

NEXI

Sector: Industrials

OUTPERFORM

Price: Eu6.58 - Target: Eu8.60

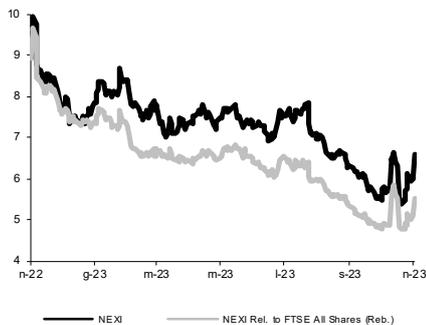
Resilient 3Q23 results. Focus now on PEs rather than P/E

Alberto Villa +39-02-77115.431
 alberto.villa@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 8.10 to 8.60		
	2023E	2024E	2025E
Chg in Adj EPS	-1.5%	-3.7%	-1.9%

NEXI - 12M Performance



Stock Data

Reuters code:	NEXII.MI		
Bloomberg code:	NEXI IM		
Performance	1M	3M	12M
Absolute	20.0%	-5.7%	-26.2%
Relative	16.4%	-6.6%	-45.0%
12M (H/L)	9.95/5.37		
3M Average Volume (th):	5,576.53		

Shareholder Data

No. of Ord shares (mn):	1,312
Total no. of shares (mn):	1,312
Mkt Cap Ord (Eu mn):	8,635
Total Mkt Cap (Eu mn):	8,635
Mkt Float - Ord (Eu mn):	3,572
Mkt Float (in %):	41.4%
Main Shareholder:	
Hellman & Friedman	19.9%

Balance Sheet Data

Book Value (Eu mn):	3,310
BVPS (Eu):	2.52
P/BV:	2.6
Net Financial Position (Eu mn):	-4,987
Enterprise Value (Eu mn):	13,622

- 3Q23 results slightly above our expectations, FY23 guidance fully confirmed.** Nexi's 3Q23 results were slightly better than our estimates and broadly in line with consensus. Revenues at €872mn (+5% YoY), slightly better than estimates, despite a tough YoY comparison considering a very strong 2022 summer period. Merchant Solutions revenues at €504mn (+6% YoY), in line. Issuing Solutions revenues at €273mn (+5% YoY), above our estimates. Digital Banking Solutions revenues at €95 (+3% YoY), above our estimates. EBITDA at €496mn (+8% YoY), better than estimates with good cost control. EBITDA margin at 56.9% (+156 bps YoY). Net financial position at €5,348mn declining from €5,422mn as at 30 June with the NFP / EBITDA ratio at 3.1x from 3.2x at the end of June.
- Disposal of Nordic eID business.** Nexi announced the disposal of the Nordic eID business for up to €127.5mn (€90m upfront and up to €37.5mn of earnouts). Transaction valued at up to 11.6x EBITDA.
- Conference call takeaways:** (i) 2024 guidance to be revised in early March to factor a weaker macro environment in all geographies to which Nexi is exposed. At the same time potential capital management will be indicated (buybacks / dividends); (ii) closing of the acquisition of the Sabadell merchant book postponed to 1H24 from 4Q23; (iii) no impact expected from regulatory issues in Germany as action was already taken at the time of the Nets acquisition; (iv) there are no early exit options in the contract with UCG that expires in 2036. Nexi management ready to discuss further cooperation for digital payments investments, but bank disposal of merchant book not an option; (v) Cash generation confirmed as strong with no need to refinance, as 2024/25 expiry will be repaid through available liquidity; (vi) no comment on Private Equity interest.
- Change in estimates.** In 4Q23, we expect solid growth rates, partly due to an easier YoY comparison. For FY23, we expect Nexi's operating performance to be in line with the bottom of the guidance, leading us to a minor downward revision of our revenue and EBITDA estimates. We have also revised our 2024/25 revenue estimates (-1.1%/-0.6% respectively) to reflect the evolution of the macroeconomic context, factoring in a deeper recessionary environment in Europe and some further competitive pressure. We expect the EBITDA margin to continue to expand by 320bps (from 52% in FY23 to 55.2% in FY25) thanks to synergies and cost control, limiting the revision of our 2024/25 EBITDA estimates (-1.1%/-0.3% respectively). We have cut our adj. net profit forecast by -1.5%/-3.7%/-1.9% for 2023/24/25 in part to take into account higher interest charges on debt.
- OUTPERFORM, TP to €8.6 from €8.1.** We are eliminating the 10% overhang discount bearing in mind that recent newsflow points to additional speculative appeal related to a potential bid on Nexi by international Private Equity Funds, which are reported to be actively studying the deal. The target price is thus now based on a DCF and peer multiples-based model yielding a value of €8.6ps (vs previous €9.0ps), taking into account the minor revision of estimates and the strong peer multiples de-rating following the Worldline 3Q23 trading update.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,910	3,143	3,352	3,532	3,829
EBITDA Adj (Eu mn)	1,381	1,592	1,742	1,885	2,113
Net Profit Adj (Eu mn)	575	678	720	774	875
EPS New Adj (Eu)	0.433	0.529	0.549	0.590	0.666
EPS Old Adj (Eu)	0.433	0.529	0.557	0.613	0.679
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	19.1	11.2	7.8	6.8	5.6
EV/EBIT Adj	26.3	15.3	10.5	9.1	7.4
P/E Adj	15.2	12.4	12.0	11.2	9.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.7	3.4	2.9	2.2	1.5