Milan, 08 March 2023

Italian Equity Research – 4Q22 Results

NEXI

OUTPERFORM

Sector: Industrials

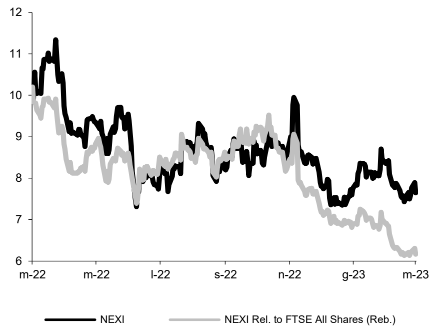
Price: Eu7.65 - **Target: Eu11.40**

Solid Guidance; Short Term Focus Stays on Cash and Leverage

Mario Coppola +39-02-77115.322
mario.coppola@intermonte.it
Alberto Villa: +39-02-77115.431
alberto.villa@intermonte.it

Stock Rating		
Rating:		Unchanged
Target Price (Eu):		Unchanged
	2023E	**2024E**
Chg in Adj EPS	-2.3%	-0.8%

NEXI - 12M Performance



Stock Data			
Reuters code:			NEXII.MI
Bloomberg code:			NEXI IM
Performance	**1M**	**3M**	**12M**
Absolute	-8.9%	-2.0%	-25.0%
Relative	-11.1%	-16.3%	-49.1%
12M (H/L)			11.34/7.31
3M Average Volume (th):			3,460.58

Shareholder Data	
No. of Ord shares (mn):	1,310
Total no. of shares (mn):	1,312
Mkt Cap Ord (Eu mn):	10,020
Total Mkt Cap (Eu mn):	10,020
Mkt Float - Ord (Eu mn):	3,196
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:	5.2
Net Financial Position (Eu mn):	-5,175
Enterprise Value (Eu mn):	15,207

- **4Q broadly in line with expectations.** Revenues were €880mn in 4Q, up 4.0% YoY and broadly in line with our/consensus expectations. By division, Merchant Solutions was up 3.3% in the quarter, or +6.9% ex the negative impact of Ratepay (where a more conservative management approach was taken in order to avoid the risk of bottom-line losses but at the expense of growing commercially and in terms of customer numbers). Gross of scheme fees, revenues were up 7.9%. Volumes rose double digit in the quarter, with transactions up 15.4% and total value up 13.7%. At Issuing Solutions, revenues were up 3.9%, with performance hit by client contract renegotiation in the Nordics and lower bank projects in SE Europe. At DBS, revenues rose 7.1% thanks to projects across geographies.
- **Solid EBITDA development.** EBITDA in 4Q was €452mn (in line with estimates), up 8.7% YoY with the margin up >200bps thanks to total costs stable YoY (personnel up 3.3%, offset by op.cost efficiencies). 2022 bottom line €693mn, up 15% YoY, and slightly below our estimate (-2.6%) due to higher financial charges and taxes. Nexi reported €822mn op. cash flow and €394mn excess cash (although it benefitted from €100mn cash taxes deferred to 2023), with normalised FCF indicated at €750mn. Net debt up from €5.24bn as at end-3Q22 to €5.4bn, with leverage at 3.3x.
- **Guidance in line with expectations but possible leeway to do more.** Management indicated 2023 revenues and EBITDA up more than 7% and 10% respectively. At least €600mn excess cash is expected (gross of the aforementioned €100mn), with leverage down to 3.0x including the Sabadell deal. Adj. EPS expected to grow more than 10%. Overall guidance in line with expectations, although the change in perimeter reduces our EPS estimate slightly. During the call, management said that 7% is at the low end of their internal range, but they prefer to remain cautious due to macro uncertainties. Volumes YtD have been strong, accelerating to +17% YoY.
- **Strategy unchanged on M&A and cash allocation.** The approach on cash usage has not changed, with M&A set as a priority (maintaining same strategy of seeking consolidation in existing markets or expansion in new, attractive markets - like Spain - but also innovative products or technologies), followed by debt repayment (though no refinancing need in 2023) and, ultimately, higher shareholder remuneration via EPS accretion.
- **No change to equity story.** Share price performances have been lacklustre in the last 12m and YtD compared to the Italian market and payment segment peers. However, we believe the equity story remains intact, with clear underlying trends and macro backdrop actually improving on a few months ago. While the deleveraging process may seem slower than what the market was probably expecting, we note that this is mostly due to ongoing M&A, which adds further value creation opportunity to the story while adding almost no complexity at all to the portfolio (such as the Sabadell deal). Valuation still at the lowest levels and at a significant discount to main peer Worldline (-27%/-23% on EV/EBITDA and PE).

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Sales (Eu mn)	1,044	2,269	3,260	3,372	3,635
EBITDA Adj (Eu mn)	601	1,094	1,613	1,757	1,983
Net Profit Adj (Eu mn)	246	451	693	755	934
EPS New Adj (Eu)	0.392	0.433	0.529	0.575	0.712
EPS Old Adj (Eu)	0.392	0.433	0.543	0.589	0.717
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	18.7	20.1	11.1	8.7	7.2
EV/EBIT Adj	24.7	27.7	15.1	11.6	9.4
P/E Adj	19.5	17.6	14.5	13.3	10.7
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.5	4.7	3.3	2.9	2.1