

NEXI

Sector: Industrials

OUTPERFORM

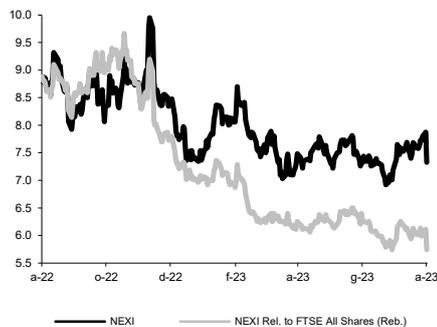
Price: Eu7.33 - Target: Eu11.40

Overreaction to In-Line 2Q Results. Focus on Deleveraging

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

NEXI - 12M Performance



Stock Data			
Reuters code:	NEXII.MI		
Bloomberg code:	NEXI IM		
Performance	1M	3M	12M
Absolute	2.0%	-2.4%	-17.5%
Relative	-1.5%	-9.6%	-45.2%
12M (H/L)	9.95/6.92		
3M Average Volume (th):	3,085.07		

Shareholder Data	
No. of Ord shares (mn):	1,310
Total no. of shares (mn):	1,312
Mkt Cap Ord (Eu mn):	9,601
Total Mkt Cap (Eu mn):	9,601
Mkt Float - Ord (Eu mn):	3,063
Mkt Float (in %):	31.9%
Main Shareholder:	
Evergood H&F	19.9%

Balance Sheet Data	
Book Value (Eu mn):	1,946
BVPS (Eu):	1.48
P/BV:	4.9
Net Financial Position (Eu mn):	-5,175
Enterprise Value (Eu mn):	14,787

- Nexi reported 2Q/1H23 results that show trends consistent with expectations, and confirmed 2023 guidance.** In 2Q23, revenues were €853.3mn, in line with expectations, with issuing solutions a little better than expected but mostly thanks to a positive high single-digit one-off related to ISP/UBI. OpEx were better than expected, mainly on lower personnel costs at €179.5mn vs exp €194mn; consequently, EBITDA at €436mn was 2% ahead of expectations with the margin at 52.2% on an adjusted basis versus our expectation of 51.3%, up from last year's 50.9%. In 1H23, CapEx was €230mn and excess cash generation €270.5mn, while adjusted net profit for the semester was indicated at €295mn, better than our €260mn. Net financial debt as at 1H23 was €5,422mn with net debt / EBITDA at 3.2x, or 2.8x including the synergy run-rate. Nexi expects to meet 2024 maturities with existing cash resources and reiterated €2.8bn organic cash generated in 2023/2025.
- Messages from conference call.** The main messages were around reiteration of FY23 guidance despite low visibility on volumes due to macro concerns. EBITDA guidance for 10%+ growth could appear conservative given +11.6% in 1H23. Nexi expects a tough comparison in 3Q vs last year, especially in Italy, followed by an acceleration in 4Q. Following cash generation of €270mn in 1H and thanks to stronger seasonality in 2H, FY23 cash generation guidance is confirmed at a minimum of €600mn, gross of €100mn in deferred taxes. Outlook on 2024: still early stages but top-line acceleration of merchant services in DACH and ecommerce revenues is expected, while EBITDA seen benefitting from cost synergies kicking-in as planned in 2024 from acquisitions. M&A: Nexi not planning any major acquisition, Nets DBS disposal likely to be announced soon (€100/120mn cash-in expected); other disposals may include the Italian interbanking network, while a disposal of Ratepay would not be easy given market conditions: a complex, multifaceted deal is currently under discussion but the unwinding of the company remains among the options. Banco BPM: no precise figures on the contribution but no impact on 2023 and marginal on 2024; in the meantime, Nexi will work to try to capture clients of the Nexi/BAMI JV.
- Stock reaction appears excessive despite no guidance upgrade and few hints on M&A.** We believe the stock reaction to results has been excessive: Nexi is delivering on its targets, showing good EBITDA margin expansion, and confirmed the intention to deleverage thanks to organic cashflow generation. Few hints given on disposal plans but the absence of significant future M&A is reassuring. We see no major reasons to change our estimates for the time being while monitoring the macro how the macro environment unfolds following weak 2Q GDP data in Italy and Germany.
- OUTPERFORM, TP Eu11.4 confirmed.** The stock has posted a very disappointing performance this year. The main concerns are around potential future competitive pressures and the overhang risks. Neither issue is expected to disappear soon, but we think that the current valuations are increasingly compelling and recent M&A by private equities suggests the sector is still attractive. Our valuation is based on an average of DCF and peer multiples to which we apply a 10% overhang risk discount.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,269	3,260	3,372	3,635	4,000
EBITDA Adj (Eu mn)	1,094	1,613	1,757	1,983	2,342
Net Profit Adj (Eu mn)	451	693	755	934	1,183
EPS New Adj (Eu)	0.433	0.529	0.575	0.712	0.902
EPS Old Adj (Eu)	0.433	0.529	0.575	0.712	0.902
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	20.1	11.1	8.4	7.0	5.4
EV/EBIT Adj	27.7	15.1	11.3	9.1	6.7
P/E Adj	16.9	13.9	12.7	10.3	8.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	4.7	3.3	2.9	2.1	1.3