

# INTERCOS

Sector: Consumers

# OUTPERFORM

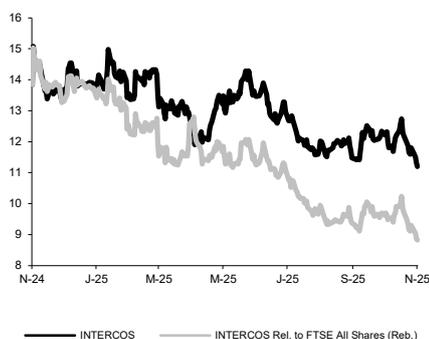
Price: Eu11.20 - Target: Eu18.00

## Softer Revenues but Strong Execution on Margins

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	2.8%	2.2%	2.0%

### INTERCOS - 12M Performance



Stock Data			
Reuters code:	ICOS.MI		
Bloomberg code:	ICOS IM		
Performance	1M	3M	12M
Absolute	-8.3%	-6.8%	-19.1%
Relative	-8.0%	-11.5%	-45.7%
12M (H/L)	15.08/11.20		
3M Average Volume (th):	86.58		

Shareholder Data	
No. of Ord shares (mn):	96
Total no. of shares (mn):	96
Mkt Cap Ord (Eu mn):	1,078
Total Mkt Cap (Eu mn):	1,078
Mkt Float - Ord (Eu mn):	522
Mkt Float (in %):	48.4%
Main Shareholder:	
Dario G. Ferrari	32.2%

Balance Sheet Data	
Book Value (Eu mn):	528
BVPS (Eu):	5.48
P/BV:	2.0
Net Financial Position (Eu mn):	-86
Enterprise Value (Eu mn):	1,164

- Comp base and ForEx capped sales growth.** Yesterday evening Intercos released 3Q results showing sales at Eu260.7mn, down 5.3% YoY (-2.7% at constant ForEx), hit by a tough comparison (+11.6% in 3Q24), a softer-than-expected market environment (particularly in the US), and lower Full Service packaging volumes, which were particularly high in 3Q last year. YTD sales grew 2.9% at constant ForEx (+1.4% reported), supported by the strong performance of Makeup and a stable trend in Skincare, while Hair&Body continued to normalise after a strong 2024. Makeup remains the key business driver with +9% growth YTD, though down 6% YoY in the quarter due to the exceptionally tough comp. Skincare improved QoQ, posting +2% in 3Q after a weak 1Q, closing 9M at -3%. Hair&Body declined 13% YTD and 9% in 3Q, mainly reflecting the lower weight of fragrance and packaging.
- Profitability remains the key highlight.** Adj. EBITDA reached Eu41.4mn in 3Q, up 5.4% YoY, a 15.9% margin (+161bp YoY). In 9M25, adj. EBITDA rose to Eu115.9mn (+12.3% YoY), with a margin of 14.7%, expanding by 143bp YoY. Margin improvement was consistent across the year: +225bp in 1Q, +103bp in 2Q, and +161bp in 3Q. This was driven by operational efficiency programmes, the shift in product mix back towards Makeup (now above 60% of revenues), and a reduced impact of packaging costs from Full Service. Net debt stood at Eu133.7mn (0.86x LTM EBITDA), broadly flat YoY despite higher CapEx and dividend distribution. Excluding IFRS 16, net financial debt was Eu95.5mn.
- Constructive tone from management.** Management foresees a flattish top line in FY25 at reported values, reflecting weaker volumes in 2H and ForEx pressure. However, FY25 EBITDA targets are confirmed, implying further margin expansion in 4Q. For FY26, management expects a return to more normalised growth, driven by reorder recovery and stronger demand for Intercos's innovation capabilities, which are increasingly valued by clients. The Group also announced a new governance model for R&D, shifting local labs' reporting lines to regional CEOs to improve responsiveness to local trends. This change is not expected to affect profitability.
- Change in estimates.** We are revising FY25 sales growth, trimming Makeup and increasing ForEx headwinds. At the same time, we are increasing margin expansion in 4Q25, bringing FY25 in line with our previous forecast.
- OUTPERFORM; target Eu18 confirmed.** We appreciate Intercos's profile, which is unparalleled in the industry, its unique characteristics that enable the company to continue to outperform core market volumes, and its profitability growth, thanks to the increasing expansion of outsourcing. Continuing R&D investments and an ability to innovate, along with greater geographical penetration (especially in APAC) and a burgeoning presence in the fast-growing and profitable Hair & Body segment, are the key elements that will continue to make Intercos a particularly attractive proposition. The stock still offers an appealing valuation in comparison to ingredient names, which are trading at a remarkable premium that we do not consider to be fully justified. Upside potential remains intact in light of the very robust prospects shown in the latest releases.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	988	1,065	1,064	1,128	1,196
EBITDA Adj (Eu mn)	138	143	154	168	182
Net Profit Adj (Eu mn)	57	57	61	77	86
EPS New Adj (Eu)	0.587	0.589	0.630	0.797	0.899
EPS Old Adj (Eu)	0.587	0.589	0.613	0.780	0.881
DPS (Eu)	0.177	0.190	0.169	0.185	0.237
EV/EBITDA Adj	10.7	10.6	7.5	6.8	6.0
EV/EBIT Adj	16.0	16.2	11.2	9.9	8.5
P/E Adj	19.1	19.0	17.8	14.1	12.5
Div. Yield	1.6%	1.7%	1.5%	1.7%	2.1%
Net Debt/EBITDA Adj	0.7	0.7	0.6	0.3	0.1

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 7 November 2025 Intermonte's Research Department covered 131 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.06%
OUTPERFORM:	39.69%
NEUTRAL:	27.49%
UNDERPERFORM:	00.76%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (77 in total) is as follows:

BUY:	50.65%
OUTPERFORM:	29.87%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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