

REPLY

Sector: Industrials

OUTPERFORM

Price: Eu115.80 - Target: Eu136.50

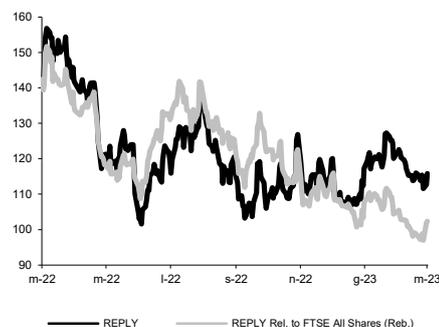
Solid Organic Trends in 4Q and Encouraging Outlook on 2023

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-0.1%	-0.3%	

REPLY - 12M Performance



Stock Data

Reuters code:	REY.MI		
Bloomberg code:	REY IM		
Performance	1M	3M	12M
Absolute	-5.0%	-3.6%	-18.7%
Relative	-2.4%	-12.3%	-31.8%
12M (H/L)	156.80/101.60		
3M Average Volume (th):	41.33		

Shareholder Data

No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	4,332
Total Mkt Cap (Eu mn):	4,332
Mkt Float - Ord (Eu mn):	2,383
Mkt Float (in %):	55.0%
Main Shareholder:	
Alika (Rizzante family)	39.8%

Balance Sheet Data

Book Value (Eu mn):	1,137
BVPS (Eu):	30.44
P/BV:	3.8
Net Financial Position (Eu mn):	225
Enterprise Value (Eu mn):	4,107

■ **4Q22 organic revenue growth at 16.1% vs. 14.3% expected.** Reply posted 4Q22 revenues of Eu535.4mn, up 30.5% YoY or 16.1% YoY in organic terms (i.e. net of ForEx and M&A contributions). In detail: Region 1 (62% of quarterly sales, mainly generated in Italy but also including US activities) was up 27.5% YoY, mainly thanks to organic growth (+19.2%), and is the positive quarterly surprise. Region 3 (20% of quarterly sales, mainly generated in the UK but also including French activities) rose 47.8% YoY (of which 15.8% organic), while Region 2 (Germany), up 25.7% YoY, witnessed organic growth a touch softer at 7.5%. We note that recent acquisitions Fincon and Wemanity were booked in Region 2 and Region 3 with quarterly revenues of about Eu15.5mn and Eu21.8mn respectively, on our estimates.

■ **EBITDA well above forecasts thank to the release of provisions.** Quarterly EBITDA was boosted by the release of provisions worth ca. Eu35.7mn. Net of this effect, EBITDA would have been Eu86.0mn, up 8.1% but 7% below our forecast (2% below consensus). Region 1 activities recorded adj. EBITDA in line with our forecasts, while Region 2 and, to a greater extent, Region 3 recorded weaker-than-expected EBITDA, mainly because new acquisitions Fincon (booked in Region2) and Wemanity (in Region 3) recorded EBITDA margins well below the group average (11% and 4.5% respectively, on our assumptions). As at the end of December 2022, net cash excluding IFRS16 was Eu196mn, Eu94mn below the corresponding figure as at the end of June after Eu160mn for M&A, Eu37mn CapEx and about Eu50mn absorbed by working capital. This latter item explains the Eu35mn gap with our forecasts: new acquisitions mentioned above are likely to be partly responsible, while the Italian business is likely to make minor changes to payment terms because improving the collection times on receivables is becoming ever harder after a number of years of progress. Finally, it is worth noting that the board has proposed distribution of a Eu1.0 dividend per share, a payout in line with the historical track record.

■ **Change in estimates.** In light of 4Q22 results, we have left our 2023-2024 revenue forecasts unchanged, still implying 10% like-for-like growth. Looking at margins, we also broadly confirm our estimates, which are in line with management's indication of an EBITDA margin of about 16%. The recent acquisitions, Fincon and Wemanity, are initially slightly margin-dilutive, but we expect steady improvements in the coming years. All in all, we broadly confirm 2023 and 2024 EPS. It is worth noting that Reply, even after the important acquisitions announced in 2022, has a net cash position of ca. Eu200mn and management is seeking new targets in the US, France, Germany and UK.

■ **OUTPERFORM confirmed; target Eu136.5 unchanged.** 4Q22 results showed a continuation of Reply's strong business momentum. Despite the uncertain macro scenario we consider our 2023 and 2024 forecasts quite visible thanks to excellent group positioning in the most innovative areas of a digital sector that should remain relatively well protected from a downturn in GDP. Chairman Mario Rizzante in particular sees great opportunities from the integration of automation, artificial intelligence, and connected objects, areas where the group plays a leading role.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,484	1,891	2,164	2,380	2,617
EBITDA Adj (Eu mn)	263	340	349	386	426
Net Profit Adj (Eu mn)	151	191	205	228	254
EPS New Adj (Eu)	4.027	5.106	5.468	6.092	6.783
EPS Old Adj (Eu)	4.027	4.652	5.474	6.111	
DPS (Eu)	0.800	1.000	1.100	1.200	1.300
EV/EBITDA Adj	19.0	13.7	11.8	10.2	8.8
EV/EBIT Adj	23.9	16.4	14.3	12.3	10.5
P/E Adj	28.8	22.7	21.2	19.0	17.1
Div. Yield	0.7%	0.9%	0.9%	1.0%	1.1%
Net Debt/EBITDA Adj	-0.7	-0.2	-0.6	-1.0	-1.4