

# NEXI

Sector: Industrials

# OUTPERFORM

Price: Eu7.02 - Target: Eu8.10

## Soft Operating Trends Amid M&A Opportunities and Threats

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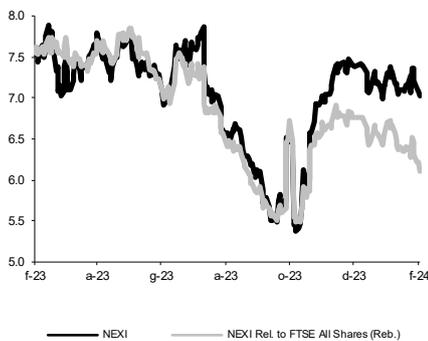
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 8.60 to 8.10		
	2023E	2024E	2025E
Chg in Adj EPS	-2.0%	-5.7%	-13.0%

### Next Event

Results Out 7 March 2024

### NEXI - 12M Performance



### Stock Data

Reuters code:	NEXII.MI
Bloomberg code:	NEXI IM

Performance	1M	3M	12M
Absolute	-1.6%	0.0%	-7.1%
Relative	-7.1%	-9.8%	-22.3%
12M (H/L)	7.89/5.37		
3M Average Volume (th):	3,442.47		

### Shareholder Data

No. of Ord shares (mn):	1,312
Total no. of shares (mn):	1,312
Mkt Cap Ord (Eu mn):	9,215
Total Mkt Cap (Eu mn):	9,215
Mkt Float - Ord (Eu mn):	3,811
Mkt Float (in %):	41.4%
Main Shareholder:	
Hellman & Friedman	19.9%

### Balance Sheet Data

Book Value (Eu mn):	4,026
BVPS (Eu):	3.07
P/BV:	2.3
Net Financial Position (Eu mn):	-4,425
Enterprise Value (Eu mn):	13,641

- 4Q23 expected a touch below guidance / focus on 2024 outlook.** On 7 March, Nexi will publish 4Q/FY23 results that we expect to be slightly below guidance (see next pages for details). The main focus will be 2024 management guidance, which we believe will show a more cautious approach due to the changing environment, with revenues growth expected at +4% YoY and cash generation around €730mn.
- Competitive environment getting tougher.** The secular trends remain positive for digital payments with expectations of further penetration of digital payments in Continental Europe to support GDP plus top-line growth. The competitive environment has deteriorated in Italy, Germany and the Nordics with several small, local players competing on SME margins. Nexi is likely to offset margins pressure with a plan to cut workforce in some countries including Italy, Greece and Denmark.
- M&A: options, opportunities, and threats ahead.** M&A is a key part of the equity story right now. In Italy, several small player portfolios are expected to be sold while, after the Banco Sabadell move, Nexi may look for selected opportunities abroad as well. We expect that the perimeter changes may have neutral effects on EBITDA in the coming years, including the loss of the partnership with Banco BPM. Despite the group's good financial flexibility for new operations, our estimates include positive effects from some expected divestments: divestment or disposal of Ratepay (BNPL business) and disposal of the interbank network, whose contribution will depend on the perimeter being sold. Finally, rumours of global PE interest seem to have cooled in recent months and we believe that after the collapse in the Worldline price, a combination would make more sense.
- Change in Estimates: '23/'24/'25 EPS -2%/-5.7%/-13%.** We are revising our 2024-25 top-line estimates to reflect the evolution of the macroeconomic context, factoring in a consumer slowdown in Germany, stronger competitive pressure on margins, and a long-term timeframe for exploiting synergies from the Sabadell partnership. We expect the EBITDA margin to continue its expansionary path, albeit more slowly. Factoring in higher interest on debt and a lower contribution from synergies, plus higher-than-previously-expected CapEx in a more competitive environment, we are revising down our expectations for '24/'25 cash generation by -14%/-11%.
- OUTPERFORM, tp €8.1 (from €8.6).** We have updated our valuation, based on a DCF and a peer comparison, to take into account lower estimates, a reduced risk-free rate and current sector multiples, yielding a fair value of €8.1ps, down from €8.6ps previously. At our new TP, Nexi would be trading at 14.6x/14.0x 2024/25 P/E. Our target does not include any premium for speculative appeal (fair value in a bid scenario at ~€9ps), nor does it factor in an overhang discount. In confirming our OUTPERFORM recommendation, we believe a significant stock rebound may come in a more favourable macroeconomic environment, with top line growth revamped in a less fraught interest rate scenario.

Key Figures & Ratios	2022A	2023E	2024E	2025E	2026E
Sales (Eu mn)	3,143	3,333	3,456	3,644	3,889
EBITDA Adj (Eu mn)	1,592	1,724	1,808	1,928	2,119
Net Profit Adj (Eu mn)	678	706	730	761	853
EPS New Adj (Eu)	0.529	0.538	0.556	0.580	0.650
EPS Old Adj (Eu)	0.529	0.549	0.590	0.666	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	11.2	8.5	7.5	6.7	5.6
EV/EBIT Adj	15.3	11.5	10.2	9.0	7.6
P/E Adj	13.3	13.1	12.6	12.1	10.8
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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX 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.

Explanation of our ratings system:

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:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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