

NEXI

Sector: Industrials

OUTPERFORM

Price: Eu3.62 - Target: Eu5.60

CMD Needs to Address Multiple Issues!

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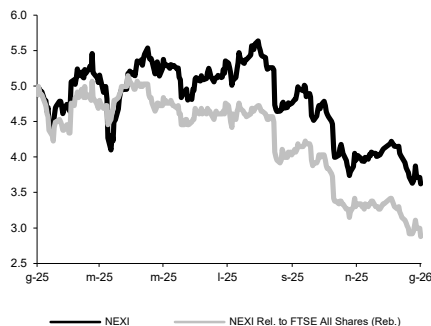
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 6.60 to 5.60		
	2025E	2026E	2027E
Chg in Adj EPS	-2.0%	-2.3%	-2.3%

Next Event

4Q/FY25 Results & CMD: March, 5

NEXI - 12M Performance



Stock Data

Reuters code:	NEXI.MI		
Bloomberg code:	NEXI IM		
Performance	1M	3M	12M
Absolute	-12.0%	-24.3%	-25.7%
Relative	-14.1%	-30.3%	-51.4%
12M (H/L)	5.64/3.62		
3M Average Volume (th):	9,859.19		

Shareholder Data

No. of Ord shares (mn):	1,173
Total no. of shares (mn):	1,171
Mkt Cap Ord (Eu mn):	4,248
Total Mkt Cap (Eu mn):	4,248
Mkt Float - Ord (Eu mn):	1,973
Mkt Float (in %):	46.4%
Main Shareholder:	
Hellman & Friedman	22.2%

Balance Sheet Data

Book Value (Eu mn):	11,272
BVPS (Eu):	9.62
P/BV:	0.4
Net Financial Position (Eu mn):	-4,597
Enterprise Value (Eu mn):	8,841

The digital payments sector remains under pressure across the board. In this context, with strategic options (disposal of DBS) now largely off the table and an increasingly institutional shareholder structure (CDP at 19.14%), the Nexi investment case has been hit hard by concerns on the sustainability of growth. The upcoming CMD (March 5) is thus expected to address multiple issues. 2028 mid-term profitability and capital generation targets are expected to reset slightly consensus expectations, but the stock is already pricing a very conservative outlook on growth, margins and capital returns, in our view. Against this backdrop, even a moderately constructive set of medium-term targets could support a re-rating, as Nexi transitions from the FY25 trough towards a normalisation from 2026 onwards.

■ **CMD preview: cash generation expected solid, management needs to address sustainability issues.** On our updated estimates, Nexi should deliver single-digit revenue growth based on a stable distribution perimeter and mild margin expansion over the plan term. This will enable it to deliver more than €2.6bn of cumulative excess cash generation over 2026-28, supporting ~€2.0bn of total shareholder remuneration (~75% payout), with dividends likely to progressively increase relative to buybacks. Beyond the financial targets, we expect management to address some of the concerns weighing on the stock and the sector such as risks of technological disruption (i.e. stablecoins, digital€, agenting ecommerce) and the expected future positioning of Nexi to defend market share and margins.

■ **4Q25 expected to be soft, as anticipated. Estimates fine-tuned downwards (FY25/26/27 adj. EPS -2.0%/-2.3%/-2.3%).** We expect Nexi to close FY25 with a weak 4Q performance, which was expected. Revenues are seen flat YoY at €943mn and EBITDA at €511mn, confirming the peak impact in 4Q of contract terminations with Banco BPM and Cassa Centrale. We update our estimates to reflect a more conservative stance on revenue growth, margin trends and cash generation. Revenue estimates are reduced by -0.3%/-1.1%/-1.9% over FY25-27, while EBITDA is revised down by -0.1%/-1.5%/-2.8%, as lower operating leverage offsets cost discipline. Margin expansion is now expected to give way to margin stabilisation, in line with Nexi's transition towards a mature, cash-generative and shareholder remunerative business model.

■ **Stock starting to price a massive deterioration of mid/long term profitability. OUTPERFORM confirmed; target slashed to €5.6 (from €6.6).** According to our estimates, the current market price assumes a material drop in revenues and a decrease in the EBITDA margin, which look possible in the event of technological disruption or large contract losses, but in our view remains unlikely in the near future. We update our valuation based on an equal-weighted average of a DCF and peer multiples, yielding a fair value of €5.6, well above the current market price and therefore we confirm OUTPERFORM. The view is supported by the ~€2.0bn cumulative shareholder remuneration expected in 2026-28, equating to ~45% of Nexi's current market cap (~22% of EV,) providing downside support and underpinning an attractive risk-reward profile at current valuation levels.

Key Figures & Ratios	2024A	2025E	2026E	2027E	2028E
Sales (Eu mn)	3,514	3,586	3,693	3,827	4,003
EBITDA Adj (Eu mn)	1,863	1,907	1,961	2,039	2,149
Net Profit Adj (Eu mn)	731	774	803	847	908
EPS New Adj (Eu)	0.594	0.660	0.686	0.724	0.776
EPS Old Adj (Eu)	0.594	0.674	0.702	0.741	0.748
DPS (Eu)	0.250	0.270	0.300	0.340	0.380
EV/EBITDA Adj	6.7	5.5	4.5	4.2	3.9
EV/EBIT Adj	9.0	7.5	6.2	5.8	5.3
P/E Adj	6.1	5.5	5.3	5.0	4.7
Div. Yield	6.9%	7.5%	8.3%	9.4%	10.5%
Net Debt/EBITDA Adj	2.7	2.5	2.3	2.1	1.9

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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)
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- 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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIIB40 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.

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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;

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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OUTPERFORM:	39.10%
NEUTRAL:	27.82%
UNDERPERFORM:	00.75%
SELL:	00.00%

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BUY:	52.70%
OUTPERFORM:	31.08%
NEUTRAL:	14.87%
UNDERPERFORM:	01.35%
SELL:	00.00%

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