LOTTOMATICA

OUTPERFORM

Sector: Consumers

Price: Eu16.68 - **Target: Eu19.00**

Ideally Positioned to Keep Benefit from Shift to Online

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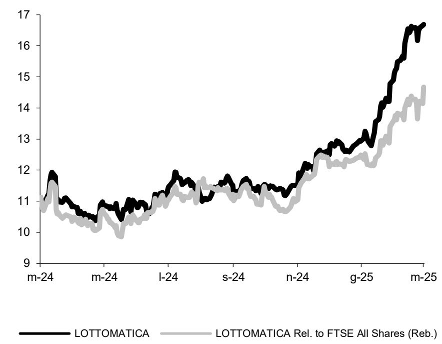
Stock Rating			
Rating:	from BUY to OUTPERFORM		
Target Price (Eu):	from 17.80 to 19.00		
	2025E	**2026E**	**2027E**
Chg in Adj EPS	1.9%	0.5%	0.8%

Next Event
1Q25 Results Out 7th May

LOTTOMATICA - 12M Performance



Stock Data			
Reuters code:			LTMC.MI
Bloomberg code:			LTMC IM
Performance	**1M**	**3M**	**12M**
Absolute	10.3%	33.4%	50.0%
Relative	7.8%	23.3%	36.0%
12M (H/L)			16.68/10.37
3M Average Volume (th):			387.49

Shareholder Data	
No. of Ord shares (mn):	252
Total no. of shares (mn):	252
Mkt Cap Ord (Eu mn):	4,197
Total Mkt Cap (Eu mn):	4,197
Mkt Float - Ord (Eu mn):	1,486
Mkt Float (in %):	35.4%
Main Shareholder:	
Gamma Intermediate Sàrl	51.5%

Balance Sheet Data	
Book Value (Eu mn):	894
BVPS (Eu):	3.55
P/BV:	4.7
Net Financial Position (Eu mn):	-1,755
Enterprise Value (Eu mn):	6,038

- **4Q24 EBITDA 3% better thanks to stronger online and betting.** 4Q24 revenues came to €587mn, in line with our estimates and up +34% YoY (or +16% ex PWO) with strong online (+21% LFL) and betting (+34% LFL, helped by an easy comp. on payout), as well as the contribution from recent acquisition PWO (SKS). Adj. EBITDA was broadly in line with consensus and +3% better than our estimate, thanks to a stronger-than-expected performance in Online (+62% YoY, +3% vs. our est.) and in the Sports Franchise (+133% YoY, +19% vs. our est.), more than offsetting a weaker performance in the Gaming Franchise (-8% YoY, -7% vs. our est.). Net debt as at YE24 was €1.9bn, in line with our expectations.
- **2025: strong profitability growth.** 2025 guidance points to strong YoY growth (sales/adj. EBITDA +17%/+21% YoY at the mid-point of the range provided), above our / cons. estimates. CapEx guidance was in line with our expectation, but with the Goldbet earnout (€28mn) to be paid in 2025 instead of 2024 and €27mn of bolt-on acquisitions expected in the retail gaming business (to strengthen its profitability).
- **Capital allocation.** The management has proposed dividend distribution of €0.3ps (in line with est., ~30% payout), while it has requested authorization from the AGM to buy back up to 10% of the share capital. The Group remains open to potential M&A deals both in Italy and EU (with focus on B2C player and regulated businesses, excluding lottery). Net financial leverage 2.0x/2.5x.
- **Positive start of the year.** Outstanding performance of iGaming and betting in January and February, which benefitted from strong volumes (expected to grow at the same pace during the year) and better payout. YtD, online is up +72%, Sports Franchise +79%, Gaming Franchise -6%.
- **Conf. call highlighting the effectiveness of strategy.** 2025 should grow organically (we expect EBITDA up +19% LFL) thanks to: 1) PWO migration (in 2H), with ~€17mn synergies in 2025; 2) new product launches; 3) the Totosi project (consolidation of long tail of the online market); 4) omnichannel strategy. The increasing weight of online on total market GGR (act. 32%, vs more developed countries at >60%) thanks to the structural migration of players from retail gaming to online should sustain margin expansion and cash generation (online gaming 2.6x EBITDA vs retail, 4x CF).
- **Change in estimates:** We slightly improve our estimates to incorporate outlook indications, with stronger online performance both at revenues (+2%/+1% 2025/2026) and EBITDA (+3%/+1%) level, sustained by market performance (exp. mid-teens) as well as organic performance and PWO integration, offsetting weaker gaming retail. Slightly higher D&A following higher CapEx.
- **Recommendation to OUTPERFORM (from BUY), TP €19.0 (from €17.8).** Lottomatica's winning strategy and strong management bolster our confidence that the company will continue to grow sustainably., while the exposure to structural trends reveals strong mid-term opportunities. Updated estimates and the roll-over of our model lead to a DCF-based TP of €19.0. We remain positive on the stock even after the recent market rally (+28% YTD), moving the recommendation to OUTPERFORM in light of more limited upside. The stock currently trades at a ~20% discount on EV/EBITDA compared to major European B2C players.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	1,632	2,005	2,307	2,443	2,587
EBITDA Adj (Eu mn)	580	707	855	944	1,027
Net Profit Adj (Eu mn)	216	254	358	427	495
EPS New Adj (Eu)	0.834	0.988	1.399	1.676	1.943
EPS Old Adj (Eu)	0.832	0.960	1.374	1.667	1.928
DPS (Eu)	0.267	0.303	0.426	0.510	0.590
EV/EBITDA Adj	6.1	6.8	7.1	6.1	5.3
EV/EBIT Adj	7.8	8.9	9.1	7.5	6.3
P/E Adj	20.0	16.9	11.9	10.0	8.6
Div. Yield	1.6%	1.8%	2.6%	3.1%	3.5%
Net Debt/EBITDA Adj	2.2	2.6	2.1	1.6	1.1

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- 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&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 December 2024 Intermonte's Research Department covered 132 companies.
As of today Intermonte's distribution of stock ratings is as follows:

BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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