Milan, 13 March 2026

Italian Equity Research – Change in view/FY25 Results

REPLY

BUY

Sector: Industrials

Price: Eu82.10 - **Target: Eu187.00**

Market Reaction Unrelated to Business Performance, BUY

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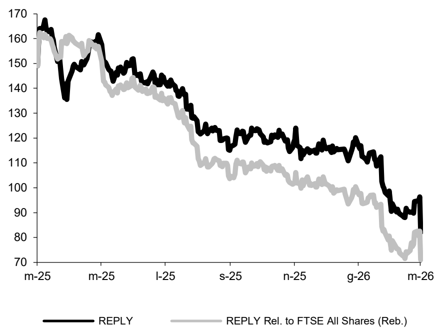
Stock Rating			
Rating:		from OUTPERFORM to BUY	
Target Price (Eu):		Unchanged	
	2026E	**2027E**	**2028E**
Chg in Adj EPS	-2.2%	-2.2%	

Next Event 1Q26 Results
Results Out 15 May 2026

REPLY - 12M Performance



Stock Data			
Reuters code:			REY.MI
Bloomberg code:			REY IM
Performance	**1M**	**3M**	**12M**
Absolute	-9.3%	-29.0%	-44.9%
Relative	-4.9%	-30.4%	-60.5%
12M (H/L)			167.50/82.10
3M Average Volume (th):			120.94

Shareholder Data	
No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	3,071
Total Mkt Cap (Eu mn):	3,071
Mkt Float - Ord (Eu mn):	1,933
Mkt Float (in %):	62.9%
Main Shareholder:	
Alika (Rizzante family)	37.1%

Balance Sheet Data	
Book Value (Eu mn):	1,688
BVPS (Eu):	45.19
P/BV:	1.8
Net Financial Position (Eu mn):	689
Enterprise Value (Eu mn):	2,383

We consider the stock's weak performance to be unjustified, as we believe Reply represents an excellent investment opportunity due to its strong positioning in the most innovative segment of the IT consultancy sector. There are three main catalysts: 1) the group business model is based on the agile paradigm that is proving very effective in the current AI-driven market environment. For example, in 4Q25 Reply was able to launch 25 new start-ups to seize new targeted opportunities. 2) Organic growth should remain at least stable YoY in 2026, if not accelerating thanks to improving trends in specific areas, such as the automotive sector or group business activities in France. 3) The group is actively scouting new M&A opportunities in the US, UK and Germany and we expect some announcement soon. In conclusion, having confirmed our estimates, we are lifting our recommendation to BUY.

- **A solid quarter in all respects.** Reply reported 4Q25 revenues of Eu663.9mn, up 5.2% YoY, or +6.0% organically (before a 1.4% ForEx effect that was not included in our forecasts), a touch above our estimate (+5.4%). In more detail: Region 1 (64% of quarterly sales) grew 5.6% organically, a touch lower than expected, while Region 3 (18% of quarterly sales) was the main positive surprise, up 11.6% organically. Finally, Region 2 (18% of quarterly sales) improved sequentially from -1.6% YoY in 3Q25 to +0.8% YoY. EBITDA showed a 2% positive surprise, down 2.2% YoY to Eu132.2mn, a 19.9% margin. Below EBITDA, 4Q25 saw Eu8.5mn of losses on investments, a non-recurring item. Pre-tax profit closed at Eu101.6mn, 5% higher than expected and up 4.5% YoY. Net cash as at end-December 2025 (excl. IFRS16) was Eu596mn, with FY25 FCF generation worth Eu280mn, +5% YoY.
- **Management comments.** As usual, management did not provide numerical guidance for 2026 but expressed confidence in the quality of Reply's market positioning and ability to continue to outperform. In terms of business metrics, management confirmed that AI-driven efficiencies are making projects smaller in size but greater in number, although this is not reflected in price compression: in FY25, average revenues per employee amounted to €153k, up 1.5% YoY, with a lower contribution from freelancers. In Region 3, the UK performed very well; France, while still down in 4Q25, is showing gradual improvement. Management confirmed its intention to deploy the group's strong cash position for industrial investments: on the M&A front, the US remains the priority, though targets in Germany and the UK are also being considered, with the possibility of pursuing larger acquisitions than in the past not being ruled out. Concurrently, Reply launched 25 new start-ups in 4Q25 to target attractive new market niches.
- **Change in estimates**. In light of results, we are confirming our organic growth assumptions at +6.4% in 2026 (accelerating from +5.9% in 2025) and +6.9% in 2027, while adding a -0.8% ForEx effect on 2026. As for 2026/2027 EBITDA margin, we are also confirming our 17.5% margin forecast, a slightly more prudent level than in 2025 before one-offs (17.9%) but still above historical levels. Below EBITDA we are adjusting D&A slightly upwards. All in all, while we are slightly raising 2025 EPS, we are trimming 2026 and 2027 EPS by 2% and 5% respectively.

Key Figures & Ratios	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Sales (Eu mn)	2,305	2,484	2,635	2,816	3,021
EBITDA Adj (Eu mn)	411	468	461	493	531
Net Profit Adj (Eu mn)	211	251	252	271	293
EPS New Adj (Eu)	5.644	6.706	6.725	7.232	7.820
EPS Old Adj (Eu)	5.644	6.670	6.879	7.395	
DPS (Eu)	1.150	1.350	1.450	1.550	1.650
EV/EBITDA Adj	11.4	10.0	5.2	4.4	3.6
EV/EBIT Adj	14.2	12.0	6.5	5.5	4.5
P/E Adj	14.5	12.2	12.2	11.4	10.5
Div. Yield	1.4%	1.6%	1.8%	1.9%	2.0%
Net Debt/EBITDA Adj	-0.9	-1.0	-1.5	-1.8	-2.2

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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:	31.30%
OUTPERFORM:	38.17%
NEUTRAL:	30.53%
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 (75 in total) is as follows:

BUY:	52.00%
OUTPERFORM:	29.33%
NEUTRAL:	17.34%
UNDERPERFORM:	01.33%
SELL:	00.00%

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