FNM

BUY

Sector: Utilities

Price: Eu0.40 - **Target: Eu0.60**

An Infrastructure Player Shifting to Higher Return Businesses

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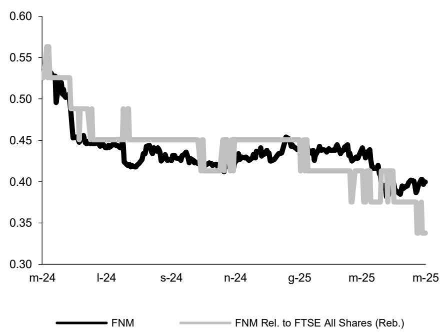
Stock Rating	
Rating:	BUY (New Coverage)
Target Price (Eu):	0.60 (New Coverage)

Next Event
2Q25 Results Out 1st August

FNM - 12M Performance



Stock Data			
Reuters code:			FNMI.MI
Bloomberg code:			FNM:IM
Performance	**1M**	**3M**	**12M**
Absolute	0.8%	-8.7%	-24.0%
Relative	-11.9%	-15.7%	-38.5%
12M (H/L)			0.54/0.38
3M Average Volume (th):			225.53

Shareholder Data	
No. of Ord shares (mn):	435
Total no. of shares (mn):	435
Mkt Cap Ord (Eu mn):	174
Total Mkt Cap (Eu mn):	174
Mkt Float - Ord (Eu mn):	48
Mkt Float (in %):	27.7%
Main Shareholder:	
Lombardy Region	57.6%

Balance Sheet Data	
Book Value (Eu mn):	415
BVPS (Eu):	0.95
P/BV:	0.4
Net Financial Position (Eu mn):	-782
Enterprise Value (Eu mn):	834

- **An integrated player in infrastructure management and mobility services with roots in the richest region of Italy.** Established in 1877, FNM Group has evolved from its historical focus on rail-related services into a diversified player in mobility and renewable energy. Most of its activities are in Lombardy, one of the most developed and populous regions in Italy and Europe. The majority shareholder is Lombardy Region, which holds a 57.57% stake, followed by Ferrovie dello Stato (14.74%).
- **Legacy businesses: railway network management, leasing of rolling stock and local public road transport**. Historically, FNM focus was on rail-related services and local public transport. The group manages railway infrastructure in Lombardy under a concession expiring in 2060 and owns and leases rolling stock, mainly to support regional rail transport. FNM also operates in the local public road transport sector in Lombardy and Veneto, with activities governed by concessions or service contracts.
- **Diversification into motorways and renewable energy.** Through its 100% stake in MISE, the company holds a concession until 2028 on the A7 motorway from Milan to Serravalle Scrivia (Piedmont) and on three motorway bypasses around Milan. In 2024, FNM also acquired Viridis - an integrated company focused mainly on photovoltaics, but also on wind and biogas – with the aim of contributing to the Italian energy transition by becoming a key producer of renewable energy.
- **2024-2029 business plan: CapEx shift and derisking.** Through the Plan presented last November, FNM aims to grow in sectors featuring lower volatility, with improved profitability and a more balanced distribution of risk. In management's plan, investments into higher margin segments like highways and energy should enable the achievement of Eu850mn revenues in 2029 (CAGR +5% vs 2023) and EBITDA of approximately Eu320mn (CAGR +7%). Importantly, the Plan benefits from provisions which establish that upon expiry of the concession MISE is entitled to a sum equal to the value of non-depreciated revertible assets (ca. Eu425mn). Our estimates are broadly aligned to management targets as we expect EBITDA to reach Eu312mn in 2029.
- **Refinancing risk has been significantly reduced.** FNM is characterised by a maturity structure that will need careful management: 98% of the group's gross debt will expire by 2026, with the Eu650mn bond expiring in November 2026 constituting the largest component. Last week, FNM's Board approved Commitment Letters and Head of Terms for a Eu1bn variable-rate facility with Intesa Sanpaolo and BNP Paribas, marking a key step in the bond refinancing and a strong signal of confidence in the Group's outlook.
- **We initiate coverage with a BUY rating and a Eu0.60 TP.** We appreciate FNM's low-volatility business model, supported by regulated activities that limit operational risk, while strong exposure to Lombardy ensures solid demand for transport. The recently presented 2024-2029 Business Plan targets a CapEx shift from rolling stock to the higher return motorway and energy businesses, and has significantly derisked MISE's activities through the inclusion of a Terminal Value. Upcoming events such as the approval of MISE financial plans, expected in 2025, may act as catalysts. The stock offers an attractive DY (ca. 6%) and our sum-of-the-parts valuation yields a fair value of over Eu0.60, ca. 50% upside from the current market price.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	618	651	673	719	766
EBITDA Adj (Eu mn)	211	221	228	263	294
Net Profit Adj (Eu mn)	81	59	49	67	62
EPS New Adj (Eu)	0.186	0.136	0.112	0.153	0.142
DPS (Eu)	0.023	0.018	0.023	0.024	0.025
EV/EBITDA Adj	3.4	3.4	3.7	3.9	3.6
EV/EBIT Adj	6.8	10.0	10.9	9.6	8.3
P/E Adj	2.2	2.9	3.6	2.6	2.8
Div. Yield	5.8%	4.6%	5.8%	6.0%	6.2%
Net Debt/EBITDA Adj	3.0	3.0	3.4	3.7	3.4

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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 S&PMIB40 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 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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