

SESA

Sector: Industrials

BUY

Price: Eu88.20 - Target: Eu152.00

Good Results Net of Digital Green, Easier Comps Arriving

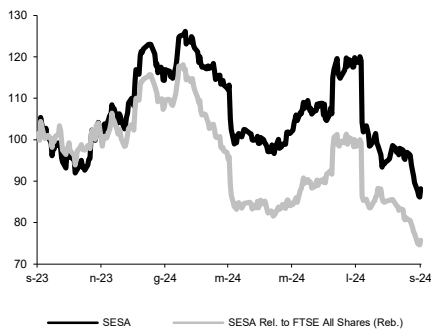
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	0.0%	0.0%	0.0%

 Next Event 2Q24/25 Results
 Results Out 18 December 2024

SESA - 12M Performance



Stock Data

 Reuters code: SES.MI
 Bloomberg code: SES IM

Performance	1M	3M	12M
Absolute	-7.3%	-18.8%	-13.1%
Relative	-11.7%	-16.0%	-29.5%
12M (H/L)	126.10/86.20		
3M Average Volume (th):	20.15		

Shareholder Data

No. of Ord shares (mn):	15
Total no. of shares (mn):	15
Mkt Cap Ord (Eu mn):	1,367
Total Mkt Cap (Eu mn):	1,367
Mkt Float - Ord (Eu mn):	637
Mkt Float (in %):	46.6%
Main Shareholder:	
ITH S.p.a.	52.8%

Balance Sheet Data

Book Value (Eu mn):	423
BVPS (Eu):	30.81
P/BV:	2.9
Net Financial Position (Eu mn):	3
Enterprise Value (Eu mn):	1,724

■ **1Q revenues/EBITDA up 0.8%/1.5% YoY, as expected, impacted by normalisation of Digital Green business.** Management has already clearly stated that the YoY comparison in 1Q was very tough for the Digital Green business, which has slowed notably since November 2023 due to the end of incentives. In details, Digital Green revenues and EBITDA were down 49% and 59% YoY (mainly due to lower prices). Net of this effect, VAS business revenues and EBITDA grew 0.5% and 7.3%, despite tough market conditions. Positively, the SSI and Business Services divisions, i.e. Group value-added areas of business, reported solid double-digit growth (+16.5% and +26.8%, respectively, 70% organically). SSI, in particular, performed better than expected in terms of revenues, but margins were lower: according to management this was due to front-end loaded investments, an effect that will be reabsorbed in the coming quarters. Business Services margins were very strong. Below EBITDA, pre-tax profit closed at Eu30.3mn, 18% better than expected thanks to lower net financial charges that came in at Eu7.8mn, higher than in 1Q23/24 (when they came to Eu7.3mn) but significantly lower than in 4Q23/24 (Eu11.0mn). At the end of July 2024, the net financial position was negative to the tune of Eu25.0mn (or positive for Eu184.1mn before considering the Eu43.9mn impact from IFRS16, and Eu165.2mn from the future M&A earn-out and put options), Eu5mn better than expected, thanks to good control on Net Working Capital.

■ **Management confirmed FY24/25 guidance:** management confirmed the FY guidance provided in July that points to revenues up +5%/10% YoY and EBITDA up +5%/12.5%. Adjusted net profit is expected to grow between 2.5% and 7.5%, still undermined by significant financial charges. Digital Green is expected to report revenues of Eu180mn, down 26.5% YoY, therefore after a 49% fall in 1Q, the contribution for the remainder of the year is expected to fall just 14% YoY. Net financial charges are also facing an easier comp going forward, even though factoring costs are likely to remain quite high.

■ **Estimates confirmed.** We are confirming our estimates (assuming FY revenues up 5.9% and EBITDA up 8.1% YoY), which are consistent with management guidance. We expect top line growth to improve in 2Q and then accelerate as of 2H. The very strong performances recorded in 1Q by SSI and Business Services segments are a positive indicator.

■ **BUY; target Eu152 unchanged.** We expect that, as of 2H, the group will regain strong earnings momentum, enhanced by a normalisation in financial charges that already showed an encouraging trend in 1Q. In recent years, the business has been evolving from the traditional VAS segment into more added-value activities (SSI and Business Services) which are expected to support profitability growth in the years to come. M&A activity should remain a positive contributor and recently-announced deals (3 this week alone) are providing supportive newsflow. We consider the current valuation to be particularly attractive and confirm our positive view.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,908	3,210	3,401	3,620	3,852
EBITDA Adj (Eu mn)	209	240	259	283	311
Net Profit Adj (Eu mn)	102	106	114	129	147
EPS New Adj (Eu)	6.600	6.867	7.368	8.349	9.509
EPS Old Adj (Eu)	6.600	6.867	7.368	8.349	9.509
DPS (Eu)	1.000	1.000	1.059	1.156	1.266
EV/EBITDA Adj	9.0	7.2	5.4	4.7	4.1
EV/EBIT Adj	11.3	8.9	6.7	5.9	5.1
P/E Adj	13.4	12.8	12.0	10.6	9.3
Div. Yield	1.1%	1.1%	1.2%	1.3%	1.4%
Net Debt/EBITDA Adj	-0.2	0.0	-0.1	-0.3	-0.6

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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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX 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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BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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