

REEVO

Sector: Industrials

OUTPERFORM

Price: Eu13.55 - Target: Eu21.00

Strong Headline Trends in FY22 and Bright Prospects for FY23

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Stock Rating

Rating: Unchanged

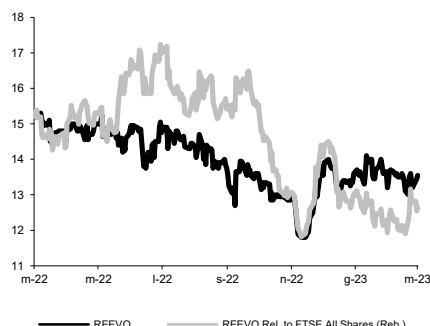
Target Price (Eu): from 20.00 to 21.00

	2023E	2024E	2025E
Chg in Adj EPS	20.1%	17.0%	

Next Event

AGM 24 Apr. /1H23 Results Out 20 Sep.

REEVO - 12M Performance



Stock Data

Reuters code: REEVO.MI

Bloomberg code: REEVO IM

Performance	1M	3M	12M
Absolute	1.5%	0.0%	-10.9%
Relative	3.7%	-11.1%	-17.8%
12M (H/L)		15.30/11.80	
3M Average Volume (th):		3.07	

Shareholder Data

No. of Ord shares (mn):	5
Total no. of shares (mn):	5
Mkt Cap Ord (Eu mn):	68
Total Mkt Cap (Eu mn):	68
Mkt Float - Ord (Eu mn):	16
Mkt Float (in %):	23.8%
Main Shareholder:	
Salvix S.r.l. (Salvatore Giannetto)	29.1%

Balance Sheet Data

Book Value (Eu mn):	18
BVPS (Eu):	3.51
P/BV:	3.9
Net Financial Position (Eu mn):	2
Enterprise Value (Eu mn):	66

■ **FY22 results.** Positive set of results, with a 6% surprise on adjusted EBITDA, although at reported level it was entirely offset by €0.3mn of share-based expenses/stock grants (according to IFRS2) and higher D&A charges (€1.9mn vs. our exp. €1.7mn). The NFP was still positive at €2.0mn, although well below our estimate (€7.5mn), entirely due to the accounting of call options (contingent liabilities under IFRS9) for the likely purchase of the remaining holdings in Security Lab (€3.1mn to move from 55% to 100%) and Reevo MSP (€0.4mn to move from 82% to 100%) but also the adoption of IFRS16 (€1.2mn operating leases). The company announced a 2022 DPS of €0.10 (38% payout), the first dividend paid by ReeVo since its IPO (not in our previous assumptions). Overall, 2022 trends emphasised the strong performance, with double-digit growth and margins still up YoY, despite the increase in inflation, rising energy prices and higher costs (e.g. personnel, with 13 new recruits), to support future organic growth, confirming the resilience and scalability of ReeVo's cloud and cybersecurity business model.

■ **FY23 outlook:** for the near future, management anticipates further top line growth underpinned by full upside from Security Lab (consolidated from Oct'22), but also the chance to grasp significant opportunities from PA tenders in Italy and to replicate its successful paradigm in the Iberian Peninsula with the establishment of a local subsidiary in Spain. As underlined by management, Spain, like Italy, has a corporate fabric featuring a preponderance of SMEs, with similar maturity of Cloud and Cybersecurity services to Italy. Moreover, the NRRP supporting the recovery of the Spanish economy envisages €70bn of public funds in the 2021-23 period, of which 30% allocated to digitalisation activity. Turning to Italy, since our last publication in September, the company has been awarded two additional PA tenders in Italy, namely the supply of a catalogue of SaaS (max. €299mn over 18 months, awarded to Net Services/ReeVo/Axians Italia in November) and the foremost one on cloud application services (max. €600mn, of which €20mn attributable to ReeVo, i.e. 20% of annual turnover assuming a 5-year timeframe).

■ **Updated estimates.** We are raising our 2023-25 estimates to reflect stronger organic trends and further upside from the latest tender awards, leading to a high single-digit increase in top line and adj. EBITDA estimates and a +17/20% increase in adj. EPS'23-25.

■ **OUTPERFORM confirmed; target raised to €21 (from €20).** Stronger headline trends in FY22 and bright prospects for FY23 (additional upside from PA tenders recently awarded in Italy) may lead to a 5-10% upgrade in consensus forecasts for 2023 at top line /adj. EBITDA level. Our raised estimates, albeit partially offset by an increase in WACC (from 7.6% to 8.5%, assuming average cost of debt up from 5% to 7%), lead us to improve our DCF-based TP to €21 (from €20). ReeVo is well positioned in an appealing sector (cloud and cybersecurity) with strong embedded growth trends (digitalisation of SMEs, rising demand for cybersecurity services) boosted by public support (NRRP funds), and fragmented competition across very different clusters. It uses a scalable and flexible business model thanks to visible and recurring revenues and a high degree of operating leverage. The underlying market outlook, the opportunity to increase penetration in some verticals, and M&A opportunities (thanks to a comfortable level of cash) suggest ReeVo will be able to maintain double-digit revenue growth and an improving EBITDA margin for the foreseeable future.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	11	15	21	27	29
EBITDA Adj (Eu mn)	3	4	6	8	9
Net Profit Adj (Eu mn)	1	2	3	4	4
EPS New Adj (Eu)	0.256	0.349	0.537	0.700	0.770
EPS Old Adj (Eu)	0.256	0.311	0.447	0.598	
DPS (Eu)	0.000	0.100	0.164	0.222	0.247
EV/EBITDA Adj	17.7	16.1	10.5	8.1	7.2
EV/EBIT Adj	28.8	32.8	17.5	13.2	11.6
P/E Adj	53.0	38.9	25.2	19.4	17.6
Div. Yield	0.0%	0.7%	1.2%	1.6%	1.8%
Net Debt/EBITDA Adj	-3.4	-0.5	-0.3	-0.5	-0.7