

NEXI

Sector: Industrials

OUTPERFORM

Price: Eu5.73 - Target: Eu8.10

FY24 Now in the Bag, Confidence on FY25 Structural Trends

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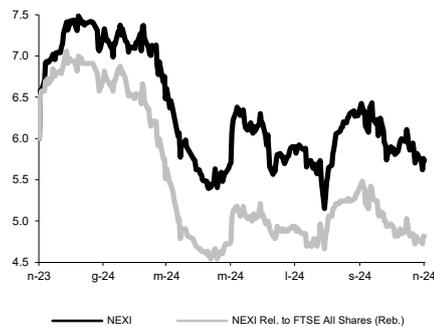
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	1.6%	-0.5%	1.1%

NEXI - 12M Performance



Stock Data

Reuters code:	NEXII.MI		
Bloomberg code:	NEXI IM		
Performance	1M	3M	12M
Absolute	-2.0%	3.4%	-4.5%
Relative	-2.2%	-2.9%	-23.1%
12M (H/L)	7.48/5.15		
3M Average Volume (th):	3,780.73		

Shareholder Data

No. of Ord shares (mn):	1,312
Total no. of shares (mn):	1,274
Mkt Cap Ord (Eu mn):	7,517
Total Mkt Cap (Eu mn):	7,517
Mkt Float - Ord (Eu mn):	3,109
Mkt Float (in %):	41.4%
Main Shareholder:	
Hellman & Friedman	19.9%

Balance Sheet Data

Book Value (Eu mn):	4,047
BVPS (Eu):	3.18
P/BV:	1.8
Net Financial Position (Eu mn):	-4,505
Enterprise Value (Eu mn):	11,802

- 3Q24 results bang in line, with positive transaction volume trends.** Nexi's 3Q24 results were in line with our estimate. Revenues were up 5.1% YoY, on track to achieve FY24 guidance (mid-single-digit growth). Total costs +3.6% YoY with flat personnel costs following +5.9% YoY in 1H24, starting to benefit from the redundancy plan announced at the beginning of the year. Adj. EBITDA +6.2% YoY and EBITDA margin at 57.4% (+60bp YoY). NFP at €5.2bn, up vs. €5bn as at end-June due to accelerated share buyback (SBB) programme concluded in September (€382mn in 3Q24). NFP/LTM EBITDA ratio at 2.8x, in line with FY24 guidance.
- FY24 guidance fully confirmed.** We note that after 9M, Nexi on track to achieve reiterated FY guidance on all metrics: (i) mid-single-digit revenue growth; (ii) mid-to-high single-digit EBITDA growth; (iii) Net leverage decreasing below 2.9x. In terms of EBITDA margin expansion (guidance: +100bp), considering the easy comparison vs. 52.9% in 4Q23 and continuing personnel cost efficiencies, we believe guidance is also achievable despite implying an expansion of ~89bp in 4Q24.
- Supportive indications on 4Q24 operating trends.** Management struck a confident tone on 4Q in the conference call, with positive comments on October trends after an unspectacular September: good rebound in Nordics and resilience in Italy, while in Germany Nexi is gaining market share offsetting the macro deterioration. Positive revenue trends are expected during peak season, while for FY25, although official guidance will be announced along with FY24 results and actual trends depend on macro conditions, management said that through-the-cycle expectations are for at least mid-single-digit revenues growth, with high single-digit growth for merchant services.
- Change in estimates: FY24/25/26 adj. EPS +1.6%/-0.5%/+1.1%.** On FY24 we are reducing HR costs to include higher-than-previously-expected benefits from the severance programme, thus aligning our EBITDA margin expansion with guidance (+100bp), while confirming our €730mn cash generation (vs. guidance for >€0.7bn). For FY25/26 we are reducing merchant revenues slightly to include the impact of the BAM1 contract termination and the macro backdrop.
- OUTPERFORM; target €8.1 confirmed.** We think confirmation of FY24 guidance, along with management comments on the macro scenario and the competitive environment, are supportive overall. We are more convinced about the feasibility of achieving annual margin expansion guidance thanks to the beneficial impact of the personnel cost efficiency plan, which we also expect to lead to a constructive view on debt reduction. Looking ahead, we expect limited cash outlays for M&A and room to make shareholder remuneration become more structural, with our expectation being for a new buyback plan or a dividend next year. We confirm our OUTPERFORM rating, with the next catalyst being the delivery of cash generation and indications on shareholder remuneration. Our target is based on a DCF and peer multiple valuation, and remains at €8.1ps or implied 2025 multiples of 12.9x P/E and 7.8x EV/EBITDA.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,143	3,344	3,529	3,669	3,894
EBITDA Adj (Eu mn)	1,592	1,739	1,865	1,956	2,123
Net Profit Adj (Eu mn)	678	702	755	774	855
EPS New Adj (Eu)	0.529	0.535	0.593	0.626	0.692
EPS Old Adj (Eu)	0.529	0.535	0.583	0.629	0.684
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	11.2	8.4	6.3	5.5	4.7
EV/EBIT Adj	15.3	11.3	8.5	7.5	6.3
P/E Adj	10.8	10.7	9.7	9.1	8.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.4	3.0	2.4	1.9	1.3

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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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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;

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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:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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