

LOTTOMATICA

Sector: Consumers

OUTPERFORM

Price: Eu22.12 - Target: Eu27.70

More Visible Outlook after Guidance Update and PWO Integration

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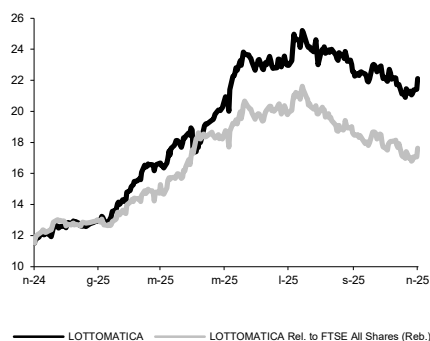
Stock Rating

Rating: from NEUTRAL to OUTPERFORM

Target Price (Eu): from 24.70 to 27.70

	2025E	2026E	2027E
Chg in Adj EPS	1.0%	2.3%	2.2%

LOTTOMATICA - 12M Performance



Stock Data

Reuters code: LTMC.MI
Bloomberg code: LTMC IM

Performance	1M	3M	12M
Absolute	-0.5%	-7.2%	92.0%
Relative	-0.3%	-13.3%	66.8%
12M (H/L)		25.20/11.80	
3M Average Volume (th):		863.55	

Shareholder Data

No. of Ord shares (mn):	252
Total no. of shares (mn):	249
Mkt Cap Ord (Eu mn):	5,566
Total Mkt Cap (Eu mn):	5,566
Mkt Float - Ord (Eu mn):	5,566
Mkt Float (in %):	100.0%
Main Shareholder:	
Fidelity	10.0%

Balance Sheet Data

Book Value (Eu mn):	888
BVPS (Eu):	3.56
P/BV:	6.2
Net Financial Position (Eu mn):	-1,932
Enterprise Value (Eu mn):	7,533

New guidance has reduced uncertainty over 2025 after a relatively weaker 3Q, affected by the PWO integration. With the process now complete, the market share is recovering and synergies are emerging. We are raising our TP to €27.7, after rolling-over our DCF model and introducing a lower risk-free rate. The company's strong cash generation and solid dividend make it well positioned to benefit from lower rates and tighter Italian spreads, reflected by the Intermonte Research department's 0.5pp reduction in the risk-free rate to 3.5%. With 25% upside from yesterday's close, we upgrade our recommendation to OUTPERFORM. Despite yesterday's rebound, the stock has underperformed the index over the past three months, offering an attractive entry point. We expect continued market resilience, PWO synergies, and benefits from the new online framework to drive performance. Regulatory risks appear limited at this time, while disciplined M&A could provide further upside.

■ **3Q results in line in a weaker quarter.** 3Q results were in line with expectations, marking a quarter of softer growth due to completion of the Planetwin (PWO) integration in 3Q, which temporarily dented the brand's market share (~1pp). Group revenues rose 5% YoY to €511mn. Online (42% of revenues) grew 10% YoY, with all brands ex-PWO performing well and total online share at 30.8% (+0.9pp YoY). Sports Franchise (23%) was up 3% YoY, supported by a favourable payout, while Gaming Franchise (35%) rose 2%, with bolt-on M&A offsetting market weakness. On the other hand, the PWO migration accelerated synergy extraction, supporting margins. Adj. EBITDA rose 17% YoY to €195mn (38.1% margin), 1% better than forecast driven largely by better-than-expected Gaming performance (but with limited mix impact). Net debt stood at €1.9bn, 2% better due to the timing of the concession payment.

■ **FY25 guidance refined, now in line with expectations.** Guidance was refined, factoring in the accelerated PWO migration. Revenues are now expected at €2,270mn (+13% YoY) from €2,320–2,370mn previously and pre-release consensus of €2,303mn, while adj. EBITDA guidance points to ~€860mn (+22% YoY, 37.9% margin) from €840–870mn, cons. €857mn.

■ **Conference call focus on growth drivers.** Further expansion is expected in the coming quarters. Renewed products and a broader, more exclusive offer (now extended to PWO) should enhance brand appeal. PWO is already starting to recover after migration, while two-thirds of planned synergies are expected to be seen this year (vs. 50% initially planned). Growth should be supported by a stable regulatory environment: the new online framework starts next week, and no Budget Law updates suggest limited short-term tax headwinds. Meanwhile, management continues to assess M&A in EU with a disciplined approach.

■ **Change in estimates.** We are making minor divisional adjustments for FY25, reflecting 9M trends (i.e., softer Online, stronger Sports and Gaming Franchises) broadly aligning our forecasts with the updated management guidance. We now expect FY25 revenues at €2.28bn (+14% YoY) and adj. EBITDA at €859mn. Including the buyback cash-out and higher FY concession CapEx (as online concession licences will be paid entirely this year), we now forecast net debt at €1,932mn.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	1,632	2,005	2,278	2,449	2,606
EBITDA Adj (Eu mn)	580	707	859	950	1,032
Net Profit Adj (Eu mn)	216	254	360	442	509
EPS New Adj (Eu)	0.834	0.988	1.423	1.771	2.043
EPS Old Adj (Eu)	0.834	0.988	1.409	1.731	1.998
DPS (Eu)	0.267	0.306	0.438	0.538	0.620
EV/EBITDA Adj	6.1	6.8	8.8	7.6	6.7
EV/EBIT Adj	7.8	8.9	11.3	9.4	8.0
P/E Adj	26.5	22.4	15.5	12.5	10.8
Div. Yield	1.2%	1.4%	2.0%	2.4%	2.8%
Net Debt/EBITDA Adj	2.2	2.6	2.3	1.8	1.3

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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 FTSEIMIB40 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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BUY:	32.06%
OUTPERFORM:	38.93%
NEUTRAL:	28.25%
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 (76 in total) is as follows:

BUY:	51.32%
OUTPERFORM:	30.26%
NEUTRAL:	17.10%
UNDERPERFORM:	01.32%
SELL:	00.00%

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