



CFA Institute

CFA Institute Research Challenge

Hosted by
CFA Society Italy

DIV - David Investment Partners

Interpump Group S.p.A

Highlights

€ mln	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Revenues	894.928,00	922.818,00	1.086.547,00	1.279.167,00	1.360.905,77	1.435.211,23	1.496.351,22	1.556.338,28
EBITDA	180.258,00	198.502,00	248.648,00	287.018,00	314.599,27	334.296,81	347.830,07	362.557,50
Margin	20,14%	21,51%	22,88%	22,44%	23,12%	23,29%	23,25%	23,30%
EBIT	180.258,00	198.502,00	248.648,00	287.018,00	314.599,27	334.296,81	347.830,07	362.557,50
Margin	20,14%	21,51%	22,88%	22,44%	23,12%	23,29%	23,25%	23,30%
Net Income	118.306,00	94.473,00	135.723,00	173.177,00	174.904,49	184.454,28	184.422,17	189.621,61
Margin	13,22%	10,24%	12,49%	13,54%	12,85%	12,85%	12,32%	12,18%
EPS	1,09	0,87	1,25	1,59	1,61	1,69	1,69	1,74
P/E				20,54	21,36	21,21	22,18	22,51
EV/EBITDA	19,73	17,92	14,30	12,39	11,30	10,64	10,22	9,81

Recommendation: Buy

We initiate our coverage of Interpump Group S.p.A. (IP) with a BUY rating and a target price of 31,34 € which implies a 14,3% potential upside from its current stock price (€ 27,42). We reckon that, at present, the market valuation is in line with the company's financial fundamentals.

Two distinct markets, different potentials

IP is a significant player focused on industrial machinery markets, with a global and consolidated footprint (sales in more than 60 countries). IP operates through specific divisions: water jetting and hydraulic. More concentrated the first (it could be defined as "niche markets" considering its current value: < 1bn/yr), more opened the second.

Growth drivers: a range of opportunities

IP's development can rely on other different factors, both internal and external. In particular, a fundamental bet will be the future synergies between acquired company that will help IP to increase the number of applications of high-pressure technology and to increase the cross-selling ability in hydraulic. Other key aspects can be represented by the increasing reputation of IP's brand and operational flexibility, especially in hydraulic sector.

Looking for a brighter future

IP is expected to increase its revenues with a 4,77% CAGR 2018E-2023E while EBITDA is expected to reach 5,68% CAGR 2018E-2023E. Despite the increasing turnover, operative margin remains relatively stable. IP will continue to be net casher due to its aggressive M&A policy (Negative NFP -287 ml € - at the end of 2018).

Valuation

Our valuation leads to a target price of € 31,34. We evaluate the overall enterprise value of IP with a mixed approach that take into account both comparative and future company's analysis. We decided to weight 50% the discounted cash flow model, 20% P/E analysis, 30% EV/EBIT method which gave us an estimate of € 32,66, 27,85 and 31,46 respectively.

Contingent Risks

We believe the most significant risks are the following: economic instability in Europe (especially in Italy with its political instability and economic stagnation) and exposure on some cyclical markets that can affect IP's performance in the near future. Moreover, further future acquisitions could not be managed efficiently, so the integration may not provide the expected synergies in terms of costs and revenues.

IP/Ftse Italy Star



BUY

Share Price: € 27,42 (as of 8th Feb 2019)

Target Price: €31,34

Upside: 14,3%

Listed on: Italian Stock Exchange

Ticker: IPP (BB), IP-IT (FS)

Market and Stock Data

Main Shareholders

Gruppo IPG Holding	21.5%
FMR LLC	5.5%
Bulgarelli Claudio	4.1%
Interpump	3.0%
CdDeC	3.0%

Market Cap (€/mln):	3,046 bln
52w price range:	24,16-30,1
Average 3 months volume:	188425
Shares Outstanding (mln)	209.1
Free Float	25.17%

Key Financial data 2019E

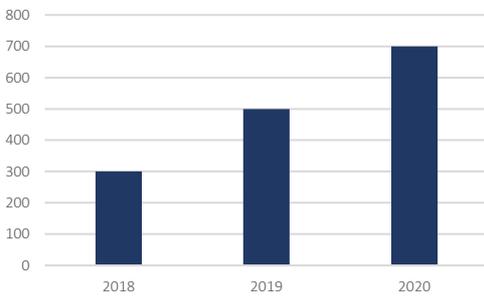
EPS (€): 1,61
ROE: 20,1%

2019E

P/E (x): 21,36
EV/Ebitda (x): 11,30

Investment Summary

Potential Leverage



We issue a **BUY** recommendation on Interpump group S.p.A. (IP) with a 1-year target price of € 31,34 with an estimated expected total return of 14,3 by 8 feb 2019 closing price. We used a discounted cash flow model and trading multiples valuation. This valuation is supported by the following thesis:

Stable industry outlook, based on an analysis of the main driver and future possible application of technology promoted by the company.

Competitive positioning, the company is, by far, leader in some market niches with its historical products and is continuing growing in hydraulic sector enhancing cross selling.

Diversification, IP has a well diversified portfolio coming from both M&A's aggressive policy and different applications that allows IP to face market cyclicality. In water jetting division the company tries to find new continuing appearing source of application of high-pressure pump instead in hydraulic division is continuing enhance the cross selling.

Mixed approach to valuation, with such that approach we are able to develop an integrated analysis from different prospective that incorporate the majority of factors that can influence the stock price.

M&A policy, IP has a well consolidated M&A's policy with a big firepower that have two main goals. Firstly, the company want to find new continuously appearing application of the high-pressure technology, with a particular focus on the food processing markets where the company has been operating only since 2015. On the other hand, in hydraulic sector IP is always trying to enhance the range of its product in order to become a full system supplier. In this filed M&A activity could produce more synergies reinforcing the cross selling by newly acquired product. IP is continuing find new possible M&A deals, if such these opportunities won't be found, the company's management could consider an extraordinary dividend. According to our analysis IP has an increasing firepower to pursuing acquisition (over €700mln in 2020). We assume a 7,5x EV/EBITDA which is higher with respect to past acquisition but we think that bigger targets bigger multiple paid

Strong management, CEO and chairman Fulvio Montipò is a historical presence in the company. His background and experience lead the company to a fast growth since its IPO in 1996. His constant and actively presence can lead the group to achieve bigger and bigger results.

Investment risks, the main risks that IP faces are new companies acquisition failure and market cyclicality. Nowadays, IP's major risk is with respect to market stagnation and global economy slowdown. For further details we have reported the probability-impact matrix in the risks' section.

DCF Target Price dynamics

		W.a.c.c.						
		5,52%	6,02%	6,52%	7,02%	7,52%	8,02%	8,52%
Growth Factor	2,10%	51,23	43,65	37,80	33,16	29,40	26,28	23,66
	2,05%	50,63	43,21	37,47	32,91	29,20	26,12	23,54
	2,00%	50,04	42,78	37,15	32,66	29,01	25,97	23,41
	1,95%	49,47	42,37	36,84	32,42	28,82	25,82	23,29
	1,90%	48,91	41,96	36,53	32,19	28,63	25,67	23,17

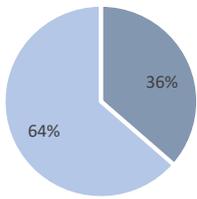
IP Products Presence

Competitors	Pumps					Valves				Motors & Cylinders				Accessories			Power Pack		
	Piston	Vane	Gear	Industrial	Servo	Directional	Spool	Cartridge	HIC	Special	Gear	Piston	Cylinders	Electronics	Accumulators	Filters	Other	Compact	Contracting
Interpump	X		X			X				X		X	X				X	X	
Parker	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X
Eaton	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X
Rexroth	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X
Danfoss	X		X					X	X	X	X			X			X		
HAWE	X			X				X	X	X				X			X		
Bucher Industries			X	X				X	X	X		X	X					X	
Husco						X													

Main DCF Method Components

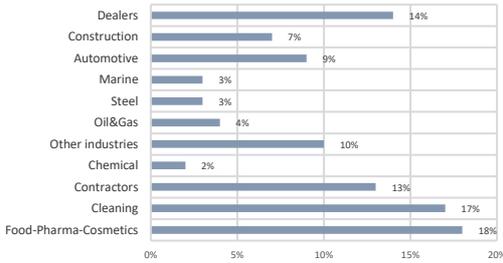
FCFO calculation	2017	2018E	2019E	2020E	2021E	2022E	2023E	
EBIT	104.367,00	136.896,00	153.533,00	198.912,00	236.549,00	259.083,37	273.229,32	
Taxes	- 35.367,00	- 66.749,00	- 74.959,07	- 79.051,83	- 81.369,08	- 83.688,21	- 85.024,28	
NOPAT	69.000,00	70.147,00	78.573,93	119.860,17	155.179,92	175.395,16	188.205,04	
Amortization, Provisions and other non-cash items	49.736,00	50.469,00	55.515,90	61.067,49	67.174,24	73.891,66	81.280,83	
After-tax profit margin	118.736,00	120.616,00	134.089,83	180.927,66	222.354,16	249.286,82	269.485,87	
Δ Inventories	- 34.156,00	- 74.779,00	- 7.505,31	- 20.419,60	- 16.801,65	- 16.484,81	- 16.071,69	
Δ Trade receivables	- 36.743,00	- 33.603,00	- 27.916,72	- 16.286,13	- 13.400,55	- 13.147,85	- 12.818,35	
Δ Trade payables	33.971,00	34.808,00	9.209,66	10.209,80	8.400,82	8.242,41	8.035,85	
Changes in working capital	- 36.928,00	- 73.574,00	- 26.212,37	- 26.495,93	- 21.801,37	- 21.390,26	- 20.854,20	
CAPEX	47.812,00	62.155,00	68.045,29	71.760,56	74.817,56	77.816,91	80.741,10	
FCFO	33.996,00	- 15.113,00	39.832,17	82.671,17	125.735,23	150.079,65	167.890,57	
WACC	7,02%	7,02%	7,02%	7,02%	7,02%	7,02%	7,02%	
Period		0	1	2	3	4	5	
Discounter factor	0	0,00	0,93	0,87	0,82	0,76	0,71	
DCF		-	-	37.219,37	72.181,22	102.579,87	114.409,48	119.591,85

Revenues Distinction
Source: Factset

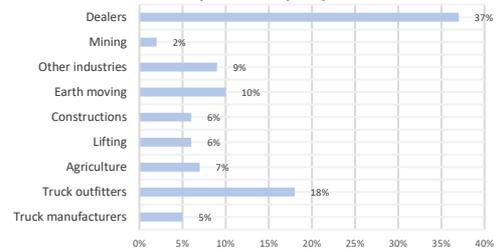


Water Jetting Hydraulics

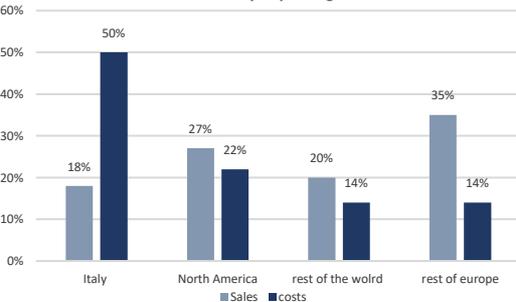
Sales per industry - Water Jetting



Sales per industry - Hydraulics



Sales-costs by super regions



Year	Target	Hydraulics	Water Jetting
1997	PZB & Hydrocar	x	
1999	Muncie, hydroven	x	
2005	Hammelmann		x
2007	NBL		x
2008	Contarini, Modenflex, Cover, Panni, Penta	x	
2011	Galtech, MTC, AMP, Takarada	x	
2013	IMM, Hydrocontrol	x	
2015	Inoxhnp, Bertoli		x
2015	Walvoil, Osper	x	
2016	Endeavour, Tubiflex, Tekno Tubi, Mega pacific	x	
2017	Inoxpa, Mariotti&Pecini		x
2017	Bristol Hose, Fluid system 80	x	
2018	Ricci Engineering		x
2018	GS-Hydro	x	

Business Description

Interpump Group S.p.A. ("IP"), founded in 1977 by **Fulvio Montipò** (current chairman and CEO) and headquartered in Sant'Ilario d'Enza (Northern Italy), has become a world leader in the production of professional **high-pressure piston pumps**, as well as one of the global players in the market of **hydraulic components**. The Group, surpassing € 1 bln Revenues in 2017, is listed on the Milan stock exchange (STAR segment), having a market cap of € 2.985,5 mln (Source: FactSet, as of Feb 8th 2019).

Business segments

WATER JETTING (36% of 2017 total revenues)

Historical segment, in which the company operates since its foundation, is composed mainly of very high-pressure pumps and pumping systems for water and other fluids. In the niche of high-pressure plunger piston pumps IP is the world's largest producer. Starting from the 90s, the Group pursued growth beyond the piston pumps, through the acquisition of several leading companies.

Since the IPO in 1996 IP has built up, in water jetting segment, its position focusing on high premium price and strong reputation brand. All the M&A activity during years are engaged due to pursuing the growing range of application of the piston pumps such as industrial cleaning, chemical, food, pharma, cosmetic processing. High pressure is a young technology with a lot of new continuously-appearing applications.

In 2004 thanks to the dismissal of the cleaning division, due to Chinese competition, IP has been able to enter in different markets with the acquisition of HAMMELMANN (2005) and NBL CORPORATION (2007). The first company focuses on higher-pressure pumps, the second sells and rents high pressure system to contractors. However, cleaning remains as an application.

In 2015, reinforcing the absolute leadership in high/very-high-pressure piston pumps, the acquisition of a control stake in INOXIHP bring to the group specific know-how on steel and mining applications. This allows the company to introduce a new application of the piston pump; the high-pressure homogenizer that makes the company debut in food, cosmetics and pharma industries.

With the acquisition across the latest biennium the company has been able to implement new applications of piston pumps and enter in new different markets. INOXPA represent an expansion in food & dairy, wine, pharma and cosmetics markets. Integrating inoxpa's acquisition with MARIOTTI & PECINI and RICCI ENGINEERING ones the company was able to supply new product such as rotative pumps, mixers, blenders, magnetic transmission agitators, beer-brewing and winemaking equipment and plant design.

HYDRAULICS (64% of 2017 total revenues)

Segment entered by the company after the IPO in 1996 in order to improve diversification and to become a leader in the niche market of power take-offs components (PTO). Between 1997 and 1999, the Interpump Group entered the hydraulic components sector through the acquisition of several companies, becoming the world's largest producer of power take-offs (PTO).

Several producers of cylinders were acquired in 2007-2008; between 2013 and 2015 the creation Valves and DCV sub-division were created and started the activities in Hoses and Fittings, which was expanded in the following years with flexible metal hoses, rigid shaped pipes, and complex piping systems.

Production and Distribution

IP operates directly in more than 20 countries. The vast majority of costs are supported in Italy (50%) and north America (22%). Sales exposure are mainly in North America and Europe with only a 10% vs emerging markets. In water jet sector the 14% of the sales are vs dealers, in hydraulic the 37%.

Company Strategies

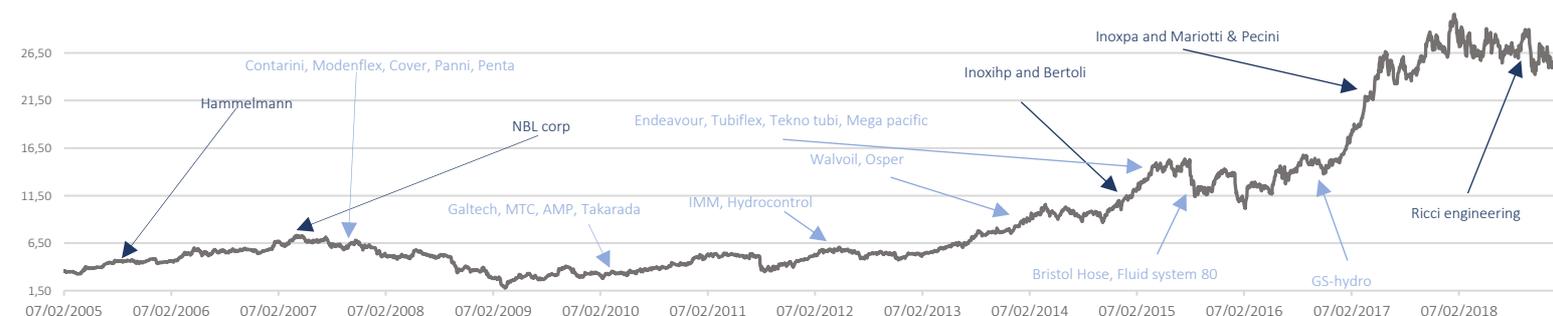
M&A Acquisition are done with a smart and unique M&A strategy. Targets of possible new company are well-run and privately-owned ones with familiar industrial process. Company's statement is that industrial outcomes bring financial ones. All acquired companies become part of the Group while preserving their brands, organizational structure, and all their success factors, minimizing integration costs and contributing to the economic results of the Group since day one, immediate remarkable improvement of acquired company EBITDA resulting from operational leverage and synergies with other companies of the group.

IP M&A's process have two goals. Firstly, the company want to find new continuously appearing application of the high-pressure technology, with a particular focus on the food processing markets where the company has been operating only since 2015.

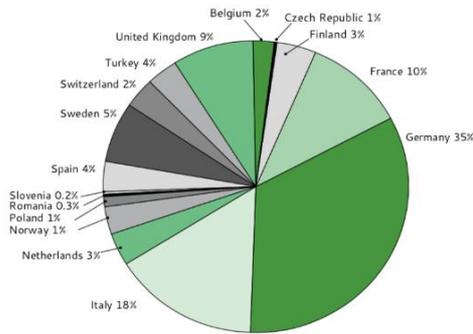
On the other hand, in hydraulic sector IP is always trying to enhance the range of its product in order to become a full system supplier. In this filed M&A activity could produce more synergies reinforcing the cross selling by newly acquired product.

IP is continuing find new possible M&A deals, if such these opportunities won't be found, the company's management could consider an extraordinary dividend. According to our analysis IP has an increasing firepower to pursuing acquisition (over €700mln in 2020). We assume a 7,5x EV/EBITDA which is higher with respect to past acquisitions but we think that bigger targets bigger multiple paid.

IP Share price with WJ and HY acquisition



CETOP – Statistics
Home Market Fluid Power (Estimated): 12,6 bn EURO



DIVERSIFICATION the company wants to diversified sales and sector to offset cyclicity. IP being small and diversified is not structurally correlated to industry trends, there's not a major customer but a lot fragmented. IP presence is worldwide and the exposure on emerging markets is less than 20% of total 2017 sales, other 80% focus on developed markets, however FX impact is mostly on translational effect.

FOCUS ON QUALITY SERVICE AND REPUTATIONAL BREND In water jetting segment, in the niche of very high-pressure plunger pumps the company places great emphasis on making its brand associated with quality of service and aftersales. This is the reason of high premium prices. In order to enhance leadership, acquisitions are done to pursued growth beyond the piston pump in all new appearing application of this technology.

CROSS SELLING In hydraulics segment the strategy focuses on: reputation, accuracy and consistency in the supply, enlargement of product range through M&A from single components to pre-assembled kits and tailor-made solutions, geographical diversification in order to supply products where clients need them. No aftersales and no high premium price with respect to water jetting sector. The company don't build its market across a single product (piston pump) but the main goal is cross selling.

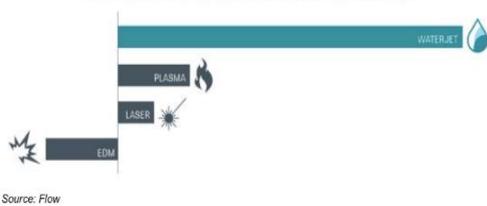
OPERATIVE FLEXIBILITY The supply of products is linked to the client's demand, it is not fixed and pre-established. This is possible thanks to huge warehouses and so risk of failing previsions is not run.

Industry Overview and Competitive Positioning

Market Overview

IP, generally speaking, operates in the industrial machinery market. If we deepen the analysis, we see that it operates in different markets through water jetting and hydraulics sectors.

Waterjet technology continues to grow 12% annually



WATER JETTING

In historical water jetting sector IP is the leader in the niche market of very high-pressure plunger pumps (VHPP). The market worth about 1bn/yr. Pumps market is very highly competitive, entry barriers are high in our view, particularly in the market for very high pressure. The main barriers enjoyed by IP include the fragmented client base, the hi-tech nature of the products, know-how, brand awareness, quality and aftermarket support. Aftermarket service is a primary value for IP with its brand reputation in order to create a successful track record. The economics of a pump are one of the key factors behind a customers' choice. The probability of new competitors and replacement products of the same quality are very low.

The VHPP technology used to create high-velocity water jets was developed in the 1970s. This technology gained popularity only in the 90s and is still in a growth phase thanks to a widening of the application range. Interpump entered this market through the acquisitions of Hammelmann (2005) and NLB (2007), gaining 40% of the market for very high-pressure plunger pumps.

Pump's industries apply to different single industries such as manufacturing, energy, pharma, food, so it is mostly affected by single industry going. IP tries progressively to find new application for high pressure technology. Through M&A activity IP enhance the product range and competitive position and made his debut in the flow handling food, cosmetics and pharma industries. Water jetting cutting may not require as many secondary operations on the material cut, is faster than the other methods and is environmentally friendly (waste water and abrasives can be recycled, dust and toxic fumes are minimized).

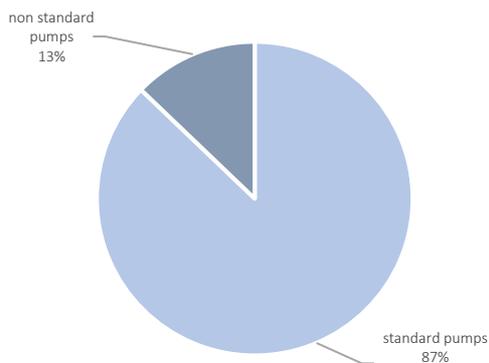
The food processing segment worth 45Bn USD. IP presence is in 20% of this global market (9bn USD worth). We believe it should have a single digit growth due to customers needs, technology and trends.

Italian pump market is one of the most valuable all over the world, with 1ml/yr worth, +1.3% with respect to 17YR. Standard pumps represent 87% of total pumps, +1.8% with respect to 17YR. Italian market pump is strongly influenced by export (76% of national production), italian export worth about 1,935 MLN (+1.6% vs 17YR). It is a positive effect the growing of American and European economy and the increasing development of emerging Asian markets which will lead the future demand. 19YR forecast a growing industrial pump production (+2.5% vs 18YR) supported by increasing export (+1.8%) and the economic condition of Italian market (+1.7%).

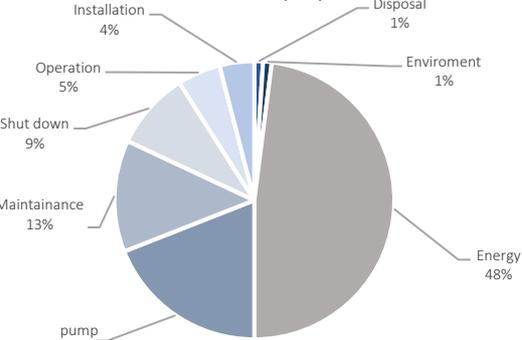
HYDRAULICS

In hydraulics sector IP product power take-off systems and focus his business mainly on cross selling. Power take-off systems are used to send power from the engine to other hydraulic components in industrial vehicles, unlike electrical power trans- mission engineering, it uses the physical characteristics of a fluid such as oil, synthetic fluids, water, and air, to transmit force and power. These products allow the execution of special functions in truck's and earth moving industries. Hydraulics manufacturers are suppliers for the entire manufacturing industry. Customer sectors include, for example, the automotive industry, the construction and agricultural machinery industry, conveying technology, manufacturers of food and packaging machines, woodworking and mobile machines, the rubber and plastics industry. These industries are cycle-following but there is a component of no cyclicity due to specific needs such as trash collection and sewer cleaning trucks. Trucks and earth moving industries mainly follow the growth of economy, IP is a fast-growing player in a huge market (€ 40 bn/yr worth).

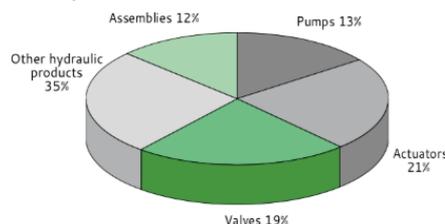
Breakdown of Pumps' market



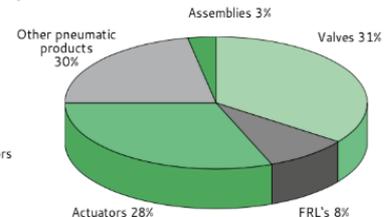
Economics of a pump



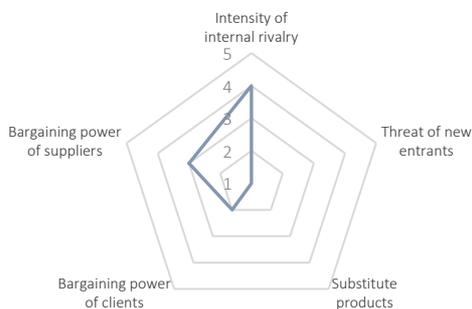
CETOP – Statistics
Hydraulic Products (Estimated Market): 8,8 bn EURO



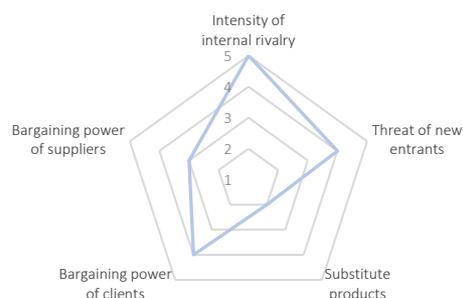
CETOP – Statistics
Pneumatic Products (Estimated Market): 3,8 bn EURO



WJ Porter's 5 Forces



HY Porter's 5 Forces



Competitive Analysis

COMPETITIVE DRIVERS

Carrying out the Porter's five forces analysis for WJ and HY, we find that the segment more vulnerable is decisively the hydraulics sector, because of the market share of the Interpump Group and because of the products that it offers. On the other hand, the WJ sector has a very low threat of new entrants and of substitute products, due to the high technology and engineering present in the products. This can be seen, especially in the niche of very high-pressure pumps, where Interpump has a lot of power with its subsidiary Hammelmann, that is practically the biggest company in that particularly sector.

WJ: the first thing to notice is that for the pumps sector of water jetting, the threats cannot come from new entry, because every single product is an improvement that derive from years and years of experience, both in the niche of very high-pressure, both in the application of the piston pumps. This is more true for the **niche** in which Interpump operates with its subsidiaries Hammelmann; it works under commission and for specific orders, so it is a very wide segment of the market. The market estimation of the **very high-pressure** pumps is 800 million EUR per annum. The principal competitors in this niche are the group Urace (DE) and Woma (DE); there are also Kamat (DE), Hauhinco (DE), Peroni (IT) and Jetstream (US). Most of them are German, because they have a very long tradition in the sector. Hammelmann has a CR¹ Ratio of more than **13% percent**, so it is pretty good, because analyzing the competitors, they are very small.

In the **high-pressure** pump market, the main competitors are the group Maruyama (JP) and Annovi Reverberi (IT), then there are also Comet (IT), Udor (IT), Catpumps (US).

Due to the high level of acquisition that Interpump have taken, in water jetting is also include **high speed separation for homogenizer**. The homogenizer process needs a **high-pressure pump** that make possible the fragmentation of the particle. This process is used in the food industry but also in the cosmetics and pharma industries. The application of the high-pressure pumps is also for the flow handling component. For this reason, the market is enormous, and it is in constantly growth; the estimation of it is about 8 milliards of EUR. A growing market is less competitive, because there is enough space for all the competitors. However, there are big company specialized in the food industry and in the process of homogenizer that could be consider as bigger competitors (GEA Group; Alfa Laval AB; SPX Flow Inc.)

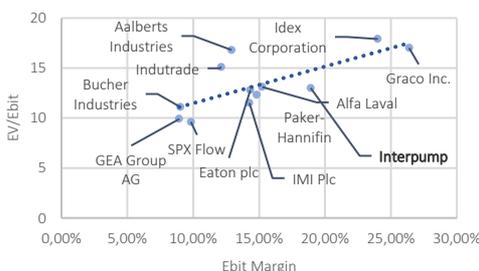
In WJ overall there are two main competitive pressure: 1. **The Internal rivalry**, that is driven by the big companies that are in the market of the homogenizer (Alfa Laval, GEA), and by the other middle companies. The rivalry of this market is in principal due to the internal competitors rather than new entrants, because of the high technologies necessary to start the production of the pumps. 2. **The bargaining power of suppliers**, due to the raw material that are simply and therefore subject to the volatility of the commodities market. The suppliers have this power to contract, that is in part smoothed by the warehouse policy of Interpump, that bring a lot of raw material stored in case of high price or negative cycle of the market. Another reason is that Interpump in composed by a lot of small entities, that have been acquired over time; the policy of acquisition is to not change the way in which this companies operate in the market, unless in extraordinary case. This allows these firms to have special prices from their historical suppliers. (These big three companies have larger revenues than Interpump, but if we analyse the quote of the revenue in terms of same market, they are similar. The problem is, because of their bigger resources they can eat the piece of the market of Interpump. The intensity of internal rivalry in this market is less than the market Hydraulics. The threat of new entrants in the market could be classified more probably, this because, despite the market is very large, and the engineering knowledge necessary is much, it could be that a bigger firm operate in segment similar to this can enter in a relative easily way).

HY: for the segment of Hydraulics, the history is completely different. The size of the market is unlike, because it is around 40 billion of dollars, so it is very big, and the presence of Interpump Group is quite small. The main products are the power take-off, where Interpump own a market share of 50% and the oleo dynamic pumps. In this segment, the competitors are OMF, Bezares (ES) and Parker-Hannifin with its Chelsea division. For the cylinders, the major competitors are Hyva (NL), Edbro (GB), Aber (PT) and Binotto (IT). The cylinders market is very competitive-aggressive because of the application of the cylinder itself, in the special machinery for the earth-moving industries, for the special truck industries and for the construction sector. For the valves segment, the principal competitors are big such as Danfoss, Eaton, Parker-hannifin, Bosch Rexroth, Bucher Hydraulics (bucher Industries) and Husco. The market of the valves has similar application to the market of the cylinders, due to the necessary component that the cylinder must have to work (the directional control valve). The players are different, but in many cases the clients are the same. For the segment of hoses and other small component with application in the pump and hydraulics segment, we have notice that the competitors are in principal the two "big" Parker-Hannifin and Eaton, and two Italian firms, Alfagomma and Manuli.

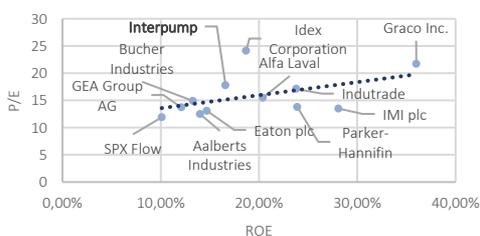
In HY there are three main competitive pressure: 1. **The internal rivalry** is driven by the composition of the market and for its product, that are more standard and easy-to-produce than the products of the WJ segment.

The big group (Parker-Hannifin, Eaton, Danfoss, Bosch Rexroth) push the price at the minimum; in fact, it can be seen also from the overall margin, that in the water jetting segment are higher than that of the HY. 2. **The bargaining power of the clients**, that push the prices down, because of the higher offers in the market, pressure, comes from the possibility that a new company enter in the market (and it happens every day). This could cause a very full market, that would take down more the price and so the margin.

Relationship between EV/Ebit and Ebit Margin (2019E)



Relationship between P/E and ROE (2019E)



KEY FIGURES	Interpump	avg. peers	Bucher Industries	Indutrade	Graco Inc.	IDEX Corporation	IMI plc	Aalberts Industries	avg Big Hydraulics	Parker-Hannifin	Eaton plc	Danfoss	avg. Big Water Jetting	GEA Group AG	Alfa Laval AB	SPX Flow Inc.
Revenues [EUR/mil.]	1086,547	n.s.	2384,7	1541,267	1308,097	2028,845	1999,21	2694	n.s.	12120,68	17294,43	5820,95	n.s.	4604,5	3731,277	1763,96
Gross Margin	38,10%	35,70%	20,42%	32,60%	53,38%	45,01%	42,91%	19,89%	31,00%	25,11%	33,46%	34,44%	32,17%	31,13%	33,80%	31,59%
SG&A/Revenue	21,34%	19,22%	8,64%	22,95%	23,96%	21,61%	30,27%	7,87%	17,92%	11,33%	19,75%	22,68%	21,94%	22,19%	20,02%	23,59%
Ebit margin	18,30%	15,58%	10,18%	9,65%	26,40%	23,40%	12,64%	11,20%	12,02%	12,05%	12,92%	11,10%	10,42%	8,27%	15,90%	7,09%
ROE	17,75%	23,62%	13,22%	21,57%	46,25%	21,17%	25,24%	14,28%	16,41%	19,08%	12,86%	17,30%	9,74%	9,72%	14,58%	4,92%
ROA	8,94%	11,17%	6,58%	8,71%	23,92%	11,95%	8,81%	7,04%	6,95%	6,89%	6,73%	7,22%	3,88%	4,23%	5,69%	1,74%
ROCE	18,27%	21,22%	15,21%	19,91%	32,18%	18,13%	22,97%	18,90%	13,24%	12,54%	10,19%	17,00%	13,01%	13,77%	17,76%	7,49%
Working Capital Turnover	3,2335	9,4617	2,92	23,45	3,9	3,41	11,71	11,38	12,9211	7,58	6,26	24,9232	6,10%	6,8336	6,2019	5,2544
Working Capital	30,87%	18,47%	34,25%	4,26%	25,64%	29,33%	8,54%	8,79%	11,06%	13,19%	15,97%	4,01%	16,60%	14,63%	16,12%	19,03%
Efficiency Ratio	61,90%	64,63%	79,58%	67,40%	46,62%	54,99%	59,09%	80,11%	69,00%	74,89%	66,54%	65,56%	67,83%	68,87%	66,20%	68,41%
Total Debt/Equity	0,5512	0,4694	0,2334	0,7783	0,369	0,4259	0,5989	0,4107	0,4818	0,3489	0,4493	0,647059	1,379007	0,771807	1,563366	1,801849
Pay-out Ratio	0,164379	0,4098	0,3869	0,4391	0,283	0,3394	0,6589	0,3514	0,2922	0,3559	0,3593	0,1613	0,409817	0,628044	0,601406	0
Market Cap [EUR]	3,046 bln	4,741 bln	2,723 bln	3,732 bln	6,298 bln	9,257 bln	3,030 bln	3,408 bln	24,168 bln	19,187 bln	29,150 bln	n.a.	4,667 bln	4,39 bln	8,4 bln	1,21 bln
EV/Ebitda (2017)	16,18	17,3767	14,35	21,35	16,29	17,35	17,43	17,49	14,135	12,55	15,72	n.a.	16,2966	21,24	17,82	9,83
EV/Ebitda (2017)	12,96	13,795	10,71	16,12	14,69	15,31	13,44	12,5	10,915	10,15	11,68	n.a.	12,2633	15,84	13,42	7,53
P/E (2017)	20,86	23,2833	23,57	26,18	20,87	23,87	22,29	22,92	15,865	19,9	11,83	n.a.	29,1333	30,54	27,33	29,53

STRENGTHS	WEAKNESS
Leadership in some profitable niche sectors	High working capital
Solid cash flow generation	Direct exposure to some cyclical markets
Significant application field and geographic diversification	
OPPORTUNITIES	THREATS
Significant M&A activity, relevant inorganic growth	Global economy slowdown
New products applications, growth opportunities in emerging markets	Failure to integrate acquired companies

INTERPUMP'S COMPETITIVE ADVANTAGES

Interpump is a very widely company, that has a lot of advantages competitive-speaking

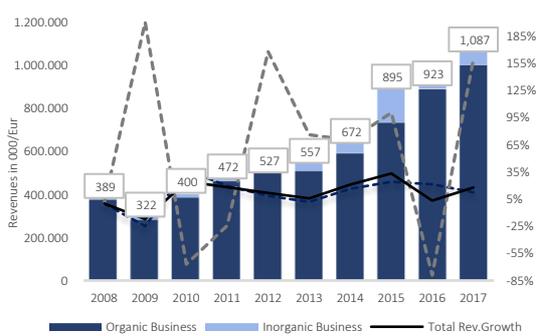
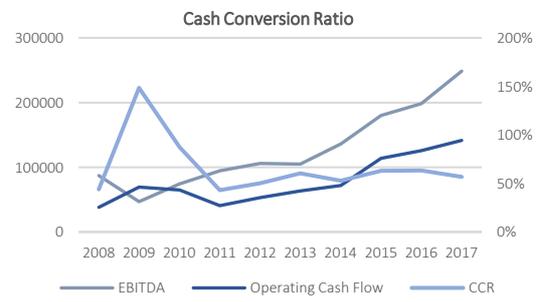
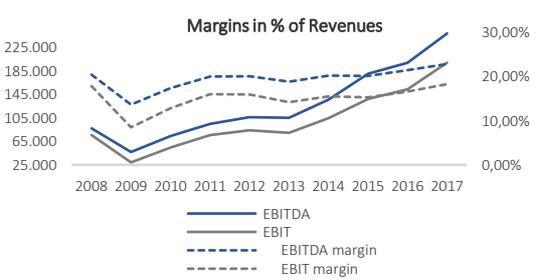
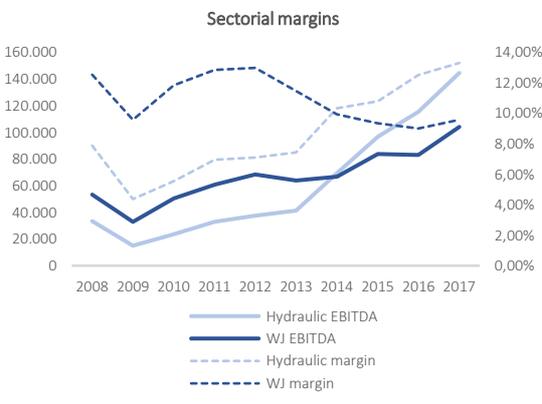
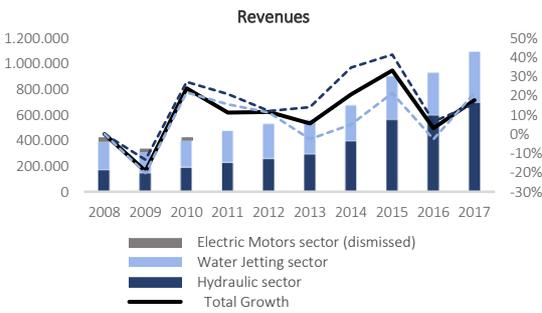
- **It is flexible**, due to its structure that does not change the companies that acquire (unless extraordinary cases). This allows to have a structure that permit the flexibility in cases of bad economic situations.
- It has a **wide range of applications across different industries**, that is Interpump is very diversify. The revenues do not depend on an only one market, but it is influenced by a lot of economic cycles. It has also a **good geographical diversification**.
- The **20 major costumers weighted for only 10%** of the consolidated sales; this help to be quite independent from few costumers in terms of revenues.
- The **power of Hammelmann** in the niche of very high-pressure pumps, that in fact produce very high margin. The name of Hammelmann I well-known in the industry and it is synonymous of reliability across time. This allows to produce high margin in the niche and in the entire sector of WJ. **It has a solid cash flow generation.**

COMPETITIVE FINANCIAL ANALYSIS

The relationship between EV/Ebit and the Ebit margin shows that Interpump is above the average; it has an Ebit margin higher than the companies such as Alfa laval with the same EV/Ebit, but with a higher Ebit margin. Looking at the data of the table above, it can be noticed that Interpump has higher Gross margin than the peers in the mean. However, also the SG&A/Revenue is higher than the peers. For what regarding ROA, ROE and ROCE, Interpump has a less good performance ratios.

A noticeable future is that Interpump pays less dividend respect to the revenues made, than the big competitors (unless SPX Flow that has a policy of no-dividend), and the peers (0,16 respect to a mean of 0,4098, and respectively 0,2922 and 0,4098 from Hydraulics and WJ). The only similar-payer is Danfoss, the only subsidiaries in the competitors. Looking to the financial side of the companies, we have seen that Interpump has a normal D/E ratio, almost as the main peers. Instead, the big WJ prefers debt to shares, with a mean of 1,37. In the relationship between P/E and ROE, expected for the year 2019, we can clearly see that Interpump is above the average; in theory, investors want to maximize the ROE and minimize the P/E ratio. This is such an estimation, so that it could be an error or other stuff.

For peers' examination, we have searched for companies specialized in the pumps industry with application in the homogenizer for food, cosmetics and pharma and in the segment of Hydraulics, such as the producer of special machinery. These peers have been selected by the objectivity competitive pressure that could cause to Interpump and for their products very similar to that of Interpump. Moreover, these peers are quoted, that allow us to compare with Interpump because of the available data (unless Danfoss, because it is owned by a holding).



Financial Analysis

Historical Analysis

Revenues. In 2017, Interpump reached €1,087 mln in Net Sales, with a CAGR from the 2008-level of 12.09% (net of the Electric Motors sector, dismissed in 2011). In order to better understand this impressive growth path it is worth stressing that M&A activity has always played an important role (40+ companies acquired since the IPO in 1996 representing on average ca. 2/3 of each year's annual growth). In particular, coherently with what was achieved before the IPO, the Group went on with an acquisition campaign of leading companies in both divisions, with a specific focus on Hydraulics. Hydraulics, accounting for ca. 40.68% of Sales in 2008, increased its weight to 63.59% of Sales in 2017, mainly due to the acquisition of several big companies (e.g. IMM Group, Walvoil, Mega Pacific, etc.).

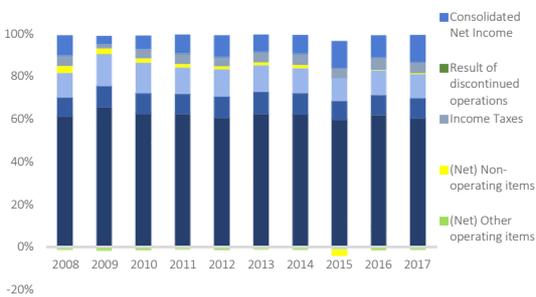
As a matter of fact, as the table shows, the contribution of the horizontal growth to the overall growth has been very pronounced, most of the times positively but sometimes also negatively. Due to the effects of the global financial crisis, 2009 was the worst year in a decade with a drop in organic sales of ca. 25%, at the same time the group went on with its M&A activity (inorganic growth: +6.90%), buying and consolidating Cover S.r.l, Oleodinamica Panni S.r.l and HS Penta S.p.A. From 2010 to 2012 the overall growth has been double digits (respectively 24.23%, 17.86%, and 11.78%) because of a strong increase in the organic business, but also, in 2012, thanks to a newly pro-active M&As strategy (Galtech, M.T.C. and Takarada were bought and consolidated). In 2013 there was a slow down in the organic growth (just 1.68%), mainly due to a decrease in sales in the WJ sector (-2.61%), but from 2014 to 2017 it came back to be double digits, leading the overall growth to new historical heights (33.17% in 2015), except in 2016 when a temporarily big contraction in the acquisitions took down the total growth to 3.12%.

Margins. The company has always been very profitable. The 10 years EBITDA and EBIT margins are 19.54% and 15.12% respectively and have shown a very low variability throughout the period. Due to the effects of the financial crisis, in 2009 EBITDA margin decreased of 683 bps compared to 2008, while EBIT margin dropped of 931 bps. In the following four years period, they both increased, of 523 bps and 574 bps respectively, and the same positive trend occurred from 2014 to 2017 (EBITDA +263 bps and EBIT +278 bps). EBITDA margin in the Hydraulics sector has increased each year since its 2009 level, which was 4.37%, and in 2017 was 13.30%. EBITDA margin in the WJ sector passed from 9.58% in 2009 to +187 bps in 2013 and then down of 187 bps in 2017 to once again 9.58%. In 2014 EBITDA margin in the Hydraulics sector surpassed for the first time EBITDA margin in the WJ sector and remained greater since then. On average, from 2008 to 2017, 85.34% of revenues covered for operating items, in particular: 63.93% COGS, 22.54% SG&A (of which 1.66% were R&D costs) and -1.13% other (net) operating items.

Returns and Cash Flows. In 2009, the global financial crisis depressed all the profitability indicators of the group (Net income, EBIT, EBITDA), however, except that year, Interpump's ROCE has been always positive in the last 10 year and always over 10%. Besides, the cash conversion ratio has been pretty stable at around 55-60%, highlighting a good capacity of the group in converting the operating profit before non-cash items in cash flow. Also, the group's net working capital growth has been strictly positive since 2010, while the NWC/Sales has a 10-year average of 31%, revealing a sound operating efficiency.

From 2010 to 2017, the group has always paid dividends, with an average payout ratio of 28.50%, even though the average payout ratio in the last four years was 22.50%, 12% less compared to the previous four years period. However, the DPS has never decreased and went from 11 cents per share in 2010 to almost doubling in 2017 (21 cents per share).

Where do revenues go?



Financial Structure.

The quarterly-calculated changes in the Net financial position of the group have been following a cyclical path, with a long-term mean of -2%. Due to the impact of the 2008 financial crisis on Interpump's 2009 profitability, the leverage (NFP/EBITDA) reached a peak at almost 4x in that year, but since then it dropped vigorously and stabilized at around 1.25x, with a 2017 level of 1.22x.

In 2009, as a consequence of the financial crisis, the Board of Directors of Interpump deliberated a share capital increase of ca. 20 mln new ordinary share, which resulted in a cash inflow of ca. € 50 mln (including the additional paid in capital), which has been used to strengthen the capital solidity of the Group (€ 66.6 mln of loans falling due were reimbursed using in part operating cash flow and in part cash inflow from the share capital increase) and to sustain the Group's process of consolidation and growth.

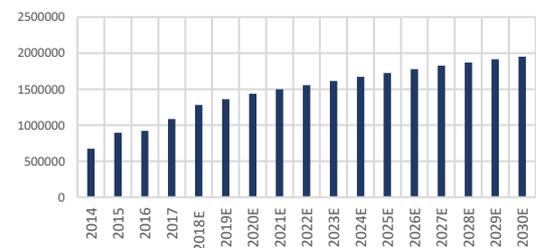
Acquisitions are made using both cash and treasury shares, and the multiple targets for acquisitions are: (i) max 5x EV/EBITDA for commercial companies and (ii) max 7x EV/EBITDA for manufacturing companies. The budget for M&A operations is fixed at max €200 mln per year.

The biggest acquisitions of remaining minority stakes were done in 2008 (13% of NLB, already owned at 80%), 2009 (the remaining 37% of Hydroven) and 2015 (the remaining 40% of the IMM Group) with both cash and treasury shares, and, as the graph shows, the effect on the NFP was not that relevant to have a big effect on its quarterly cycles.

Year	Total growth	Organic growth contribution	Inorganic growth contribution
2008	0.00%	0.00%	0.00%
2009	-17.21%	-24.11%	6.90%
2010	24.23%	32.59%	-8.36%
2011	17.86%	18.67%	-0.81%
2012	11.78%	8.19%	3.59%
2013	5.56%	1.68%	3.88%
2014	20.75%	14.80%	5.95%
2015	33.17%	21.14%	12.03%
2016	3.12%	17.40%	-14.28%
2017	17.74%	11.94%	5.80%

WACC ASSUMPTIONS		
Risk free rate	2,7%	Based on the average yield of country long-term bonds (10yr) in each specific region where IP operates. We considered 8 countries in the computation, weighting all areas with IP revenues geographical distribution.
Market risk premium	4,2%	Based on the average return on the Ftse italia star index on 17 years daily observations.
BetaAdjusted	1,178	Based on the correlation between IP returns and Ftse italia index on 17 years daily observations, adjusted by taxation and leverage
Cost of equity	7,2%	Cost of equity= Risk free rate + Beta*(Market risk premium - risk free rate)
Cost of debt	4,0%	We considered the ratio between interests expenses and financial debt for 2017. More specifically, we have adopted the average debt stock (beginning-end of the year).
Leverage(D/D+E)	11,6%	Based on the stock level of debt and equity outstanding.
Tax rate(t)	31,0%	We assumed a 31% tax rate for the next periods which is in line with the average taxation from 2015 to 2017
WACC 7,02%		

Estimated Sales



Future Analysis

Revenues estimated growth

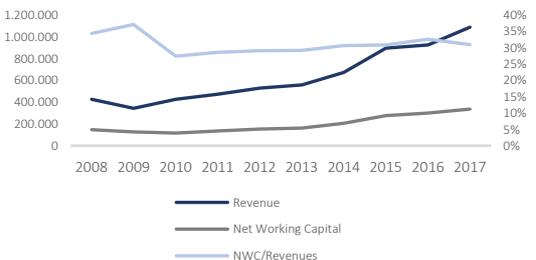
Since Interpump is characterized by a large diversification in its operational activities, which comes from the high-frequency acquisition policy, revenue growth was mainly estimated on a geographical basis. We considered Group's activities for each country in which it has a relevant presence with respect to sales, we have taken an overall picture of IP most significant areas. For these areas we have made researches about the industry growth year per year, in which the company operates and we have computed an overall weighted average of the sales growth rate, with respect to these criteria. This method has been applied to business revenue growth for the first 2-years projections, while 3rd year sales rate of growth has been derived from the trajectory implied by last year available data and our 2-years estimates. Then, for sequent years we considered a constant decay of growth rate to long-term growth, equal to 2%.

Beta Unlevered	1,080
Debt	390,64
Equity	2,985,50
D/E	13,08%
Beta Levered	1,178

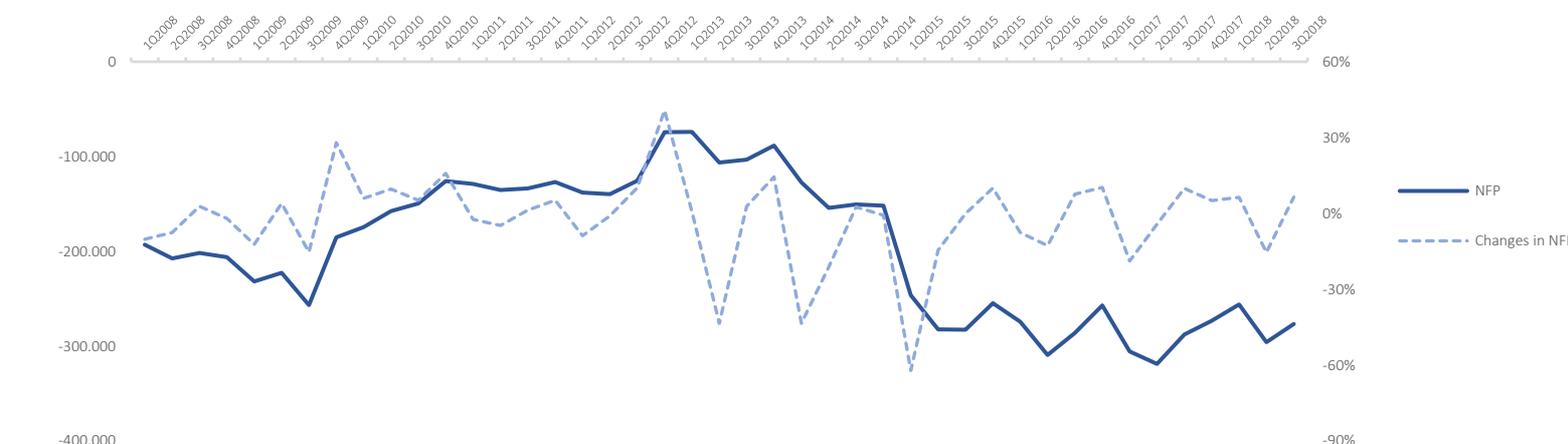
Weighted Average Cost of Capital ("WACC")

We computed WACC relying on of both our estimates and last available Interpump financial statement. In particular we used the Capital Asset Pricing Model for cost of equity estimate: we assumed the risk free rate as the average yield of country long-term bonds (10yr) in each specific region where IP operates and we considered 8 countries in the computation, weighting all areas with IP revenues geographical distribution. Then we assumed a 31% tax rate for the next periods which is in line with the average company's taxation from 2015 to 2017. We approximated the market risk premium as the the average return on the Ftse Italia star index on a 17 years basis with daily observations, this because Interpump is a mid-tier company and it is listed on such that Index. Furthermore we adopted an adjusted beta for the cost of equity, based on a linear regression of Interpump's returns onto Ftse Italia star index returns, on a 17 years basis. For cost of debt estimate we considered the ratio between interests expenses and financial debt for 2017, more specifically we have adopted the average debt stock (beginning-end of the year). Under these assumptions we end up with a WACC of 7.02% which is in aligned with company's guidance range.

Net Working Capital



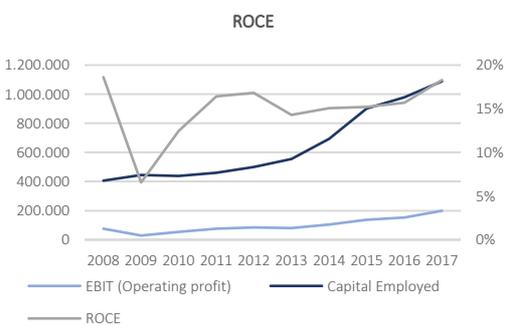
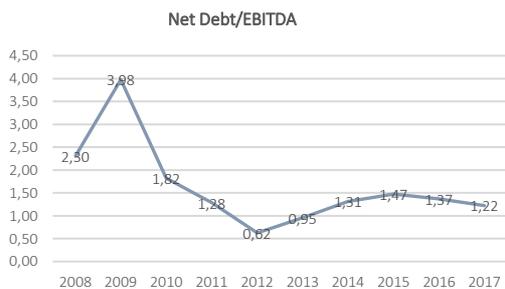
Net Financial Position



Valuation

Cost of equity

RISK FREE RATE	2,67%
BETA	1,12
BETA ADJUSTED	1,18
MARKET RISK PREMIUM	4,17%
CAPM	7,35%



Valuation

The business model of INTERPUMP requires a valuation approach that is consistent with its structure. We valued the Group considering its comprehensive structure because we believe that a consolidated basis approach could reflect quite accurately the overall value of the separate business divisions. IP operates in many countries, on different markets and it is difficult to assess a specific number of direct competitors due to the fact that IP sells different products for different applications with respect to firms considered as competitors, so we adopted a valuation method that focuses mainly on cash flow generation rather than trading multiples analysis. Anyway, we considered them with a smaller weight since their competitive position on the market is relevant. So, we assessed IP enterprise value weighting a Discounted Free Cash Flow to Firm ("DCF") model result with a comparative analysis based on trading multiples.

DCF Model

We mainly evaluated the company using the discounted cash flow methodology because Interpump focuses on industrial objectives first, on which depend the related financial results with respect to growth and cash flow generation. So, we took this approach because a DCF model is able to catch this kind of performances better than a comparative valuation.

The DCF model that we set up is based on both the Company's historical performances and our estimates of the industry:

the enterprise value is highly sensible of the modelling inputs which are Estimated Revenues, Marginal Values and WACC. Estimated revenues have been computed under the assumption of a decreasing growth till 2%, while future margins has been calculated assuming constant percentage values with respect to sales, this due to an historical trend of Interpump that shows such that peculiarity. The terminal value of DCF has been evaluated assuming that the final cash flow (2030yr) will be grow approximately at 2% forever.

Comparative Analysis

We have selected six peers for the market multiples analysis (Bucher Industries, Indutrade, Graco Inc., IDEX Corporation, IMI plc and AALberts Industries). They have been selected on revenues, market cap, products sold, and markets basis. Then, we have taken both the estimation of the EV/Ebit and of the P/E for the year 2019 of these companies and the mean (14,9 and 17,3 respectively). For what concern EV/Ebit, we estimated IP Ebit for 2019 (250.427.212,49 EUR) and multiplied it times the EV/Ebit (14,9); at this point we have ended out with the estimate of the Enterprise Value of Interpump from the competitive point of view. From the EV we have subtracted the estimation of the market value of the debt, and we have summed up the estimate of Cash&Cash Equivalent. So, we achieved the estimate of the Equity Value (3.424.975.888,22 EUR), IP has not minority or preferred shares). From this we have divided by the number of share outstanding (10887924) and we have gotten the estimation price of one share (31,46). Using the P/E ratio (17,3), we have simply multiplied it times the estimation of the Earning per Share of Interpump for the year 2019 (1,61) and we have gotten an estimation of the price of one share of 27,85.

Enterprise Value

We assessed the final enterprise value by adopting a mixed approach that considers both future cash flows company's analysis and comparative analysis. The last one takes into account P/E valuation methodology and EV/EBIT peers ratio. We attributed a heavier weight to future cash flow analysis (50%) that ends up with an estimated price of 32.66 €, since we relied on industrial focus of IP which is closer to such of this kind valuation. Furthermore, we considered the competitive position of IP in its markets through 2 ratios and weighting them at 20% and 30% respectively for P/E and EV/EBIT. We have taken into account EV/EBIT valuation method with a heavier weight since it is a closer approach to company's margin than P/E valuation that depends on many other variables. Using our valuation model, we end up with a final target price of 31.34€.

Investment Risks

Impact	HIGH	G,N,O		
	MODERATE	E	A,C	H
	LOW	F		B,D,I,L,M
	Risks Matrix	LOW	MODERATE	HIGH
		Probability		

Market Risks

Sudden Rise in Interest Rates (likelihood: moderate, impact: moderate) (A)

IP is primary exposed to a sharp increase in interest rates deriving from medium / long-term loans granted at floating rates (Group policy not to take out hedges) and short-term credit lines. Mitigants: the short average duration of existing loans (around 3 years). It has been estimated that a 50 bps increase in interest rates would provide higher financial expenses of ca. € 0,77 mln (Source: IP 2017 annual report).

Exchange risk (likelihood: high, impact: low) (B)

IP has subsidiaries in 25 countries and converts financials in 22 currencies other than the base currency (Euro) and therefore is primarily exposed to the risk deriving from their translation. According to 2017 figures ca. the total amount of cash flows exposed directly to exchange risks was ca. 23% of Group's sales of which ca. 1% hedged. The Group is exposed in USD (mainly due to sales to its US subsidiaries). Moreover, it has also limited exposure to AUD, CAD, RMB, BRL, INR, RON and GBP (mainly relating to commercial intergroup transactions) ... Mitigants: IP operates internationally and mostly manufactures the countries of the destination markets. It is the current policy not to hedge recurring commercial transactions, taking out exchange risk hedged only in the event of those that are non-recurring, either in terms of amount and frequency.

Liquidity risk. (likelihood: moderate, impact: moderate) (C)

Due to the dynamic nature of the Group's business with associated frequent acquisitions access to revolving lines of stand-by credit to be utilized at short notice is vital. Mitigants: risk minimized by the high level of cash on hand € 147 mln (as of Sep 2018), available lines of credit and the Group's ability to generate recurring cash flows.

Price risk. (likelihood: high, impact: low) (D)

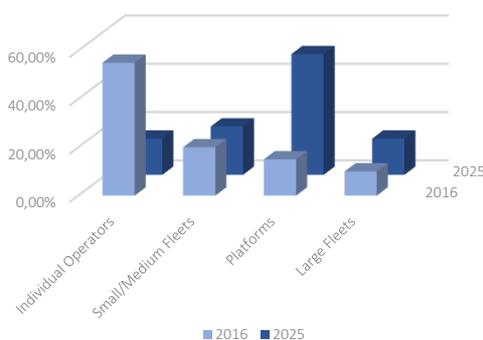
Exposure to price fluctuations of metals (brass, aluminum stainless steel and steel), which may affect economic results and profitability. In 2017 the purchase cost of metals accounted for ca. 30% of the total purchase of raw materials. Mitigants: company policy is to transfer the cost of stocking materials to suppliers, hedging this risk by

means of orders for specific periods and quantities agreed at a fixed price. The company's selling prices are generally reviewed on an annual basis.

Credit risk. (likelihood: low, impact: moderate) (E)

Risk associated with the concentration of receivables. Mitigants. Extended payment terms granted only to Group's long-term customers. Moreover, it is company policy to make sales to customers following a careful assessment of their credit rating and therefore within present credit limits.

Shift to large fleets and fleet-like platforms



Business risk

Competition (likelihood: low, Impact: low) (F)

IP is a global market player both in water jet and in hydraulic division. Pumps market is high competitive but with high entrance barriers that allow IP to maintain its leadership. IP products are not patentable. This situation is not a main problem due to the particular characteristic, know-how, quality and reliability of IP products and brand. The group also tries progressively to find new application for high pressure technology and enhance its products range in hydraulic sector.

Commercial failure of new products (likelihood: low, impact: high) (G)

IP products that will be launched may not reach their expected peak sales, such as new application of the water jet technology. This would have an impact related to revenues' loss, IP sunk costs and reputational brand.

Macro Risks

Market stagnation, Global economy slowdown (likelihood: high, impact: moderate) (H)

This risk refers to a possible global economic slowdown that might affect GDP growth, thus reducing spending. In particular IP is strongly linked with the US and Eurozone economic patterns. An overestimation of US market and a progressively reduction in economic expansion of Eurozone can lead to negative effect on IP activity and worse economic result. We highlight that Home IP country Italy is suffering politician instability and it grow GDP rate is progressively reducing until a poor 0,2% for 2019.

Exposure to EM (likelihood: high, Impact: low) (I)

IP sales exposure against emerging markets are less than 10% of total sales. Emerging markets provided by IP product are Latin America, China and India. IP revenues are low in these markets with respect to total group earning but the group presence in these areas can lead to risks due to political instability, changes in law, inflation, counterparties creditworthiness.

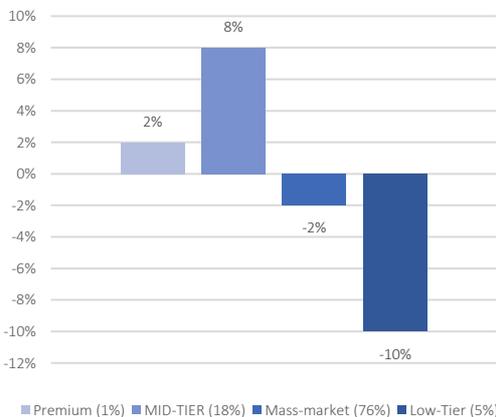
Exposure to cyclical markets (likelihood: high, impact: low) (L)

IP is also exposed to cyclical markets in hydraulic segment., the group is trying to face this risk with increasing diversification and high cross selling.

Trade war between US and China (likelihood: high, impact: low) (M)

The US and China are locked in an escalating trade battle. Us imposed tariffs on billions of dollars worth of Chinese products last year, and Beijing retaliated in kind. After months of hostilities, both countries agreed to halt new trade tariffs for 90 days to allow for talks. They imposed a deadline of early March to resolve their differences, or the battle may heat up again.

Chinese Mkt Expected CAGR in 2009/2020E



Operational Risks

Acquisition Risk, Failure to integrate acquired companies (likelihood: low, impact: high) (N)

Interpump faces a significant amount of acquisition risk due to their aggressive growth strategy. There is a probability that investments will fail to perform in accordance with managerial expectations. The potential performance of acquisitions is subject to judgments by management with respect to the prices they pay to acquire facilities. Integration process could be delayed, furthermore it could both require non-expected additional investments and not achieve the expected positive returns. Mitigants: well thought acquisition strategy performed by years from the company, high performing integration procedures.

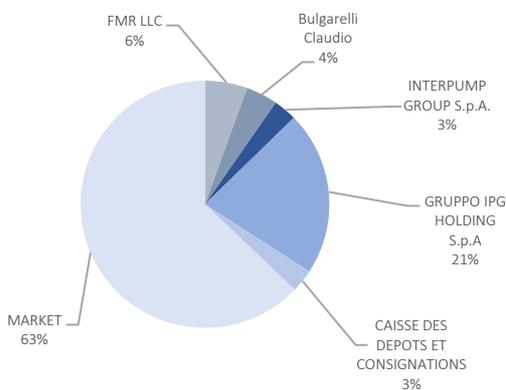
Lack of independence among Key Directors (likelihood: low, impact: high) (O)

IP success can be strongly linked to the presence in the group of the historical founder and CEO Fulvio Montipò. If he will stop the professional relationship with the group it can rise difficulties in hire promptly an equal professional and experienced person. Fulvio Montipò leave can have negative effect on the group performance. Tamburi investment partners S.p.A. is in conflict of interest with the group because Giovanni Tamburi (Chairman and CEO of Tamburi investment partners) is board of directors member of IP. Giovanni Tamburi is also director of IPG holding S.r.l. (investor of IP).

Corporate Governance & Social Responsibility

Since Interpump is listed a listed company since 1996 it needs to maintain a solid reputation even for what regards both the social responsibility and the corporate governance. The strengths of Interpump's corporate governance can be seen in the following areas: 1) *Specific Committees* on: control and risks, remuneration, nomination, related party transactions to oversee and direct company operations. Any committee has been designed to achieve a specific internal task. (see the Appendix, remuneration committee) 2) *Company Code of Ethics*. The Code of Ethics represents the set of values pursued by Interpump Group in the daily conduct of its business activities. The mission of Interpump is to pursue excellence in its operations through the application of innovation and quality. 3) professional and stable top executives. **These 3 characteristics let the company to align managers and shareholders' interests and to maintain a solid reputation with the shareholders.**

Shareholder Structure



Shareholder Structure

Interpump Group S.p.A. has issued a total amount of 108,879,294 shares, corresponding to a **market cap** of about **3,046 billions euro**. Share capital comprises only ordinary shares with no extra-rights and obligations. The ordinary shares, endow voting rights in the company's ordinary and extraordinary shareholders' meetings. **GRUPPO IPG HOLDING S.p.A** is the most relevant shareholder with about 21.5% of the outstanding shares. Its board of directors is composed by 6 members, among these there are 2 directors of Interpump Group S.p.A: **Fulvio Montipò** (Interpump chairman and CEO) and **Giovanni Tamburi** (Interpump director). It is important to highlight that Giovanni Tamburi and Fulvio Montipò are respectively the chairman and director of Gruppo IPG holding S.p.A, which makes these 2 people the most relevant in the direction of Interpump. **FMR LLC** is a multinational financial services corporation, based in Boston (USA) that owns about 5.7% of the outstanding shares of Interpump Group

S.p.A. About 4.1% is owned by **FIN TEL SRL**, which is an asset management company based in Italy; While **CAISSE DE DEPOTS ET CONSIGNATIONS** owns about 3% of Interpump outstanding shares, this position has been opened on the 31.05.2018 with a purchase in block at an average cost per share of 27.26 euro. Since that day, the investment firm has hold such shares percentage in Interpump. **INTERPUMP** itself has about 3% of treasury shares. **MARKET** (63% of the outstanding shares) is characterized by an highly split ownership of Interpump shares between companies and individuals, which generally are institutional investors (about 140) and own low percentages of Interpump Group S.p.A. shares (<1%).

Appendix: Table of Content

1. Detailed acquisition history
2. Interpump main water jetting/hydraulics products and application
3. Porter's 5 forces analysis
4. W.a.c.c. analysis and historical data
5. Income Statement
6. Balance Sheet
7. Key Ratios
8. Revenues Forecast
9. Corporate Governance

1. Detailed acquisition history

Date	Target	Country	Division	Price	Rationale
01/12/1999	Euromop	Italy	water jet		doubling interpump group cap over the next 3 years
14/12/2000	Pulex	Italy	water jet	8,3Bbn lira	enhance IP leadership in the international markets
07/09/2000	Ready system	Italy	water jet		aim to consolidate the sectors of activity
17/01/2000	IP floor	Italy	water jet		doubling value of company's stock
10/07/2001	Hydroven	Italy	hydraulic	€ 1,4 mln	consolidate the IP presence in hydraulic's sector
04/03/2002	Gansow	Germany	water jet	€ 3,7 mln	strengthening world leadership
06/04/2005	Hammelmann	Germany	water jet	€ 91,5 mln	become leader in the very high pressure plunger pumps
01/02/2007	NBL	America	water jet	€ 62,4 mln	focus IP portfolio on highly profitable sectors
19/12/2008	HS penta	Italy	hydraulic	€ 17,5 mln	to continue grow in the sector of hydraulic cylinders and components
30/10/2008	Contarini	Italy	hydraulic		aim to create an industrial hub of international importance within hydraulic cylinders sector
23/10/2008	Oleodinamica Panni	Italy	hydraulic	€ 29,8 mln	significant synergies with the group's operations in hydraulic sector
08/10/2008	Cover	Italy	hydraulic	5.5x EBITDA	grows in hydraulic cylinders and components
24/09/2008	Modenflex	Italy	hydraulic	€ 2,7 mln	reinforce the leadership in hydraulic components
21/12/2011	Takarada	Brazil	hydraulic	€ 12,1 mln	reinforce the leadership in hydraulic components
28/11/2011	M.T.C.	Italy	hydraulic	€ 3 mln	reinforce the leadership in hydraulic components
12/07/2011	Galtech	Italy	hydraulic	€ 3,3 mln	reinforce the leadership in hydraulic components
18/04/2011	AMP	America	hydraulic	\$ 6,8 mln	reinforce the leadership in hydraulic components
02/08/2013	IMM group	Italy	hydraulic	€ 5,5 mln	interpump further expands its range of products in hydraulic sector
06/05/2013	Hydrocontrol	Italy	hydraulic		strengthening IP position in hydraulic sector
19/12/2014	Walvoil	Italy	hydraulic		rank IP among the most important international leaders in the hydraulic distributions segment
22/05/2015	Bertoli	Italy	water jet	€ 7,3 mln	enter in the market of pumps for the food sector
13/05/2015	Osper	Brazil	hydraulic	8,5 mln Reals	enhance industrial synergies becoming a global player
17/03/2015	Inoxihp	Italy	water jet	€ 8,6 mln	strengthening IP position in the steel industry
29/07/2016	Mega Pacific	New Zealand	hydraulic	12 mln AUD	IP makes a giant leap forward in its organized presence in the Oceanian countries.
08/07/2016	Tekno tubi	Italy	hydraulic	€ 4,1 mln	enhance IP presence in pipes and hoses market
05/05/2016	Tubiflex	Italy	hydraulic		enhance cross selling in hydraulic sector
22/01/2016	Endeavour	UK	hydraulic		rationalize the IP direct distribution in the different international markets
03/10/2017	Flud system 80	Italy	hydraulic	€ 1 mln	strengthening IP position in the hydraulic power pack market
12/06/2017	Mariotti&Pecini	Italy	water jet	€ 8,9 mln	strengthening IP position in the food processing
03/02/2017	Inoxpa	Spain	water jet	€ 90 mln	enhance opportunity horizon in the food, pharma and cosmetics markets
25/01/2017	Bristol Hose	UK	hydraulic	550000 GBP	reinforce the presence in various markets
11/01/2018	Fluinox	Spain	water jet	€ 9,49 mln	integration to the fluid-handling skills and product range of Inoxpa
02/08/2018	Ricci Engineering	Italy	water jet	€ 0,6 mln	coordinate activities with Mr. Ricci

2. Interpump main water jetting/hydraulics products and application

IP main products – water jetting		Water jet application
Production, rental, design and supply of turnkey solutions of high-pressure plunger pumps, complete systems and tailored solutions		Steel, aluminium, industrial cleaning, oil & gas, trucks, constructions and automotive, contractors.
Homogenizers, pumps, mixers, agitators, components & systems		Food, cosmetics, pharma, water processing.
IP main product – hydraulic		Hydraulic application
Power Take-offs		Earth moving, truck manufacturers, construction, agriculture
Cylinders		All
Oil tanks		Steel, aluminium
Valves		All
Rubber and Metallic flexible Hoses		Truck outfitters
Pipes and piping systems		Industrial, tunneling

3. Porter's 5 forces analysis

Porter 5 force analysis for the Water Jetting segment:

Water Jetting		
Intensity of internal rivalry	Medium-High	The niche of the very high-pressure pumps has a low internal rivalry, due to the leader position of the subsidiaries Hammelmann; in the sector of Water Jetting in general we have found that the three big companies (GEA, Alpha Laval, SPX) have a big share of the market. This could be an indicator that the internal rivalry is very high, but if we analyse the fact that the market is in expansion, we can say the rivalry is not so accentuate.
Threat of new entrants	Low	The development of the technology necessary to enter the market is a very long process; the continuing progression in search of new material, new component and new application stop the possibility that a company could start from zero in producing the high-pressure pumps necessary to the flow handling market and for the homogenizer process. Moreover, the three big players in the industries generate high revenues that discourage the entry in the market of new player.
Substitute products	Low	It is very improbable that some other products could substitute the plunger pumps (for the niche of the very high-pressure pumps) because they are the most resistant pump for the very high-pressure (higher than 300MPa). On the other hand, there is the segment of the flow handling that is composed by the piston pump, that are the classic pump for the pressure until 150 MPa. These products are made by a technology that is very improbable that will be passed by other equipment, due to the themselves nature.
Bargaining power of clients	Medium-Low	In the segment of water jetting, the buyers have a relatively low bargaining power, especially in the niche of very high-pressure pumps, due to the tailor-made orders and because of the "name" of the subsidiaries Hammelmann, that is the leader for the high quality of the products offer and for the durability and reliability of them. On the flow handling part of orders, the market is much more competitive, so the power of clients arise. The side of the entrance by the clients that could specialised in the production of the components that they buy nowadays is medium, because there is the probability that one day they decide to produce themselves, as the history of Interpump let us know.
Bargaining power of suppliers	Medium	The power of the suppliers could be higher due to the high-volatility of the commodity market, but with the warehouse policy of Interpump (bring a lot of raw material in the warehouse), it diluted the effect of the price. Moreover, the small companies that Interpump group owns have different small trusted suppliers, that could offer low price relatively to the special relationship between them. Furthermore, the power to cut of market share that could be come from the suppliers it is very low, due to the material used to produce the pumps. The suppliers are principally metal commodities manufacturer, so they have a completely different market.

Porter 5 force analysis for the Hydraulics segment:

Hydraulics		
Intensity of internal rivalry	High	The internal rivalry is drive by the three biggest competitors of Interpump in this market (Danfoss, Parker Hanniff, Eaton). The rivalry is high and the position of Interpump is very small in respect to these big enterprises. However, the market is in continuous expansion so that it is normal that companies enter and get out from the market. It is a very dynamic market in sense that it is not so important the numbers of competitors that are inside it, because of its dimension, there will be ever one that will try to steal the customers of Interpump (also because in this market, the manufacturer are a big numbers of companies, not as in the water jetting market, that is more specialize)
Threat of new entrants	Medium-High	The market of the hydraulics is very big (estimation of 40 mld); for this reason, is very common that a new company enter in the market with new products or new application. Due to the market is in expansion, it is common the entrance of a new player. However, this does not destabilize the equilibrium in the market and in the Interpump competitive position because of the very low level of market share that Interpump owns. A new company entering the market has a very low impact on the total sale that Interpump does in this market.
Substitute products	Medium-Low	The product included in the Hydraulics sector are different, not only the 24/7 service & repair and the power take-off, but also the rubber hoses, valves and other product related to the hydraulics industry applied to the car segment. There is a possibility of new product that could be developed in a better way for what regarding the valves and the small component as pipes and piping systems. So, the substitute products are not in the level "Low" like the water jetting segment (due to the high technologies involved in the project and in the developed), but it is not such important to be a level medium or higher for sure.
Bargaining power of clients	Medium-High	Clients have a relative high power because there are a lot of product and Interpump is very smaller respect those three big, so the bargaining power of the clients is high, especially in the component that are standards. Also, in the power take-off, that are quite standard elements, the clients based them choices on the basis of what is it the best quality-cost product. There is, moreover, a very low probability that clients become competitor due to the fact the major of costumers belong to very different industries, the reality is in fact the opposite (for instance the car-maker TATA that sell its lines of hydraulics products just to Interpump).
Bargaining power of suppliers	Medium	The bargaining power of the suppliers is the same as for the Water jetting sector, due to the same material used in the production. So, how is for the small companies that Interpump is formed, is for the its policy of storage raw material, there is an equilibrium for what concerning the contract power of the suppliers of Interpump.

Peer's esamination:

For peers' examination, we have searched for companies specialised in the pumps industry with application in the homogenizer for food, cosmetics and pharma and in the segment of Hydraulics, such as the producer of special machinery. These peers have been selected by the objectivity competitive pressure that could cause to Interpump and for their products very similar to that of Interpump. Moreover, these peers are quoted, that allow us to compare with Interpump because of the available data (unless Danfoss, because it is owned by a holding). The alfa laval income statement is in sek, for the converting purpose we used the average exchange rate SEKEUR=0,10566 for the annual period of 1.1.2016 to 31.12.2016. the spx income statement in in USD so we used USDEUR exchange rate average of one year between 1.1.2016 and 31.12.2016 = 0,9039. The table below shows the data that we have taken to plot the two graphs EV/Ebit on Ebit Margin and P/E on ROE

2019E	Interpump	Bucher Industries	Indutrade	Graco Inc.	Idex Corporation	IMI plc	Aalberts Industries	Parker-Hannifin	Eaton plc	GEA Group AG	Alfa Laval AB	SPX Flow Inc.
Ebit Margin	18,91%	9,02%	12,13%	26,38%	24,00%	14,26%	12,91%	14,81%	14,33%	8,94%	15,24%	9,83%
EV/Ebit	13	11,1	15,1	17	17,9	11,5	16,8	12,3	12,8	9,9	13,1	9,6
P/E	17,8	14,9	17,1	21,7	24,1	13,5	12,5	13,8	13,1	13,7	15,5	11,9
ROE	16,6%	13,3%	23,8%	36%	18,7%	28,1%	14,0%	23,9%	14,7%	12,1%	20,4%	10,1%

4. W.a.c.c. analysis and historical data

The tables below show how we have calculated the weighted risk-free rate for the computation of the w.a.c.c and the average tax rate. Note: the revenues source are the Company data, whereas the risk-free rates source is Factset. Furthermore, there is the third table in which there are the computation for the w.a.c.c. Note: the equity value source is Bloomberg on the date 08/02/2019, the debts source are the Company data.

Countries	Risk free rate	Revenues	Weighted risk free
rest of Europe	0,55%	29%	0,16%
America	2,63%	27%	0,71%
China	3,13%	4%	0,13%
India	7,52%	3%	0,23%
latin America	8,00%	3%	0,24%
rest Europe/Russia	8,10%	6%	0,49%
rest of World/ New Zeland	2,09%	10%	0,21%
Italy	2,88%	18%	0,52%
Weighted risk free rate			2,67%

years	tax rate
2017	29,4%
2016	36,0%
2015	27,6%
Average tax rate	31%

€/mln	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	424.5	342.9	424.9	471.6	527.2	556.5	672.0	894.9	922.8	1,086.5
growth	0.0%	-19.2%	23.9%	11.0%	11.8%	5.6%	20.8%	33.2%	3.1%	17.7%
EBITDA	87.0	46.9	74.1	94.6	105.9	105.2	136.1	180.3	198.5	248.6
margin	20.5%	13.7%	17.4%	20.1%	20.1%	18.9%	20.3%	20.1%	21.5%	22.9%
EBIT	75.7	29.2	54.7	75.7	84.0	79.3	104.4	136.9	153.5	198.9
margin	17.8%	8.5%	12.9%	16.0%	15.9%	14.3%	15.5%	15.3%	16.6%	18.3%
COGS%Revenues	62.6%	67.1%	64.2%	66.5%	62.0%	63.6%	63.5%	64.5%	63.4%	61.9%
SG&A%Revenues	20.7%	25.8%	24.3%	23.0%	23.2%	23.1%	22.1%	21.2%	21.2%	20.9%
R&D%Revenues	1.5%	1.7%	1.6%	1.5%	1.6%	1.7%	1.6%	1.8%	1.9%	1.8%
Net profit	40.2	14.0	27.4	42.6	53.2	44.1	57.7	118.3	94.5	135.7
Net debt	228.3	201.8	147.8	146.0	102.6	121.4	226.0	278.2	300.0	323.8
Net debt/EBITDA	2.6	4.3	2.0	1.5	1.0	1.2	1.7	1.5	1.5	1.3
WC/Revenues	34.3%	37.0%	27.4%	28.5%	29.1%	29.1%	30.6%	30.8%	32.5%	30.9%
CAPEX	16.6	9.0	8.5	12.2	15.8	29.3	34.1	28.9	36.5	47.8
FCFF	22.1	63.1	57.0	28.8	38.6	34.3	38.3	85.2	89.9	93.6
Shareholders' equity	178.0	242.8	291.5	315.2	396.9	432.9	466.6	622.6	677.5	764.7
ROE	22.6%	5.8%	9.4%	13.5%	13.4%	10.2%	12.4%	19.0%	13.9%	17.7%
ROCE	18.6%	6.6%	12.5%	16.4%	16.8%	14.3%	15.1%	15.2%	15.7%	18.3%
Basic EPS (€)	0.545	0.187	0.284	0.439	0.556	0.413	0.541	1.101	0.884	1.257
DPS (€)	n.a.	n.a.	0.11	0.12	0.17	0.17	0.18	0.19	0.20	0.21
Payout ratio	0.0%	0.0%	38.7%	27.3%	30.6%	41.2%	33.3%	17.3%	22.6%	16.7%

5. Income Statement

Income statement (000€)	2018E	2019E	2020E	2021E	2022E	2023E
Sales	1.279.167,00	1.360.905,77	1.435.211,23	1.496.351,22	1.556.338,28	1.614.822,02
% of Growth	17,73%	6,39%	5,46%	4,26%	4,01%	3,76%
COGS	- 805.295,00	- 853.154,00	- 899.736,20	- 938.064,97	- 975.670,95	- 1.012.334,49
% of Growth	19,74%	105,94%	5,46%	4,26%	4,01%	3,76%
% of revenues	-62,95%	-62,69%	-62,69%	-62,69%	-62,69%	-62,69%
Gross Margin	473.872,00	507.751,78	535.475,02	558.286,26	580.667,33	602.487,52
% of Growth	14,46%	7,15%	5,46%	4,26%	4,01%	3,76%
% of revenues	37,05%	37,31%	37,31%	37,31%	37,31%	37,31%
Selling expenses	- 117.660,00	- 124.014,23	- 130.785,40	- 136.356,86	- 141.823,26	- 147.152,66
% of revenues	-9,20%	-9,11%	-9,11%	-9,11%	-9,11%	-9,11%
General & Administrative expenses	- 135.898,00	- 142.574,46	- 150.359,02	- 160.977,38	- 170.671,95	- 179.460,74
% of revenues	-10,62%	-10,48%	-10,48%	-10,76%	-10,97%	-11,11%
Other operating costs	- 3.430,00	- 3.001,32	- 3.165,19	- 3.300,03	- 3.432,32	- 3.561,30
% of revenues	-0,27%	-0,22%	-0,22%	-0,22%	-0,22%	-0,22%
EBIT Adjusted	216.884,00	238.161,77	251.165,41	257.651,99	264.739,80	272.312,82
% of Growth	19,06%	9,81%	5,46%	2,58%	2,75%	2,86%
% of revenues	16,96%	17,50%	17,50%	17,22%	17,01%	16,86%
Other revenues	19.665,00	20.921,59	22.063,91	23.003,84	23.926,03	24.825,12
% of revenues	1,54%	1,54%	1,54%	1,54%	1,54%	1,54%
EBIT	236.549,00	259.083,37	273.229,32	280.655,83	288.665,83	297.137,94
% of Growth	18,92%	9,53%	5,46%	2,72%	2,85%	2,93%
% of revenues	18,49%	19,04%	19,04%	18,76%	18,55%	18,40%
Financial Income	22.796,00	-	-	700,70	815,60	388,00
% of revenues	1,78%	0,00%	0,00%	0,05%	0,05%	0,02%
Financial expenses	- 19.419,00	- 9.219,81	- 9.723,21	- 17.896,28	- 18.593,43	- 22.478,67
% of revenues	-1,52%	-0,68%	-0,68%	-1,20%	-1,19%	-1,39%
EBIT	239.926,00	249.863,56	263.506,11	263.460,24	270.888,01	275.047,27
% of Growth	24,86%	4,14%	5,46%	-0,02%	2,82%	1,54%
% of revenues	18,76%	18,36%	18,36%	17,61%	17,41%	17,03%
Taxes	- 66.749,00	- 74.959,07	- 79.051,83	- 79.038,07	- 81.266,40	- 82.514,18
% of revenues	-5,22%	-5,51%	-5,51%	-5,28%	-5,22%	-5,11%
Tax Rate	27,40%	30,0%	30,0%	30,0%	30,0%	30,0%
Net result from discounted operations	-	0	0	0	0	0
% of revenues	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Net Income, Including Non-controlling interests	173.177,00	174.904,49	184.454,28	184.422,17	189.621,61	192.533,09
<i>EBITDA Calculation</i>						
	236.549,00	259.083,37	273.229,32	280.655,83	288.665,83	297.137,94
	19.665,00	20.921,59	22.063,91	23.003,84	23.926,03	24.825,12
	216.884,00	238.161,77	251.165,41	257.651,99	264.739,80	272.312,82
Depreciation and amortization	50.469,00	55.515,90	61.067,49	67.174,24	73.891,66	81.280,83
	1,47%	10,00%	10,00%	10,00%	10,00%	10,00%
	287.018,00	314.599,27	334.296,81	347.830,07	362.557,50	378.418,77

6. Balance Sheet

Balance sheet	2018E	2019E	2020E	2021E	2022E	2023E
Brands and other intangible assets - net	34.731,00	34.731,00	34.731,00	34.731,00	34.731,00	34.731,00
% of assets	2,10%	2,0%	1,9%	1,5%	1,4%	1,4%
Goodwill	434.699,00	434.699,00	434.699,00	434.699,00	434.699,00	434.699,00
% of assets	26,34%	25,27%	24,30%	18,63%	18,06%	17,52%
Property, plant and equipment - net	355.488,00	378.203,68	398.853,60	734.927,65	764.398,25	793.139,62
% of assets	21,54%	21,98%	22,30%	31,50%	31,75%	31,98%
Other non-current assets	4.496,00	4.783,29	5.044,46	9.294,93	9.667,65	10.031,16
% of assets	0,27%	0,28%	0,28%	0,40%	0,40%	0,40%
Deferred tax assets	30.260,00	32.193,61	33.951,39	62.558,82	65.067,43	67.513,97
% of assets	1,83%	1,87%	1,90%	2,68%	2,70%	2,72%
Non-current assets	859.674,00	884.610,59	907.279,45	1.276.211,40	1.308.563,33	1.340.114,75
% of Growth	4,87%	2,90%	2,56%	40,66%	2,53%	2,41%
% of assets	52,10%	51,42%	50,73%	54,70%	54,35%	54,03%
Inventories and work in progress	366.480,00	373.985,31	394.404,91	411.206,56	427.691,37	443.763,07
% of assets	22,21%	21,74%	22,05%	17,63%	17,76%	17,89%
% of growth	22,21%	21,74%	22,05%	17,63%	17,76%	17,89%
% of cost of sales	45,51%	43,84%	43,84%	43,84%	43,84%	43,84%
Trade account receivable	270.364,00	298.280,72	314.566,84	327.967,39	341.115,24	353.933,59
% of assets	16,38%	17,34%	17,59%	14,06%	14,17%	14,27%
Days of sales outstanding	80,00	80,00	80,00	80,00	80,00	80,00
Income taxes	24.521,00	26.087,89	27.512,29	50.694,15	52.726,98	54.709,52
% of assets	1,49%	1,52%	1,54%	2,17%	2,19%	2,21%
Other current assets	10.929,00	11.627,36	12.262,22	22.594,36	23.500,40	24.384,01
% of assets	0,66%	0,68%	0,69%	0,97%	0,98%	0,98%
Financial current assets	-	-	-	-	-	-
% of assets	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Cash and cash equivalent	118.140,00	125.689,15	132.551,77	244.239,90	254.033,92	263.585,59
% of growth	-18,49%	6,39%	5,46%	84,26%	4,01%	3,76%
% of assets	7,16%	7,31%	7,41%	10,47%	10,55%	10,63%
Current assets	790.434,00	835.670,43	881.298,04	1.056.702,36	1.099.067,91	1.140.375,78
% of Growth	13,26%	5,72%	5,46%	19,90%	4,01%	3,76%
% of assets	47,90%	48,58%	49,27%	45,30%	45,65%	45,97%
Total assets	1.650.108,00	1.720.281,02	1.788.577,49	2.332.913,76	2.407.631,24	2.480.490,53
% of Growth	8,73%	4,25%	3,97%	30,43%	3,20%	3,03%
Share capital	54.842,00	54.842,00	54.842,00	54.842,00	54.842,00	54.842,00
% of liabilities	3,32%	3,26%	3,16%	2,51%	2,44%	2,38%
Share premium reserve	72.190,00	72.190,00	72.190,00	72.190,00	72.190,00	72.190,00
% of liabilities	4,37%	4,29%	4,16%	3,31%	3,21%	3,13%
Other reserves	716.560,00	725.409	734.824	744.753	755.104	765.871
% of liabilities	683,6%	42,3%	42,7%	43,2%	43,3%	43,4%
% on share capital	134.428,0	8.849,3	9.414,7	9.928,8	10.351,7	10.766,7
	45,0%	45,0%	45,0%	45,0%	45,0%	45,0%
Net result, Group share	19.665,00	20.921,59	22.063,91	23.003,84	23.926,03	24.825,12
% of liabilities	1,2%	1,2%	1,3%	1,1%	1,1%	1,1%

Equity, Group share	863.257	873.363	883.920	894.789	906.062	917.728
% of liabilities	52,3%	51,9%	50,9%	41,0%	40,3%	39,8%
Non controlling interests	4.961	5.018	5.078	5.140	5.203	5.269
% of liabilities	0,575%	0,575%	0,574%	0,574%	0,574%	0,574%
Equity	868.218	878.381	888.998	899.928	911.266	922.998
% of Growth	11,74%	1,17%	1,21%	1,23%	1,26%	1,29%
% of liabilities	52,62%	52,22%	51,24%	41,20%	40,57%	40,00%
Long-term borrowings	232.158,00	246.992,90	260.478,71	479.958,07	499.204,39	517.974,47
% of liabilities	14,07%	14,68%	15,01%	21,97%	22,22%	22,45%
Provisions non-current	3.161,00	3.485,00	3.809,00	4.133,00	4.457,00	4.781,00
% of liabilities	0,19%	0,21%	0,22%	0,19%	0,20%	0,21%
Pension funds and agents leaving indemnities	19.379,00	20.617,32	21.743,02	40.063,70	41.670,25	43.237,05
% of liabilities	1,17%	1,23%	1,25%	1,83%	1,86%	1,87%
Deferred tax liabilities	41.559,00	149,59	157,76	164,48	171,08	177,51
% of liabilities	2,52%	0,01%	0,01%	0,01%	0,01%	0,01%
Other non-current liabilities	39.521,00	40.867,00	42.213,00	43.559,00	44.905,00	46.251,00
% of liabilities	2,40%	2,43%	2,43%	1,99%	2,00%	2,00%
Non-current liabilities	335.778,00	312.111,81	328.401,49	567.878,25	590.407,71	612.421,03
% of Growth	-6,25%	-7,05%	5,22%	72,92%	3,97%	3,73%
% of liabilities	20,35%	18,55%	18,93%	26,00%	26,28%	26,54%
Short-term borrowings	173.321,00	184.396,21	194.464,25	358.319,82	372.688,44	386.701,53
% of liabilities	10,50%	10,96%	11,21%	16,41%	16,59%	16,76%
Trade accounts payables	177.783,00	186.992,66	197.202,46	205.603,28	213.845,69	221.881,53
% of liabilities	10,77%	11,12%	11,37%	9,41%	9,52%	9,62%
Days of payables outstanding	80	80	80	80	80	80
Income taxes	18.907,00	40.007,79	42.192,22	65.371,52	67.818,15	70.032,40
% of liabilities	1,15%	-18,57%	-18,57%	-18,57%	-18,57%	-18,57%
% of revenues		33,56	27,76	19,76	18,81	18,15
Other current liabilities	76.101,00	80.256,11	83.675,03	87.029,46	90.299,84	93.466,35
% of liabilities	4,61%	4,77%	4,82%	3,98%	4,02%	4,05%
Current liabilities	446.112,00	491.652,77	517.533,94	716.324,08	744.652,12	772.081,81
% of Growth	12,37%	10,21%	5,26%	38,41%	3,95%	3,68%
% of liabilities	27,04%	29,23%	29,83%	32,80%	33,15%	33,46%
TOTAL LIABILITIES AND EQUITY	1.650.108,00	1.682.145,63	1.734.933,29	2.184.130,41	2.246.325,69	2.307.500,58
% of Growth	7,70%	1,94%	3,14%	25,89%	2,85%	2,72%
	2018E	2019E	2020E	2021E	2022E	2023E
CAPEX	62.155,00	68.045,29	71.760,56	74.817,56	77.816,91	80.741,10
	30,00%	9,48%	5,46%	4,26%	4,01%	3,76%

7. Key Ratios

Key ratios	2018	2019	2020	2021	2022	2023
Current assets	790.434,00	835.670,43	881.298,04	1.056.702,36	1.099.067,91	1.140.375,78
Current liabilities	446.112,00	491.652,77	517.533,94	716.324,08	744.652,12	772.081,81
NWC	344.322,00	344.017,66	363.764,09	340.378,28	354.415,79	368.293,97
Cash and cash equivalent	118.140,00	125.689,15	132.551,77	244.239,90	254.033,92	263.585,59
Non-current assets	859.674,00	884.610,59	907.279,45	1.276.211,40	1.308.563,33	1.340.114,75
Tot. Invested Capital	1.085.856,00	1.102.939,10	1.138.491,77	1.372.349,78	1.408.945,21	1.444.823,12
Equity	868.218,00	878.381,05	888.997,86	899.928,09	911.265,86	922.997,74
Total assets	1.650.108,00	1.720.281,02	1.788.577,49	2.332.913,76	2.407.631,24	2.480.490,53
Net Income	173.177,00	174.904,49	184.454,28	184.422,17	189.621,61	192.533,09
Inventories and work in progress	366.480,00	373.985,31	394.404,91	411.206,56	427.691,37	443.763,07
Cost of Sales	- 805.295,00	- 853.154,00	- 899.736,20	- 938.064,97	- 975.670,95	- 1.012.334,49
<i>Ratios</i>						
Current Ratio	1,77	1,70	1,70	1,48	1,48	1,48
Quick Ratio	0,95	0,94	0,94	0,90	0,90	0,90
Cash Ratio	0,26	0,26	0,26	0,34	0,34	0,34
Return on Assets	0,10	0,10	0,10	0,08	0,08	0,08
Return on Equity	0,20	0,20	0,21	0,20	0,21	0,21
Days Sales of Inventory	166,11	160,00	160,00	160,00	160,00	160,00
in months	13,84	13,33	13,33	13,33	13,33	13,33
EPS	1,59	1,61	1,69	1,69	1,74	1,77
EV/EBITDA	12,39	11,30	10,64	10,22	9,81	9,40
P/E	20,54	21,36	21,21	22,18	22,51	23,09
P	32,66	34,30	35,93	37,56	39,20	40,83
	26,9%	25,3%	25,3%	22,7%	22,8%	22,8%
ROCE (rendimento del capitale investito)	0,20	0,21	0,21	0,17	0,17	0,17
ROE	0,20	0,20	0,21	0,20	0,21	0,21
ROA	0,14	0,15	0,15	0,12	0,12	0,12
DIDEND YIELD	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
ROS (Return On Sales)	18,5%	19,0%	19,0%	18,8%	18,5%	18,4%
ROIC	15,7%	15,5%	16,0%	13,4%	13,4%	13,4%
	2,4%	-0,2%	0,5%	-2,7%	0,1%	-0,1%

8. Revenues Forecast

COUNTRY	Revenues(%)	industrial machinery expected growth in sales (%)				
		dec 2018	dec 2019E	dec 2020E	dec 2021E	
USA	27,00%	12,30	4,22	3,28	6,60	
China	4,00%	-2,97	8,93	6,40	4,12	
India	3,00%	-23,54	17,56	4,30	-0,56	
Latin america(Brazil)	3,00%	-0,05	0,04	0,01	0,00	
Easter europe(Russia)	6,00%	-3,10	7,20	7,50	3,87	
Rest of world(New zeland)	10,00%	-2,78	9,07	6,37	4,22	
Italy	18,00%	-1,61	5,12	6,27	3,26	
Rest of europe	29,00%	-6,47	19,48	18,66	10,56	
	<i>Other eur. countries</i>	12,00%	-1,45	5,68	4,86	3,03
	<i>Germany</i>	7,00%	-2,05	4,53	5,36	2,61
	<i>France</i>	5,00%	-0,69	10,57	14,30	8,06
	<i>Uk</i>	5,00%	-9,01	11,52	6,10	2,87
	100,00%					

For the revenues forecasting we computed the weighted average of the growth rates of sales with respect to the Geographic distribution of Interpump consolidated sales, since Interpump faces different markets with an high variance of growth rates with different weights(in terms of sales).

For 2018, 2019E, 2020E growth rates of sales, we used Factset estimates of Industrial Machinery industry for every country in which the company operates.

For 2021E growth rates of sales we computed the average growth rate, based on the 3 previous years

For 2022E and next years we considered a constant decrease = 0,32 % in the growth rate of sales, till approaching the long term growth rate, equal to 2%

Rest of the Europe data was calculated as a weighted average of the most relevant european countries industry growth rates.

	1	2	3	4	5	6	7	8	9	10		
GROWTH FACTOR FOR projections												
dec 2018	dec 2019E	dec 2020	dec 2021	dec 2022	dec 2023	dec 2024	dec 2025	dec 2026	dec 2027	dec 2028	dec 2029	dec 2030
3,32	1,14	0,89	1,78									
-0,12	0,36	0,26	0,16									
-0,71	0,53	0,13	-0,02									
0,00	0,00	0,00	0,00									
-0,19	0,43	0,45	0,23									
-0,28	0,91	0,64	0,42									
-0,29	0,92	1,13	0,59									
-0,80	2,10	1,98	1,09									
	6,39	5,46	4,26	4,01	3,76	3,51	3,26	3,01	2,75	2,50	2,25	2

9. Corporate Governance

Board of Directors

Member	Office	Executive	Independent	Age	Board Tenure (Yrs)	Number of other offices	Remuneration	Control & Risks	Nomination
Fulvio Montipò	Chairman & CEO	x	-	74	22	1			
Paolo Marinsek	Deputy chairman	-	-	68	12	0			
Angelo Busani, PhD	Director	-	x	58	1	1		M	
Antonia di Bella	Director	-	x	53	1	2			
Franco Garilli	Director	-	x	67	4	0	M	M	M
Marcello Margotto	Director	-	x	57	3	1	P		P
Stefania Petruccioli	Director	-	x	51	3	3		M	
Paola Tagliavini	Director	-	x	50	4	4		P	
Giovanni Tamburi	Director	-	-	64	13	4	M		M

The board of directors counts 9 members with an average age of 60, and they are directors of an average of 2 others companies. The 3 key members of the board are Fulvio Montipò, Paolo Marinsek, Giovanni Tamburi. Fulvio Montipò has been with the company since foundation in 1977, he is both chairman and CEO. Paolo Marinsek, vice-chairman, has been with the company since 2005 and he has hold key managing roles at Interpump S.p.A, furthermore he had been previous experience in high-profile entities with relevant employments. Giovanni Tamburi plays a key role for Interpump since he is a non-executive, non-independent director of Interpump Group S.p.A. and furthermore he is the Chairman and Chief Executive Officer of Tamburi Investment Partners S.p.A and chairman of Gruppo IPG Holding S.p.A, which is the company with the largest ownership in Interpump group S.p.A, he has been active in the field of corporate finance since 1977.

Management

Position	Member	Age	Company Tenure(Yrs)	Area of expertise
Chief executive officer	Fulvio Montipò	74	41	engineering, management, strategic planning
Vice-chairman	Paolo Marinsek	68	14	management, strategic planning, project manager
Chief financial officer	Carlo Banci	N.A	N.A	corporate financial management
Head of Investor Relations	Luca Mirabelli	48	2	project manager, investor relations officer
Head of Water jetting division	Massimiliano Bizzarri	53	3	engineering, product manager
CEO Pto's, Pumps & Cylinders(Hydraulics)	Paolo Mastrostefano	52	1	engineering, business administration, HR
CEO of Dcv's & Valves division (Hydraulics)	Victor Gottardi	51	4	engineering, sales and marketing director
CEO of Hoses and fittings division (Hydraulics)	Fabio Marasi	44	3	M&A, business administration

Interpump's top executive team consists of 8 professionals. The top management structure is quite stable: Fulvio Montipò has been in the company for 41 years since its foundation and he enjoys a large consensus from the board, considering that the founder and Giovanni Tamburi are both members of Interpump Group board of directors and Gruppo IPG Holding Srl which is the major shareholder of Interpump. Paolo Marinsek has been the Hydraulics division manager but now he is not more formally into the management team; although he remains the number 2 of the company and he supports the group CEO. The entity management structure consists in 1 general manager for the Water-jetting division and 3 managers for the Hydraulics division, which is split into 3 products divisions. Division general managers are all engineers with a solid background in the mechanical sector, apart Fabio Marasi which is an expert in the corporate finance field; indeed he directly co-works with Fulvio Montipò for Interpump M&A processes. At the moment there are no evident reasons for top management changes.

Major shareholders break-down

Declarant or party at the top of the investment chain	Party directly holding the major shareholding		
	Name	Type of possession	Percentage of voting capital (%)
FMR LLC	FMR Co, Inc	Non-discretionary asset management	4.956
	Fidelity Institutional Asset Management Trust Company	Non-discretionary asset management	0.404
	FIAM LLC	Non-discretionary asset management	0.151
	<i>Total</i>		5.511
Bulgarelli Claudio	FIN TEL SRL	beneficial ownership	4.133
	<i>Total</i>		4.133
INTERPUMP GROUP S.p.A	INTERPUMP GROUP S.p.A	beneficial ownership	3.020
	<i>Total</i>		3.020
GRUPPO IPG HOLDING S.p.A	GRUPPO IPG HOLDING S.p.A	beneficial ownership	21.498
	<i>Total</i>		21.498
CAISSE DES DEPOTS ET CONSIGNATIONS	CDC ENTREPRISES VALEURS MOYENNES	beneficial ownership	2.944
	CAISSE DES DEPOTS ET CONSIGNATIONS	beneficial ownership	0.061
	<i>total</i>		3.005
	Total ownership of major shareholders		37.167

Among the major shareholders, it figures out that Gruppo IPG Holding S.p.A has the largest ownership in Interpump with about 21.5 % of issued shares. The holding is controlled by Montipò family (Fulvio, Laura and Leila) with 46.47% of shares (34.23% by Fulvio only). But it's relevant the presence of Tamburi Investment partners S.p.A (23.64%), which chairman and CEO is Giovanni Tamburi, Interpump director.

Compensation policy

Interpump implements a remuneration scheme based on 3 components: **fixed compensation** based on i) professional specialization, ii) organizational role performed, and (iii) responsibilities. The fixed remuneration component is anyway sufficient to remunerate the director or manager even if the variable component is going to be null due to the completely failure of the associated performance objectives.

The variable component is split in two parts: a **Short-term variable component - Management by Objectives** is the part of the variable remuneration correlated with performance in the short term construed as both individual performance and the results of the Company and the Group (measured in EBITDA, net financial position and revenues). The variable remuneration component is never higher than 75% of the fixed one.

The other part of the variable compensation consists in **Long-term incentives**.

These plans are defined every 3-4 years by the remuneration committee and it is oriented towards a medium/long-term horizon, thereby: (i) focusing the attention of beneficiaries on factors of strategic interest, (ii) building loyalty; (iii) aligning remuneration with the creation of value for shareholders in the medium/long-term; and (iv) guaranteeing a level of remuneration that is globally competitive. This kind of incentives consists in giving stock options to managers who cover key roles for the company. In 2019 stock options given to managers with the 2016/2018 incentive plan will approach maturity. Remuneration committee that comprises 3 non-executive members will probably decide to approve an incentive plan very similar to the 2016/2018 one for what concern long-term incentives, where the compensation committee has been set the requirements which shall be satisfied in terms of total return to investors equal to 10% per annum. The strike price was set as the market price of the stock at the date of the issue. **The major aim of such that options is aligning remuneration of managers with the creation of value for shareholders.**



CFA Institute

CFA Institute Research Challenge