

REPLY

Sector: Industrials

OUTPERFORM

Price: Eu121.70 - Target: Eu145.00

Reiterating our View in Expectation of Another Year of Growth

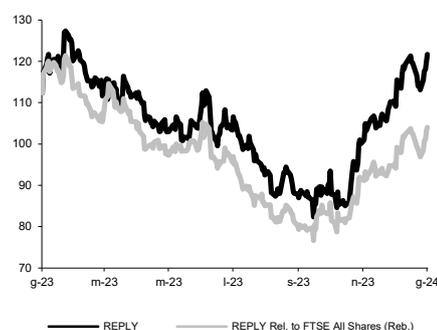
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 125.00 to 145.00		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event FY23 results
 Results Out March 2024

REPLY - 12M Performance



Stock Data

 Reuters code: REY.MI
 Bloomberg code: REY IM

Performance	1M	3M	12M
Absolute	10.0%	30.2%	8.4%
Relative	9.3%	22.8%	-8.6%
12M (H/L)	127.30/82.40		
3M Average Volume (th):	52.31		

Shareholder Data

No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	4,553
Total Mkt Cap (Eu mn):	4,553
Mkt Float - Ord (Eu mn):	2,504
Mkt Float (in %):	55.0%
Main Shareholder:	
Alika (Rizzante family)	39.8%

Balance Sheet Data

Book Value (Eu mn):	1,275
BVPS (Eu):	34.13
P/BV:	3.6
Net Financial Position (Eu mn):	381
Enterprise Value (Eu mn):	4,172

■ **We expect positive 4Q23 results.** We expect Reply to post 4Q23 revenues of Eu573.7mn, up 7.1% YoY or 7.5% YoY in organic terms (i.e. net of ForEx because M&A should provide no contribution starting from this quarter), marking a slight acceleration on 3Q23 (+6.0%). In more detail: we expect Region 1 and Region 2 (62.5% and 19.6% of quarterly sales respectively) to confirm the pace witnessed in 3Q23, posting revenues up 8.5% and 7.4% YoY, entirely organic. On the other hand, Region 3 (17.9% of quarterly sales, mainly generated in the UK and France) should have risen 4.5% YoY, accelerating from 3Q23 (-0.5%), mainly because of a more normal comparison (organic growth was +29.4% in 3Q22). Quarterly EBITDA should have come to Eu90.7mn, up 5.5% YoY on 4Q22, if we adjust last year's quarterly EBITDA for the Eu35.8mn positive one-off effect generated by the release of an accrual set aside during the Covid crisis.

■ **Looking forward to FY24.** Outlook appears supportive in all regions, including the UK. Financial services and automotive are the two sectors we expect to grow the most. In terms of M&A, Reply keeps spotting good targets (focus on Germany, US, UK, and France) but has not closed a deal so far because sellers are seeking excessively high multiples. The focus is on companies with good margins. Reply is ideally positioned to seize the big business opportunity represented by Artificial Intelligence-based projects, and consultants are already presenting innovative ideas to customers.

■ **We confirm our estimates.** We believe market conditions will remain supportive for the group in the years to come because its niche positioning in the most innovative segments of the IT market should continue to prove resilient, even when the macro picture is witnessing softer trends. As for 2024, we confirm our 10% organic growth assumption (with 1Q24 to witness a growth in line with 4Q23 and then a gradual acceleration in the remaining quarters) and forecast of a 15.7% EBITDA margin, up 30bp YoY.

■ **OUTPERFORM confirmed; target from Eu125.0 to Eu145.0.** We expect Reply to report a good set of 4Q23 results and be well positioned to achieve double-digit organic growth in 2024. Even after the positive recent performance, the shares trade at attractive multiples considering the strong growth expected, the flexible cost structure and the excellent management track record, all factors that should be particularly appreciated entering 2024. The group continues to seek M&A opportunities and can count on a strong net cash position, although we do not believe there are any deals ready to be announced any time soon. We believe the group is perfectly positioned to exploit the wave of investments related to the artificial intelligence revolution and, more generally, to digital innovation. Our target revision is to reflect a lower risk-free rate (reduced from 4.5% to 4.0%).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,484	1,891	2,122	2,333	2,567
EBITDA Adj (Eu mn)	263	340	326	366	407
Net Profit Adj (Eu mn)	151	191	173	208	234
EPS New Adj (Eu)	4.027	5.106	4.612	5.561	6.259
EPS Old Adj (Eu)	4.027	5.106	4.612	5.561	6.259
DPS (Eu)	0.800	1.000	1.100	1.200	1.300
EV/EBITDA Adj	19.0	13.7	11.3	11.4	9.8
EV/EBIT Adj	23.9	16.4	14.0	13.9	11.9
P/E Adj	30.2	23.8	26.4	21.9	19.4
Div. Yield	0.7%	0.8%	0.9%	1.0%	1.1%
Net Debt/EBITDA Adj	-0.7	-0.2	-0.7	-1.0	-1.4

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