

NEXI

Sector: Industrials

OUTPERFORM

Price: Eu5.06 - Target: Eu8.10

Transition to Value Stock Completed, but with a Growth Twist

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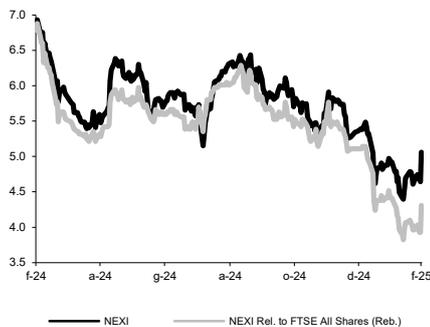
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	5.6%	5.7%	11.6%

NEXI - 12M Performance



Stock Data

Reuters code:	NEXII.MI
Bloomberg code:	NEXI IM

Performance	1M	3M	12M
Absolute	2.8%	-9.7%	-25.3%
Relative	-2.8%	-24.7%	-43.2%
12M (H/L)		6.93/4.39	
3M Average Volume (th):		6,006.41	

Shareholder Data

No. of Ord shares (mn):	1,312
Total no. of shares (mn):	1,172
Mkt Cap Ord (Eu mn):	6,640
Total Mkt Cap (Eu mn):	6,640
Mkt Float - Ord (Eu mn):	2,747
Mkt Float (in %):	41.4%
Main Shareholder:	
Hellman & Friedman	19.9%

Balance Sheet Data

Book Value (Eu mn):	4,834
BVPS (Eu):	4.12
P/BV:	1.2
Net Financial Position (Eu mn):	-4,829
Enterprise Value (Eu mn):	10,759

- 4Q/FY24 results in line - €600mn shareholder remuneration a nice surprise.** Nexi's 4Q24 results were in line with expectations, with slightly better Issuing revenues offsetting Merchant revenues that were a touch lower in a weaker macroeconomic environment, especially in Nordic countries. Efficiency measures and costs that stayed under control, mainly in personnel, led to the EBITDA margin exceeding our forecasts, with overall revenue and EBITDA meeting FY24 guidance and enabling robust cash generation. The most important positive surprise was the better-than-expected shareholder remuneration, with distribution of ~85% of the excess cash generated during 2024 resulting in a proposed distribution of €600mn, of which ~€300mn in dividends (€0.25 DPS) and a ~€300mn buyback to be executed in 2025.
- Nexi becomes a dividend stock!** We appreciate the decision to make capital management strategy a priority, with a clear target to distribute most of the cash generated to shareholders, while maintaining the goal of gradually reducing leverage to ~2.0x-2.5x. For the coming years we expect Nexi to continue to allocate ~80% of the excess cash generated to shareholders, maintaining a policy based on dividends and buybacks. Overall, we estimate that over the next 3 years Nexi will distribute almost €2.0bn to shareholders or ~30% of its current market cap.
- FY25 guidance in line - positive indications from conference call.** FY25 guidance indications on revenue growth and margin expansion point to a slowdown vs. 2024, in line with expectations, and factor in the full impact of the BAMI contract termination as well as a tougher macro scenario. 1Q25 trends are positive, with growth exceeding FY25 targets. As for M&A, management is currently prioritising portfolio rationalisation, particularly disposal of the Interbank Network, with active M&A limited to exceptional opportunities, while there were no updates on the Sabadell deal pending BBVA's offer. No further comments were made on Worldline, which in our view could be a major opportunity for pan-European consolidation, but with high hurdles, especially politically. Further comments on indications and our estimates vs. guidance in the following pages.
- Change in estimates: FY25/26 adj. EPS +5.6%/+5.7% mostly on SBBs.** We are making minor adjustments to our estimates to reflect FY25 guidance, while projecting a revamp in revenue growth to at least mid-single-digit in 2026. We continue to forecast gradual margin expansion, now including recurring dividends, SBBs with cancellation and expecting excess cash generation of ~€1bn in 2027.
- OUTPERFORM; target €8.1 confirmed.** We believe the most important and positive news from the release was the introduction of structural and incremental shareholder remuneration. We understand that management considers it a key priority, especially in the context of potential small bolt-on M&A deals. A weaker-than-expected macro environment could be a headwind, but it seems Nexi is well placed to deliver on targets. Shareholder remuneration would provide a natural floor to the share price going forward. We confirm our OUTPERFORM rating and €8.1 TP based on a DCF and peer multiple valuation, implying a ~30% yield based on estimated 2025-2028 shareholder remuneration.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	3,344	3,514	3,639	3,818	4,042
EBITDA Adj (Eu mn)	1,739	1,863	1,941	2,063	2,235
Net Profit Adj (Eu mn)	702	731	811	866	949
EPS New Adj (Eu)	0.535	0.594	0.692	0.739	0.810
EPS Old Adj (Eu)	0.535	0.629	0.655	0.699	0.726
DPS (Eu)	0.000	0.250	0.285	0.322	0.364
EV/EBITDA Adj	8.4	6.7	5.5	5.2	4.7
EV/EBIT Adj	11.3	9.0	7.5	7.1	6.4
P/E Adj	9.5	8.5	7.3	6.8	6.2
Div. Yield	0.0%	4.9%	5.6%	6.4%	7.2%
Net Debt/EBITDA Adj	3.0	2.7	2.5	2.3	2.0

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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.

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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 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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Emitente	%	Long/Short

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