REPLY

OUTPERFORM

Sector: Industrials

Price: Eu124.00 - **Target: Eu187.00**

3Q Showed Surprising Margins, Stable Organic Growth

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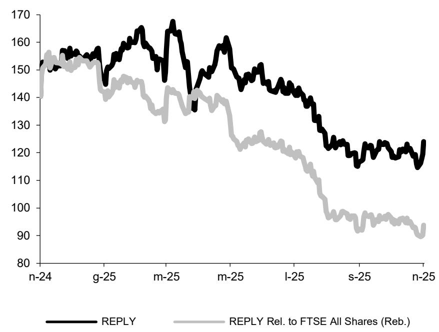
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	1.9%	-2.0%	-4.0%

Next Event FY25 Results
Results Out March 2026

REPLY - 12M Performance



Stock Data			
Reuters code:			REY.MI
Bloomberg code:			REY IM
Performance	**1M**	**3M**	**12M**
Absolute	3.0%	1.4%	-11.7%
Relative	-2.8%	-4.5%	-43.9%
12M (H/L)			167.50/114.60
3M Average Volume (th):			65.45

Shareholder Data	
No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	4,639
Total Mkt Cap (Eu mn):	4,639
Mkt Float - Ord (Eu mn):	2,919
Mkt Float (in %):	62.9%
Main Shareholder:	
Alika (Rizzante family)	37.1%

Balance Sheet Data	
Book Value (Eu mn):	1,506
BVPS (Eu):	40.33
P/BV:	3.1
Net Financial Position (Eu mn):	513
Enterprise Value (Eu mn):	4,126

- **Organic growth remained stable QoQ at 5.3%, slightly better than expected.** Reply reported 3Q25 revenues of Eu598.5mn, up 8.1% YoY or 5.3% YoY in organic terms (i.e. net of ForEx and M&A contributions), the same level as 2Q25 and 0.2% better than expected. In detail, Region 1 showed a mild QoQ deceleration (from 9.0% to 7.8%) remaining the top performing area, Region 2 moved into negative ground (from 1.4% to -1.6%), while Region 3 achieved a positive organic performance of +4.0% (from +2.6% in 2Q25), thanks to improving positive trends in UK while France remained weak.
- **Margins remained excellent, 9% better than expected.** Quarterly EBITDA came to Eu111.8mn, up 17.7% YoY and 9.1% better than expected. The surprise was driven by Region 1 and Region 2 that showed EBITDA margins of 21.4% and 16.1% respectively. Below EBITDA, despite higher D&A and financial charges than expected, quarterly profit before taxes amounted to Eu88.7mn, up 27% YoY. At the end of September 2025, net cash (excluding IFRS16 impact) amounted to €550mn, in line with our estimates despite the closing of two small M&A deals.
- **Outlook.** Messages on group positioning and on the business opportunities arising from AI remained positive, but management was quite prudent in commenting on expected organic growth trends in the coming quarters. To the best of our understanding, the current 5.3% pace looks safe, but there was no mention of any acceleration in either 4Q25 or 2026. Looking forward, margins are expected to remain healthy, barring the ca. Eu14mn net positive one-off occurred in 2Q25. In August 2025, the group made two small (we estimate c.Eu20mn in combined annual revenues) but strategic acquisitions: (1) Root16 LLC, a US company specialising in technological consultancy for professional services using Microsoft Dynamics; and (2) RED Scientific Reply Limited, a UK company specialising in technical and scientific engineering consulting for the defence and public sectors. Management appeared quite confident of being able to announce a new, more meaningful deal soon.
- **We assume a more gradual top line acceleration**. In light of results we are trimming our 2025 and 2026 organic growth assumptions from +5.8%/+9.0% to 5.4%/+6.4%, while we are lifting 2025 EBITDA to 18.2% from 17.5% to account for the positive surprise in 3Q25. We are also adding the expected contribution from the two recently-announced acquisitions. All in all, while we are slightly raising 2025 EPS, we are trimming 2026 and 2027 EPS by 2% and 4% respectively.
- **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. The possible announcement of new M&A deals can create upside to our current valuation. At the same time, we believe the more gradual top line growth acceleration now factored into our estimates and consensus will sooner or later prove to be excessively cautious. Our target is calculated using a DCF model, assuming a 7.6% WACC and 3.0% long-term growth.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,118	2,303	2,494	2,666	2,849
EBITDA Adj (Eu mn)	352	411	465	466	498
Net Profit Adj (Eu mn)	187	211	250	257	277
EPS New Adj (Eu)	4.990	5.644	6.670	6.879	7.395
EPS Old Adj (Eu)	4.990	5.644	6.543	7.016	7.700
DPS (Eu)	1.000	1.150	1.200	1.300	1.400
EV/EBITDA Adj	10.5	11.4	8.9	8.4	7.3
EV/EBIT Adj	12.6	14.2	10.9	10.3	9.0
P/E Adj	24.8	22.0	18.6	18.0	16.8
Div. Yield	0.8%	0.9%	1.0%	1.0%	1.1%
Net Debt/EBITDA Adj	-0.6	-0.9	-1.1	-1.6	-2.0

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- 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)

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Frequency of research: quarterly.

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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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OUTPERFORM:	38.93%
NEUTRAL:	28.25%
UNDERPERFORM:	00.76%
SELL:	00.00%

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NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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