NEXI

OUTPERFORM

Sector: Industrials

Price: Eu5.48 - **Target: Eu8.10**

Headwinds Ahead but Solid Secular Trend Winds in the Sails

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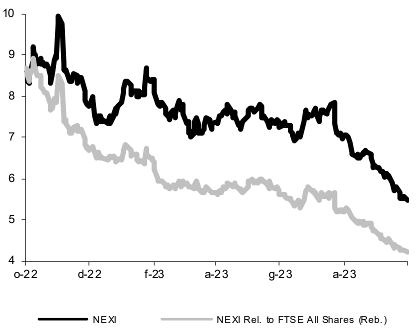
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 11.40 to 8.10
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-3.1%	-13.9%	-24.7%

Next Event
Results Out November 9th

NEXI - 12M Performance



Stock Data			
Reuters code:			NEXII.MI
Bloomberg code:			NEXI IM
Performance	**1M**	**3M**	**12M**
Absolute	-13.0%	-27.8%	-36.1%
Relative	-10.6%	-26.7%	-65.9%
12M (H/L)			9.95/5.48
3M Average Volume (th):			4,015.76

Shareholder Data	
No. of Ord shares (mn):	1,312
Total no. of shares (mn):	1,312
Mkt Cap Ord (Eu mn):	7,194
Total Mkt Cap (Eu mn):	7,194
Mkt Float - Ord (Eu mn):	2,976
Mkt Float (in %):	41.4%
Main Shareholder:	
Hellman & Friedman	19.9%

Balance Sheet Data	
Book Value (Eu mn):	3,322
BVPS (Eu):	2.53
P/BV:	2.2
Net Financial Position (Eu mn):	-4,894
Enterprise Value (Eu mn):	12,088

- **Worst Stock performer YTD:** having lost 25% YTD, Nexi is the worst-performing stock on the FTSEMIB this year, continuing the underperformance that began during 2022. From a peak of Eu 20.1bn it has lost a total of 64% of its market capitalisation, or Eu 12.8bn. The entire digital payments sector has posted seriously negative performances, driving a massive sector de-rating. We believe various factors have contributed to this performance, and that at this point the stock price encompasses extreme negative scenarios on business and margin trends. In this report we focus on some factors that have contributed to the negative stock trend, identifying both sector-specific and company-specific elements: 1) earnings direction and potential impact of the ongoing economic slowdown; 2) increasing competitive pressure and expectations for margin trends; 3) financial leverage and visibility on cash generation/ de-leverage through portfolio rationalisation; 4) shareholder structure and overhang risk.
- **Tough comparison in 3Q23, but FY23 guidance remains broadly within reach:** on 9 November Nexi will report 3Q results that face a tough comparison with last year. In detail, we expect revenues to have come to €862mn, +3.8% YoY / +3.1% QoQ with Merchant Services & Solutions at €502mn (+5.0% YoY) Issuing Solutions at €269mn (+3.0% YoY) and DBS at €91.3mn. EBITDA is expected to have come to €474mn, +3.2% YoY vs. stronger trends in 1Q23 (+13.6%) and 2Q23 (+10.1%). We nevertheless believe that the easier comparison base in 4Q and cost control efforts will allow Nexi to confirm FY23 guidance, estimating +6.8% YoY revenue growth (guidance >+7%), EBITDA +9.6% YoY (>+10%), excess cash €558mn vs. guidance of at least €600mn.
- **Change in estimates: trimming revenue growth estimates** by 1.8% to €3,571mn for 2024, and by 3.7% to €3,854mn for 2025. We expect the EBITDA margin to rise from 52% in FY23 to 55% in FY25 thanks to the release of synergies deriving from acquisitions (€400mn in 2025) and cost cutting, trimming our 2024/2025 EBITDA estimates by -3.9%/-9.5%. We are lowering our adj. net profit by -13.9%/-24.6% for 2024/25 due to the increased cost of debt. After the revision our estimates are ~10/14% below consensus on 2024/2024 at EPS level.
- **OUTPERFORM; target from €11.4 to €8.1:** despite cuts to our estimates and target price, in light of the current low valuation and potential upside of 48% to the latest stock price, we confirm our OUTPERFORM rating. At the moment, investor positioning on the stock is very cautious, and we believe that a reversal of the stock's downward price trend may come in a less fraught interest rate environment once the company proves its ability to significant reduce leverage by 2025 In the short term consensus estimates revision and a tough 3Q could cap the stock performance. We are updating our valuation on Nexi to take into account our estimate cut, penalising prospects in terms of market interest rates and the peer group de-rating. This leads us to cut our target price on Nexi to €8.10 per share from €11.40 previously. At target, based on a DCF model and a peer comparison, Nexi would be trading at 8.9x and 8.1x EV/EBITDA for 2023 and 2024 respectively.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,910	3,143	3,358	3,571	3,854
EBITDA Adj (Eu mn)	1,381	1,592	1,745	1,906	2,120
Net Profit Adj (Eu mn)	575	678	731	804	892
EPS New Adj (Eu)	0.433	0.529	0.557	0.613	0.679
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	19.1	11.2	6.9	5.9	4.9
EV/EBIT Adj	26.3	15.3	9.3	7.9	6.4
P/E Adj	12.7	10.4	9.8	8.9	8.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.7	3.4	2.8	2.1	1.5