	34,02	32,42	30,90	29,46	28,09	26,79	25,55
	2,25%	42,25	40,25	38,35	36,55	34,84	33,22	31,67	30,20	28,81
	2,50%	48,56	46,26	44,08	42,01	40,04	38,17	36,40	34,71	33,11
	2,75%	57,28	54,56	51,99	49,54	47,22	45,02	42,93	40,94	39,05
	3,00%	70,11	66,78	63,63	60,63	57,79	55,09	52,53	50,10	47,79
	3,25%	90,85	86,53	82,44	78,56	74,88	71,39	68,07	64,92	61,92

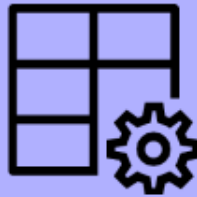


# Transaction Multiples

Company	Buyer			
	Transaction Value	EV/Sales	EV/EBITDA	$\sigma$
Interpump Group	9,05	0,70	5,05	2,46
GEA Group	36,30	0,20	3,45	2,97
SPX Flow Inc	112,35	0,70	-	-
Alfa Laval AB	67,50	1,25	12,50	9,89
ITT Inc.	138,00	1,70	13,35	15,19
Parker-Hannifin	45,80	0,80	8,30	36,60
Robert Bosch	154,50	1,10	11,20	9,27
Eaton Corp. Pl	92,70	0,90	8,40	3,57
Danfoss	8,20	0,70	8,75	3,25
Rotork	10,60	1,95	13,80	3,57
Pfeiffer Vacuum Technology AG	174,25	1,70	14,30	0,00
IMI Plc	36,20	1,40	9,85	10,89
Indutrade AB	18,20	-	-	
KSB	7,75	-	-	
Bucher	14,05	0,95		18,80
Weir Group	46,40	1,70	10,70	9,54
I.M.A.	7,50	0,80	11,20	6,36
Biesse S.p.A.	2,10	0,45	-	
Brembo S.p.A.	14,00	-	-	
Average	57,20	1,09	10,48	9,99
Median	36,30	0,95	10,95	9,27
IQR(3-1)			4,05	

EBITDA 2018E	€260,4 mln
Enterprise Value	€ 3,8 bn
-NFP	€209,9 mln
Equity Value	€3,6 bn
N° Shares	€108,9 mln
<b>Target Price</b>	<b>€32,82</b>

# Tables



Balance Sheet

Income Statement

Cash Flow Statement

DCF Model

Ratio Analysis & Multiple Analysis

# Balance Sheet

Amounts in million euros	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
<b>Non-Current Assets</b>									
Property, plant and equipment - net	286,07	300,92	321,83	339,55	337,84	335,82	333,47	330,78	327,73
Other intangible assets - net	33,19	30,04	38,10	35,77	35,77	35,77	35,77	35,77	35,77
Deferred tax assets	27,12	25,85	26,68	28,95	28,95	28,95	28,95	28,95	28,95
Goodwill	347,39	390,71	429,44	426,72	626,72	826,72	1026,72	1226,72	1426,72
Other Non-Current Assets	2,23	2,44	3,73	4,65	4,65	4,65	4,65	4,65	4,65
<b>Total Non-Current Assets</b>	<b>696,01</b>	<b>749,96</b>	<b>819,78</b>	<b>835,65</b>	<b>1033,94</b>	<b>1231,92</b>	<b>1429,57</b>	<b>1626,87</b>	<b>1823,82</b>
<b>Current assets</b>									
Inventories	238,64	257,55	291,70	353,37	410,08	482,71	561,36	644,03	729,37
Trade account receivable	178,13	200,02	236,76	271,77	323,16	380,39	442,37	507,52	574,77
Income taxes	14,36	11,14	15,41	22,72	22,72	22,72	22,72	22,72	22,72
Other Current Assets	7,81	7,69	8,30	12,60	12,60	12,60	12,60	12,60	12,60
Cash and Cash Equivalent	135,13	197,89	144,94	215,81	251,85	321,69	402,64	501,48	623,17
Financial Current Assets	0,00	0,00	0,79	0,00	0,00	0,00	0,00	0,00	0,00
<b>Total Current Assets</b>	<b>574,07</b>	<b>674,28</b>	<b>697,90</b>	<b>876,27</b>	<b>1020,40</b>	<b>1220,11</b>	<b>1441,69</b>	<b>1688,34</b>	<b>1962,64</b>
<b>TOTAL ASSETS</b>	<b>1270,07</b>	<b>1424,24</b>	<b>1517,67</b>	<b>1711,92</b>	<b>2054,33</b>	<b>2452,02</b>	<b>2871,26</b>	<b>3315,21</b>	<b>3786,46</b>
<b>Equity</b>									
Share capital	56,03	55,43	55,81	55,20	55,20	55,20	55,20	55,20	55,20
Share premium reserve	138,96	112,39	121,23	89,23	89,23	89,23	89,23	89,23	89,23
Other reserves	303,88	411,48	446,41	596,94	733,99	897,63	1092,39	1321,16	1586,52
Net result, Group share	118,31	94,47	135,72	167,07	199,48	237,42	278,88	323,48	370,39
<b>Equity, Group share</b>	<b>617,17</b>	<b>673,77</b>	<b>759,17</b>	<b>908,44</b>	<b>1077,90</b>	<b>1279,48</b>	<b>1515,69</b>	<b>1789,07</b>	<b>2101,33</b>
Non controlling interests	5,47	3,79	5,56	4,78	4,78	4,78	4,78	4,78	4,78
<b>TOTAL EQUITY</b>	<b>622,64</b>	<b>677,56</b>	<b>764,73</b>	<b>913,22</b>	<b>1082,68</b>	<b>1284,26</b>	<b>1520,47</b>	<b>1793,85</b>	<b>2106,11</b>
<b>Non-Current Liabilities</b>									
Long-term borrowings	300,55	327,97	243,06	227,96	405,17	564,65	708,19	837,37	953,63
Provisions non-current	2,68	2,87	3,16	3,24	3,24	3,24	3,24	3,24	3,24
Pension funds	17,26	19,31	20,04	19,98	21,48	22,98	24,48	25,98	27,48
Deferred tax liabilities	48,10	47,76	41,50	41,01	41,01	41,01	41,01	41,01	41,01
Other Non-Current Liabilities	22,02	41,06	50,40	38,66	40,38	42,17	44,05	46,01	48,06
<b>Total Non-Current Liabilities</b>	<b>390,61</b>	<b>438,96</b>	<b>358,16</b>	<b>330,84</b>	<b>511,26</b>	<b>674,04</b>	<b>820,96</b>	<b>953,60</b>	<b>1073,41</b>
<b>Current liabilities</b>									
Provisions current	4,42	3,62	3,61	4,08	4,08	4,08	4,08	4,08	4,08
Short-term borrowings	89,65	127,22	175,42	196,86	196,86	196,86	196,86	196,86	196,86
Trade accounts payables	94,02	109,00	142,98	159,03	188,22	221,56	257,66	295,60	334,77
Income taxes	19,90	18,13	18,54	34,75	19,22	19,22	19,22	19,22	19,22
Other Current Liabilities	48,84	49,77	54,24	73,15	52,01	52,01	52,01	52,01	52,01
<b>Total Current Liabilities</b>	<b>256,83</b>	<b>307,74</b>	<b>394,78</b>	<b>467,87</b>	<b>460,39</b>	<b>493,73</b>	<b>529,83</b>	<b>567,77</b>	<b>606,94</b>
<b>TOTAL LIABILITIES</b>	<b>647,45</b>	<b>746,70</b>	<b>752,95</b>	<b>798,71</b>	<b>971,65</b>	<b>1167,77</b>	<b>1350,78</b>	<b>1521,37</b>	<b>1680,35</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1270,08</b>	<b>1424,26</b>	<b>1517,67</b>	<b>1711,92</b>	<b>2054,33</b>	<b>2452,02</b>	<b>2871,26</b>	<b>3315,21</b>	<b>3786,46</b>

# Income Statement

Amounts in million euros	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Revenues	894,93	922,82	1086,55	1265,57	1497,86	1763,15	2050,44	2352,39	2664,13
Cost of sales	533,95	539,85	622,81	746,28	863,23	1016,82	1183,12	1357,90	1538,33
<b>Gross profit</b>	<b>360,98</b>	<b>382,97</b>	<b>463,74</b>	<b>519,29</b>	<b>634,63</b>	<b>746,33</b>	<b>867,32</b>	<b>994,49</b>	<b>1125,80</b>
Selling expenses	84,32	86,43	102,73	119,65	141,37	166,41	193,52	222,02	251,45
General and administrative expenses	105,67	108,97	124,53	134,87	155,67	178,83	203,32	228,47	253,91
Other operating costs	3,86	3,44	4,57	4,36	4,11	4,11	4,11	4,11	4,11
<b>Operating Result (EBITDA)</b>	<b>167,13</b>	<b>184,13</b>	<b>231,90</b>	<b>260,41</b>	<b>333,47</b>	<b>396,97</b>	<b>466,36</b>	<b>539,88</b>	<b>616,32</b>
Other operating revenues	13,13	14,37	16,74	19,50	23,08	27,17	31,60	36,25	41,05
Amortization and Depreciation	-41,69	-43,60	-47,46	-48,00	-67,61	-79,58	-92,55	-106,18	-120,25
Impairment	-1,67	-1,37	-2,27	-2,23	-2,71	-1,84	-2,14	-2,46	-2,79
<b>EBIT</b>	<b>136,90</b>	<b>153,53</b>	<b>198,91</b>	<b>229,69</b>	<b>286,24</b>	<b>342,72</b>	<b>403,27</b>	<b>467,49</b>	<b>534,34</b>
<b>Adj EBIT</b>	<b>140,76</b>	<b>156,98</b>	<b>203,48</b>	<b>234,05</b>	<b>290,35</b>	<b>346,83</b>	<b>407,38</b>	<b>471,61</b>	<b>538,46</b>
Non- recurring income (Badwill)	0,00	0,00	0,00	11,91	0,00	0,00	0,00	0,00	0,00
Financial income	42,42	7,86	14,68	10,31	20,24	23,83	27,71	31,79	36,00
Financial expenses	-15,69	-12,86	-21,42	-15,24	-23,92	-30,26	-35,96	-41,10	-45,72
Adjustment of the value of investments at equity	-0,26	-0,04	-0,02	-0,02	0,00	0,00	0,00	0,00	0,00
<b>Earning Before Taxes</b>	<b>163,36</b>	<b>148,49</b>	<b>192,15</b>	<b>236,65</b>	<b>282,56</b>	<b>336,29</b>	<b>395,01</b>	<b>458,19</b>	<b>524,63</b>
Income taxes	45,06	54,02	56,43	69,57	83,07	98,87	116,13	134,71	154,24
Implied Tax Rate	0,28	0,36	0,29	0,29	0,29	0,29	0,29	0,29	0,29
<b>Net Income</b>	<b>118,31</b>	<b>94,47</b>	<b>135,72</b>	<b>167,07</b>	<b>199,48</b>	<b>237,42</b>	<b>278,88</b>	<b>323,48</b>	<b>370,39</b>
Net profit/(loss)- minority interests	-0,67	-0,62	-1,28	-0,91	0,00	0,00	0,00	0,00	0,00
Adjustments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
<b>Adjusted Net Income</b>	<b>117,64</b>	<b>93,85</b>	<b>134,44</b>	<b>166,16</b>	<b>199,48</b>	<b>237,42</b>	<b>278,88</b>	<b>323,48</b>	<b>370,39</b>
Net result from discontinued operations	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
<b>Net Result, Group Share</b>	<b>117,64</b>	<b>93,85</b>	<b>134,44</b>	<b>166,16</b>	<b>199,48</b>	<b>237,42</b>	<b>278,88</b>	<b>323,48</b>	<b>370,39</b>
<b>Net Profit/(Loss), Group</b>	<b>117,64</b>	<b>93,85</b>	<b>134,44</b>	<b>166,16</b>	<b>199,48</b>	<b>237,42</b>	<b>278,88</b>	<b>323,48</b>	<b>370,39</b>

# Cash Flow Statement

+21.6% CAGR 5Y

+24% CAGR 5Y

Amounts in million euros	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
<b>EBIT</b>	153,53	198,91	229,69	286,24	342,72	403,27	467,49	534,34
Depreciation and amortization	44,97	49,74	50,22	70,32	81,42	94,69	108,64	123,04
Income Taxes	-54,02	-56,43	-69,57	-83,07	-98,87	-116,13	-134,71	-154,24
<b>Net-Operating Self-Financing</b>	<b>144,48</b>	<b>192,22</b>	<b>210,34</b>	<b>273,49</b>	<b>325,28</b>	<b>381,83</b>	<b>441,42</b>	<b>503,14</b>
Change in Pension funds	2,05	0,73	-0,07	1,50	1,50	1,50	1,50	1,50
Changes in trade payables	14,98	33,97	16,06	29,19	33,34	36,10	37,94	39,17
Changes in other current liabilities	0,93	4,47	18,91	-21,14	0,00	0,00	0,00	0,00
Changes in other non-current liabilities	19,04	9,34	-11,74	1,72	1,80	1,88	1,96	2,05
Changes in tax liabilities	-2,12	-5,84	15,71	-15,53	0,00	0,00	0,00	0,00
Changes in inventories	-18,91	-34,16	-61,67	-56,71	-72,63	-78,65	-82,67	-85,34
Changes in trade receivables	-21,89	-36,74	-35,01	-51,38	-57,23	-61,98	-65,15	-67,25
Changes in other non-current assets	-0,21	-1,28	-0,92	0,00	0,00	0,00	0,00	0,00
Changes in other current assets	0,13	-1,40	-3,51	0,00	0,00	0,00	0,00	0,00
<b>Operating Cash Flow</b>	<b>138,48</b>	<b>161,31</b>	<b>148,09</b>	<b>161,14</b>	<b>232,04</b>	<b>280,67</b>	<b>335,01</b>	<b>393,26</b>
Changes in tangible and intangible assets	-55,30	-76,43	-65,62	-68,61	-79,40	-92,34	-105,94	-119,98
Changes in Provisions - current / non current	-0,62	0,28	0,55	0,00	0,00	0,00	0,00	0,00
Changes in investing activities	-43,32	-38,73	2,72	-200,00	-200,00	-200,00	-200,00	-200,00
Changes in deferred tax assets	1,28	-0,83	-2,28	0,00	0,00	0,00	0,00	0,00
<b>Unlevered Free Cash Flow</b>	<b>40,51</b>	<b>45,59</b>	<b>83,47</b>	<b>-107,47</b>	<b>-47,36</b>	<b>-11,68</b>	<b>29,07</b>	<b>73,27</b>
Short term borrowings variation	37,57	48,20	21,44	0,00	0,00	0,00	0,00	0,00
Long term borrowings variation	27,43	-84,91	-15,10	177,20	159,48	143,53	129,18	116,26
Dividends paid to shareholders	-21,14	-23,05	-23,05	-30,02	-35,84	-42,66	-50,11	-58,12
Financial Income	7,86	14,68	10,31	20,24	23,83	27,71	31,79	36,00
Financial Expenses	-12,86	-21,42	-15,24	-23,92	-30,26	-35,96	-41,10	-45,72
<b>Free Cash Flow To Equity</b>	<b>79,37</b>	<b>-20,91</b>	<b>61,83</b>	<b>36,03</b>	<b>69,85</b>	<b>80,95</b>	<b>98,84</b>	<b>121,70</b>
Changes in Equity	-18,42	-25,50	4,47	0,00	0,00	0,00	0,00	0,00
<b>Net Cash Flow</b>	<b>60,96</b>	<b>-46,41</b>	<b>66,30</b>	<b>36,03</b>	<b>69,85</b>	<b>80,95</b>	<b>98,84</b>	<b>121,70</b>
<b>Net Cumulated Cash Flow</b>	<b>196,09</b>	<b>149,68</b>	<b>211,24</b>	<b>247,27</b>	<b>317,12</b>	<b>398,06</b>	<b>496,90</b>	<b>618,60</b>

# DCF Model

€Mln	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
<b>Revenues</b>	<b>1.497,9</b>	<b>1.763,1</b>	<b>2.050,4</b>	<b>2.352,4</b>	<b>2.664,1</b>	<b>2.816,0</b>	<b>2.976,5</b>	<b>3.146,2</b>	<b>3.325,5</b>	<b>3.515,0</b>
Revenues growth	18,4%	17,7%	16,3%	14,7%	13,3%	5,7%	5,7%	5,7%	5,7%	5,7%
<b>EBIT</b>	<b>286,2</b>	<b>342,7</b>	<b>403,3</b>	<b>467,5</b>	<b>534,3</b>	<b>564,8</b>	<b>597,0</b>	<b>631,0</b>	<b>667,0</b>	<b>705,0</b>
% margin	19%	19%	20%	20%	20%	20%	20%	20%	20%	20%
% growth	24,6%	19,7%	17,7%	15,9%	14,3%	5,7%	5,7%	5,7%	5,7%	5,7%
Tax rate	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%
- Tax	-83,1	-98,9	-116,1	-134,7	-154,2	-163,0	-172,3	-182,1	-192,5	-203,5
<b>NOPAT</b>	<b>203,2</b>	<b>243,9</b>	<b>287,1</b>	<b>332,8</b>	<b>380,1</b>	<b>401,8</b>	<b>424,7</b>	<b>448,9</b>	<b>474,5</b>	<b>501,5</b>
% growth	27%	20%	18%	16%	14%	6%	6%	6%	6%	6%
-Changes in Total Asset	-169,5	-201,6	-236,2	-273,4	-312,3	-330,1	-348,9	-368,8	-389,8	-412,0
-CAPEX	-65,9	-77,6	-90,2	-103,5	-117,2	-123,9	-130,9	-138,4	-146,3	-154,6
+D&A	67,6	79,6	92,5	106,2	120,2	127,1	134,3	142,0	150,1	158,7
<b>FCFF</b>	<b>35,4</b>	<b>44,3</b>	<b>53,3</b>	<b>62,1</b>	<b>70,9</b>	<b>74,9</b>	<b>79,2</b>	<b>83,7</b>	<b>88,5</b>	<b>93,5</b>
Discount Factor	0,96	0,92	0,88	0,85	0,81	0,78	0,74	0,71	0,68	0,66
<b>Present Value</b>	<b>34,0</b>	<b>40,7</b>	<b>47,0</b>	<b>52,5</b>	<b>57,4</b>	<b>58,2</b>	<b>58,9</b>	<b>59,7</b>	<b>60,5</b>	<b>61,3</b>

Stage I (2018E-2023E)	231,6
Stage II (2024E - 2028E)	298,7
<b>Terminal Value</b>	<b>3.472,1</b>
<b>Terminal WACC</b>	<b>4,3%</b>
<b>Terminal Growth Rate</b>	<b>2,5%</b>
<b>Enterprise Value</b>	<b>4.002,4</b>
<b>Net Financial Position</b>	<b>-209,0</b>
<b>Equity Value</b>	<b>3.793,3</b>
n° of share	108.879.294
<b>Target Price</b>	<b>34,84</b>
<b>Current Price (EUR)</b>	<b>28,12</b>
<b>Premium/(Discount) to Current (%)</b>	<b>23,9%</b>



# Ratio Analysis & Multiple Analysis

Amounts in million euros	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
ROS	19%	20%	21%	21%	22%	23%	23%	23%	23%
ROCE	43%	42%	66%	56%	51%	47%	44%	42%	39%
ROI	13%	13%	15%	15%	16%	16%	16%	16%	16%
ROE	19%	14%	18%	18%	18%	18%	18%	18%	18%
ROA	9%	7%	9%	10%	10%	10%	10%	10%	10%
Tax rate	28%	36%	29%	29%	29%	29%	29%	29%	29%
Asset Turnover (Rev/Assets)	70%	65%	72%	74%	73%	72%	71%	71%	70%
Capex/D&A	399%	123%	154%	131%	98%	98%	98%	98%	98%
Interest Coverage Ratio	1065%	1432%	1082%	1709%	1394%	1312%	1297%	1314%	1348%
ROT	70%	65%	72%	74%	73%	72%	71%	71%	70%
Total liabilities to total asset	51%	52%	50%	47%	47%	48%	47%	46%	44%

Amounts in million euros	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Market Capitalization	2.854,82	2.830,86	3.066,04	3.066,04	3.066,04	3.066,04	3.066,04
Net Financial Position	273,54	209,01	350,18	439,82	502,41	532,75	527,32
Enterprise Value	3.128,36	3.039,87	3.416,22	3.505,86	3.568,45	3.598,79	3.593,36
Price/Sales	2,63	2,24	2,05	1,74	1,50	1,30	1,15
P/E	21,03	16,94	15,37	12,91	10,99	9,48	8,28
P/BV	3,76	3,12	2,84	2,40	2,02	1,71	1,46
Dividend Yield	0,8%	0,8%	1,0%	1,2%	1,4%	1,6%	1,9%
DPS	0,21	0,21	0,28	0,33	0,39	0,46	0,53
EV/EBIT	15,73	13,23	11,93	10,23	8,85	7,70	6,72
EV/EBITDA	13,49	11,67	10,24	8,83	7,65	6,67	5,83
EV/Sales	2,88	2,40	2,28	1,99	1,74	1,53	1,35
EPS	1,25	1,53	1,83	2,18	2,56	2,97	3,40

