

# REPLY

Sector: Industrials

# OUTPERFORM

Price: Eu137.60 - Target: Eu187.00

## 2Q Confirmed Excellent Margins, Stable Organic Growth

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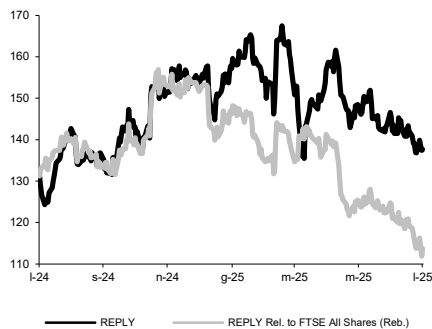
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>Chg in Adj EPS</b>	0.2%	-2.0%	-1.8%

### Next Event 9M25 Results

Results Out 13 November 2025

### REPLY - 12M Performance



### Stock Data

Reuters code:	REY.MI		
Bloomberg code:	REY IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-6.1%	-12.2%	4.9%
Relative	-9.1%	-21.3%	-16.1%
12M (H/L)	167.50/124.30		
3M Average Volume (th):	48.98		

### Shareholder Data

No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	5,148
Total Mkt Cap (Eu mn):	5,148
Mkt Float - Ord (Eu mn):	3,239
Mkt Float (in %):	62.9%
Main Shareholder:	
Alika (Rizzante family)	37.1%

### Balance Sheet Data

Book Value (Eu mn):	1,501
BVPS (Eu):	40.21
P/BV:	3.4
Net Financial Position (Eu mn):	539
Enterprise Value (Eu mn):	4,609

- Organic growth remained stable QoQ at 5.3%, slightly better than expected.** Reply reported 2Q25 revenues of Eu606.7mn, up 8.3% YoY or 5.3% YoY in organic terms (i.e. net of ForEx and M&A contributions), the same level as 1Q25 and 0.5% better than expected. In detail, Region 1 and Region 2 showed mild QoQ decelerations (from 8.1% to 7.1% in Region 1, from 3.0% to 1.4% in Region 2); on the other hand, Region 3, which in 1Q25 posted a negative organic trend to the tune of 1.6%, achieved a positive organic performance of +2.6%, thanks to improving positive trends in UK while France remained weak.
- Margins remained excellent, contrasting impact from one-offs.** Quarterly EBITDA came to Eu118.4mn, up 27% YoY and 15% better than expected. The surprise was driven by a Eu17mn non-cash release of a provision set aside in 2024 for customer litigation that was favourably resolved (net of this item, the Region 1 EBITDA margin would have been a still-high 19%). Importantly, both Region2 and Region3 showed EBITDA margin improvements that beat our estimates (+240bp and +150bp respectively). Below EBITDA, there were other one-offs related to Wemanity: on the negative side, amortisations included a Eu19mn impairment effect, on the positive side there was a Eu17.1mn boost from the cancellation of a future earn-out agreement. At the end of June 2025, the net cash amounted to €476 million, after a Eu35mn cash out related to earn-outs from two previous acquisitions in the US.
- Outlook.** Reply continues to sign new contracts in fields related to the use of artificial intelligence, an area where it has developed highly specialised skills, defining new offerings such as Agentic AI, Silicon Shoring, and AI pre-built applications. 1H25 organic performance should remain stable in 2H25. Profitability is set to remain strong, while radical actions have been put in place to turn around the only underperforming region, France. Positive comments on the M&A pipeline, with some (non-transformational) deals potentially to be signed before YE25. As with other players, Reply is witnessing price pressure on the market, but the impact is more on the top line, because productivity gains are more than offsetting the impact on margins (mainly thanks to a lower use of external workers).
- Our estimates.** In light of results we are trimming our 2025 and 2026 organic growth assumptions from +6.9%/+10.0% to 5.8%/+9.0%, while we are simply lifting 2025 EBITDA to 18.2% from 17.5% to account for the positive one-off booked in 2Q25. All in all, we are broadly confirming 2025 and 2026 EPS (+0.2%/-2.0%).
- OUTPERFORM confirmed; target Eu187 unchanged.** We strongly believe Reply represents an excellent investment opportunity due to its strong positioning within the IT consulting sector, which we expect to experience several years of significant growth driven by innovation stemming from advancements in Artificial Intelligence. We also expect the company to announce new M&A deals that can create upside to our current valuation. A specific focus is to reinforce the group's presence in the US.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,118	2,296	2,489	2,712	2,961
EBITDA Adj (Eu mn)	352	411	454	472	515
Net Profit Adj (Eu mn)	187	211	245	262	288
EPS New Adj (Eu)	4.990	5.644	6.543	7.016	7.700
EPS Old Adj (Eu)	4.990	5.644	6.531	7.160	7.841
DPS (Eu)	1.000	1.150	1.200	1.300	1.400
EV/EBITDA Adj	10.5	11.4	10.2	9.3	8.0
EV/EBIT Adj	12.6	14.2	12.6	11.5	9.8
P/E Adj	27.6	24.4	21.0	19.6	17.9
Div. Yield	0.7%	0.8%	0.9%	0.9%	1.0%
Net Debt/EBITDA Adj	-0.6	-0.9	-1.2	-1.6	-2.0

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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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX 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.

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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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BUY:	32.84%
OUTPERFORM:	37.31%
NEUTRAL:	29.85%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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