

REPLY

Sector: Industrials

OUTPERFORM

Price: Eu157.20 - Target: Eu187.00

Excellent 4Q24 Results, Outlook Remains Promising

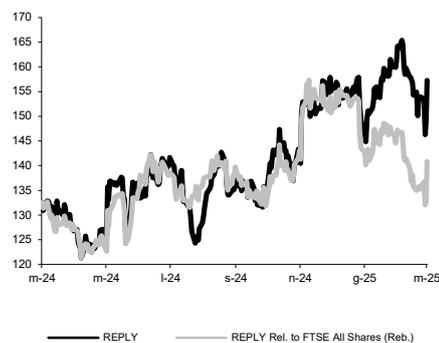
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 175.00 to 187.00		
	2025E	2026E	2027E
Chg in Adj EPS	4.2%	2.9%	

Next Event 1Q25 Results
 Results Out 12May 2025

REPLY - 12M Performance



Stock Data

Reuters code:	REY.MI		
Bloomberg code:	REY IM		
Performance	1M	3M	12M
Absolute	-4.2%	0.8%	18.6%
Relative	-4.3%	-7.6%	7.0%
12M (H/L)	165.30/121.30		
3M Average Volume (th):	35.92		

Shareholder Data

No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	5,881
Total Mkt Cap (Eu mn):	5,881
Mkt Float - Ord (Eu mn):	3,235
Mkt Float (in %):	55.0%
Main Shareholder:	
Alika (Rizzante family)	39.8%

Balance Sheet Data

Book Value (Eu mn):	1,499
BVPS (Eu):	40.14
P/BV:	3.9
Net Financial Position (Eu mn):	568
Enterprise Value (Eu mn):	5,313

■ **Surprisingly strong 4Q24 margins and cash generation.** Reply reported 4Q24 revenues of Eu629.0mn, in line with our estimates and up 10.4% YoY, or +8.0% organically (i.e. excluding the 2-month contribution from Solirius and a minor ForEx contribution), a touch below our estimate (+8.7%). In more detail: Region 1 and Region 3 (63% and 18% of quarterly sales respectively) grew at a double-digit rate, posting +10.8%/+12.2% organic growth. On the other hand, Region 2 (19% of quarterly sales) decelerated from +10.8% YoY in 3Q24 to +6.2% YoY despite Automotive remaining strong. **EBITDA was a significant positive surprise, up 16.2% YoY to Eu135.2mn and 25% better than expected.** The surprise was driven by all business areas, with EBITDA in Region 1, 2 and 3 above our estimates by 20%, 31% and 44% respectively. The surprise would have been even bigger excluding one-off charges. Below EBITDA, 4Q24 saw Eu9.6mn of losses on investments (mark-to-market of a minority stake), a non-recurring item. Pre-tax profit closed at Eu97.2mn, 23% higher than expected, but down 4% YoY. **Net cash as at end-December 2024 (excl. IFRS16) was Eu469mn, Eu87mn better than expected, with FY24 FCF generation worth Eu266.3mn, +42% YoY.**

■ **Quarterly trends and outlook.** The outlook appears supportive: Reply continues to sign new contracts in fields related to the use of artificial intelligence, an area where it has gained a leading position on the market. The 2025 organic performance should be in line with FY24; the company sees a strong pipeline. Reply is gaining market share in some segments, such as automotive, that are facing a tough environment, because technology is the clearest path towards increasing productivity (within “silicon shoring” projects, for example). Looking ahead, management repeated that the main focus is on remaining innovative and agile rather than protecting current high margins, while also indicating that AI adoption is enhancing consultant productivity. New start-ups have been established to launch innovative ventures in the most promising market niches (applications for Defence, for example). In terms of future M&A, Reply is still scouting new opportunities with a specific focus on the US, where it might also consider larger, but not transformational, deals.

■ **Updating our estimates.** In this report, we are trimming our organic growth assumption for 2025 (from 10% to 9%) but also raising the expected EBITDA margin from 16.3% to 17.1% to reflect the significant earnings surprise, while still remaining below the FY24 level (by c.18%). Having assumed a slightly higher tax rate, we are raising 2025 and 2026 EPS by 4.2% and 2.9% respectively.

■ **OUTPERFORM confirmed; target from Eu175 to Eu187.** We were surprised by the margins and cash flow generation reported in 4Q results. Management appeared confident on the business opportunities arising from the AI revolution, a technology where Reply can continue to capitalise on its early investments, and which is being embedded in many new solutions. Our target price revision reflects the positive estimate revision, especially in terms of cash flow, and the rollover of the valuation.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,118	2,296	2,554	2,809	3,067
EBITDA Adj (Eu mn)	352	411	437	478	520
Net Profit Adj (Eu mn)	187	211	242	266	291
EPS New Adj (Eu)	4.990	5.644	6.465	7.123	7.783
EPS Old Adj (Eu)	4.990	5.438	6.207	6.926	
DPS (Eu)	1.000	1.150	1.200	1.300	1.400
EV/EBITDA Adj	10.5	11.4	12.2	10.6	9.3
EV/EBIT Adj	12.6	14.2	15.2	13.2	11.4
P/E Adj	31.5	27.9	24.3	22.1	20.2
Div. Yield	0.6%	0.7%	0.8%	0.8%	0.9%
Net Debt/EBITDA Adj	-0.6	-0.9	-1.3	-1.7	-2.0

