

REPLY

Sector: Industrials

OUTPERFORM

Price: Eu142.60 - Target: Eu187.00

2Q Should Confirm Excellent Margins, Similar Organic Growth

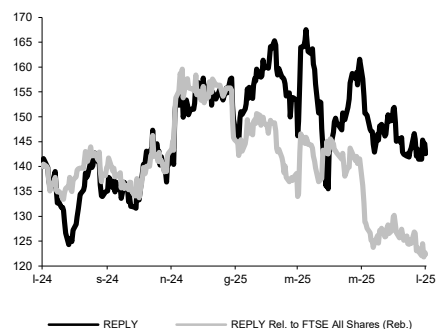
Andrea Randone +39-02-77115.364
 andrea.randone@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event 1H25 Results
 Results Out 31 July 2025

REPLY - 12M Performance



Stock Data

Reuters code:	REY.MI
Bloomberg code:	REY IM

Performance	1M	3M	12M
Absolute	-6.1%	-0.8%	1.9%
Relative	-6.0%	-18.8%	-14.7%
12M (H/L)	167.50/124.30		
3M Average Volume (th):	47.43		

Shareholder Data

No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	5,335
Total Mkt Cap (Eu mn):	5,335
Mkt Float - Ord (Eu mn):	3,357
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:	3.5
Net Financial Position (Eu mn):	563
Enterprise Value (Eu mn):	4,772

- Organic growth expected to remain almost stable QoQ.** We expect Reply to post 2Q25 revenues of Eu599.8mn, up 7.1% YoY or 4.8% YoY in organic terms (i.e. net of ForEx and M&A contributions), almost the same level as 1Q25. In detail, Region 1 and Region 2 are expected to show QoQ decelerations (Region 1 should keep on performing very well with a minor comparison effect, while Region 2 is expected to witness some increasing volatility mainly related to the macro picture); on the other hand Region 3, which in 1Q25 posted a negative organic trend to the tune of 1.6%, is expected to achieve a positive organic performance of +2.0%, good trends in UK should have offset the unchanged weak development in France.
- 2Q25 EBITDA margin forecast to remain high, at 17.1%.** Quarterly EBITDA should have come to Eu102.8mn, up 10.3% YoY, with a 17.1% margin on sales that would correspond to a 50bp YoY improvement. We expect Region 1 activities to report strong margins (20.5% vs. the very high 20.6% recorded in 2Q24) while Region 2 and Region 3 should have reached EBITDA margins of 10% and 10% compared to 9.7% and 7.4% in 2Q24, which offered an easy comparison base.
- Outlook.** 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 and developed highly specialised skills, defining new offerings such as Agentic AI, Silicon Shoring, and AI pre-built applications. While there is no guidance on organic performance for the remainder of the year, management affirmed the company should be able to keep on outperforming the market as it did in 1Q25. Looking ahead, management repeated that the main focus is on remaining innovative, rather than on margins.
- Our estimates.** For the time being we are not changing our estimates. We currently assume that Reply will grow 6.9% organically in 2025 (+8.8% in 2H25), or by 9.2% including the consolidation of the recently-acquired Solirius (consolidated as of 1 November 2024). We expect organic growth to accelerate to 10% in 2026, and to remain strong in 2027 (9.2%). In terms of margins, our FY25 estimates forecast an EBITDA margin in line with what was seen in 1Q25, i.e. 17.5%. Using AI technologies inside the organisation, not only for customers, is improving efficiency, a benefit partially reflected in lower prices for customers, but also in higher margins.
- OUTPERFORM confirmed; target Eu187 unchanged.** We 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	2,506	2,757	3,009
EBITDA Adj (Eu mn)	352	411	439	479	522
Net Profit Adj (Eu mn)	187	211	244	268	293
EPS New Adj (Eu)	4.990	5.644	6.531	7.160	7.841
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	10.9	9.5	8.2
EV/EBIT Adj	12.6	14.2	13.5	11.7	10.1
P/E Adj	28.6	25.3	21.8	19.9	18.2
Div. Yield	0.7%	0.8%	0.8%	0.9%	1.0%
Net Debt/EBITDA Adj	-0.6	-0.9	-1.3	-1.7	-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 S&P500 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.

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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As at 30 June 2025 Intermonte's Research Department covered 133 companies. As of today Intermonte's distribution of stock ratings is as follows:

BUY:	31.85 %
OUTPERFORM:	37.78 %
NEUTRAL:	30.37 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

As at 30 June 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (80 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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