

Maintained

Hold

## IPTE

## Record results for 2007, 2008 will be challenging

Price (19/02/08) €10.90

Maintained

12m target price €10.50

12m forecast returns (%)

Share price (3.7)

Dividend 0.0

12m f'cst total return (3.7)

Market cap €75.6m

Reuters IPTE.BR

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## Forecasts and ratios

Yr to Dec (€m)	2006	2007F	2008F	2009F
Turnover	138.3	251.5	276.1	290.8
EBITDA	6.0	17.1	19.3	20.7
Net profit	1.9	9.0	9.7	10.6
Adj EPS	0.34	1.30	1.39	1.52
Adj PER (x)	32.1	7.5	7.8	7.2
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/EBITDA (x)	15.1	6.4	5.6	4.8
Price/NAV (x)	2.5	1.9	1.5	1.3
ROE (%)	7.9	28.1	21.5	19.2

Source: Company data, ING estimates

## News

IPTE published record results for 4Q07 yesterday after market closure. Total sales came in 5% above our forecast at €68.5m, on account of slightly higher sales levels in both contract manufacturing (CM) as well as factory automation (FA). Yoy, sales increased by 85%, which is mainly attributable to the acquisition of Barco Electronics Manufacturing (BEM). We were also positively surprised by an EBIT margin of 5.2% versus 4.4% expected, on account of efficient cost control and a slightly higher gross margin. The net profit of €4.2m was impacted by the booking of extraordinary deferred tax assets for €1.5m, partially offset by a €0.6m loss on the market to market valuation of newly signed foreign exchange hedging contracts. Stripping these off, net profit stood at €3.3m (vs €2.3m expected). The order book decreased by 5% from 3Q07 to €88m due to a reduction of the CM order book.

## Investment thesis

## IPTE results (€m)

	2006	2007	2007F	2008F	2009F
<b>Sales</b>	138.3	255.3	251.5	276.1	290.8
of which					
Contract Manufacturing	88.4	195.3	192.7	204.5	216.0
Factory Automation	50.2	60.2	59.0	71.5	74.8
Consolidation Adjustments	-0.3	-0.2	-0.3	0.0	0.0
<b>EBIT</b>	3.4	12.4	11.7	13.1	14.2
of which					
Contract Manufacturing	2.7	11.9	10.5	10.6	11.4
Factory Automation	0.7	0.5	1.4	2.5	2.8
<b>Net profit</b>	1.9	10.9	9.0	9.7	10.6
<b>EPS</b>	0.34	1.57	1.30	1.39	1.52

Source: Company data, ING estimates

Looking at performances per division in 2007, we note that higher than expected economies of scale from the BEM acquisition positively impacted the CM EBIT margin, which was partially offset by a lower FA EBIT margin. While operating efficiency was improved in the division, this was more than offset by write-downs on stocks, which dragged down the FA gross margin (30% in 2007 vs 33% in 2006).

## Conclusion

While 4Q07 results were above expectations, the order book evolution indicates that this should not result in positive earnings revisions as 2008 could be more challenging. We thus stick to our HOLD recommendation and TP of €10.5 (implying 2008 EV/EBITDA of 5.4x, 2008 P/E of 7.5x, 17% discount to peers justified by a necessary liquidity discount to larger

caps). **Risks:** The main risks for IPTE are a lack of longer term visibility, the cyclical nature of its business operations and its high sales dependence on Barco (30%).