# NEXI

## OUTPERFORM

*Sector: Industrials*

Price: Eu4.79 - **Target: Eu8.10**

# Focus on 2025 guidance and structural capital remuneration

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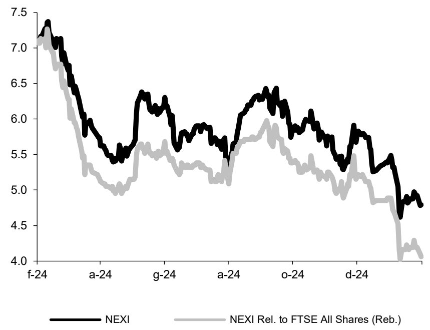
| Stock Rating | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | Unchanged |
| | **2024E** | **2025E** | **2026E** |
| **Chg in Adj EPS** | 6.1% | 4.7% | 1.0% |

**Next Event**

Results Out February 28th

**NEXI - 12M Performance**




| Stock Data | | | |
|---|---|---|---|
| Reuters code: | | | NEXII.MI |
| Bloomberg code: | | | NEXI IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | -11.0% | -16.4% | -32.6% |
| Relative | -18.2% | -22.9% | -51.2% |
| 12M (H/L) | | | 7.37/4.62 |
| 3M Average Volume (th): | | | 4,870.67 |

| Shareholder Data | |
|---|---|
| No. of Ord shares (mn): | 1,312 |
| Total no. of shares (mn): | 1,230 |
| Mkt Cap Ord (Eu mn): | 6,289 |
| Total Mkt Cap (Eu mn): | 6,289 |
| Mkt Float - Ord (Eu mn): | 2,601 |
| Mkt Float (in %): | 41.4% |
| Main Shareholder: | |
| Hellman & Friedman | 19.9% |

| Balance Sheet Data | |
|---|---|
| Book Value (Eu mn): | 4,872 |
| BVPS (Eu): | 3.96 |
| P/BV: | 1.2 |
| Net Financial Position (Eu mn): | -3,749 |
| Enterprise Value (Eu mn): | 9,644 |

- **4Q results expected on track to meet FY24 company guidance.** 4Q revenues expected up 4.6% YoY, slowing vs +5.6% YoY in 9M24, with Merchant Solutions revenues projected up 6.7% YoY despite a softer-than-expected year-end peak season, mainly in the Nordics. This should bring FY24 revenues up by 5.3% YoY, in line with the *"mid-single-digit YoY growth"* company guidance. Total costs estimated up 3.4% YoY, with only a slight YoY increase in personnel costs, which are expected to confirm the 3Q24 trend (+0.1% YoY). Adj. EBITDA expected up 5.7% YoY, bringing FY24 adj. EBITDA to €1,858mn (+6.8% YoY), in line with *"mid-to-high single-digit YoY growth"* in company guidance. For FY24, we expect adj. net profit up 10% YoY and evolution of interest expenses flat YoY. As for cash generation, we are projecting €702mn in 2024, in line with the €700mn in company guidance.
- **Focus on FY25 guidance and capital remuneration.** On 28th February, the focus will be on management comments on 2025 macro trends and FY25 guidance. We expect: low to mid-single-digit YoY growth for total revenues; mid-single-digit YoY growth of EBITDA; cash generation at ~€750mn and leverage at ~2.0x EBITDA, ex the impact of M&A and SBBs. The focus will also be on structural shareholder remuneration: we expect yearly buybacks of ~€0.5bn.
- **Change in estimates: slight cut at operating level but adj. EPS up.** For FY24, we are only slightly reducing merchant revenues on a softer-than-expected year-end peak season in Germany & the Nordics. We are also lowering interest expenses to factor ~€750mn in gross debt reimbursements in 2024. Overall, adj. net profit is revised up +2.5% vs our old estimate or +6.1% on adj. EPS including cancellation of treasury shares. For FY25/26, we revise adj. EPS upward by +4.7%/+1.0% respectively, considering lower cost of debt. Regarding cash generation, we are marginally lowering FY24 estimates to €702mn on slightly higher CapEx and some additional charges related to the HR severance programme.
- **OUTPERFORM; target €8.1 confirmed.** We are looking forward to comments by management on the expected evolution of the business considering the weak trends in macro across Europe and in some regions where Nexi is active like Germany and the Nordics. We see some structural trends staying positive while tech players potentially entering the digital payments market remain a risk. Finally, the recent acceleration of Italian banking system consolidation is to be watched carefully but after the loss of the BAMI contract, most of the existing Nexi agreements look reasonably stable and visible, with limited scope for exits, and add-ons from M&A. We still consider that a combination with WLN would create significant value thanks to huge synergies, but it does not look likely in the short-term. We believe the company needs to reassure on cashflow generation and on capital remuneration in order to regain attention from investors in an environment complicated by the very low multiples and poor performance by the main competitor. We confirm our OUTPERFORM rating and €8.1 target price based on a DCF and peer multiple valuation. The stock looks now inexpensive, trading at 7.3x 2025 P/E and 5.0x 2025 EV/EBITDA. At our target price, the stock would trade at implied multiples of ~12x 2025 P/E.

| Key Figures & Ratios | 2022A | 2023A | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|
| Sales (Eu mn) | 3,143 | 3,344 | 3,522 | 3,648 | 3,849 |
| EBITDA Adj (Eu mn) | 1,592 | 1,739 | 1,858 | 1,935 | 2,077 |
| Net Profit Adj (Eu mn) | 678 | 702 | 774 | 806 | 860 |
| EPS New Adj (Eu) | 0.529 | 0.535 | 0.629 | 0.655 | 0.699 |
| EPS Old Adj (Eu) | 0.529 | 0.535 | 0.593 | 0.626 | 0.692 |
| DPS (Eu) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| EV/EBITDA Adj | 11.2 | 8.4 | 6.5 | 5.0 | 4.2 |
| EV/EBIT Adj | 15.3 | 11.3 | 8.6 | 6.7 | 5.7 |
| P/E Adj | 9.1 | 9.0 | 7.6 | 7.3 | 6.9 |
| Div. Yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net Debt/EBITDA Adj | 3.4 | 3.0 | 2.4 | 1.9 | 1.4 |

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

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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