

REPLY

Sector: Industrials

OUTPERFORM

Price: Eu135.70 - Target: Eu153.00

A Convincing Quarter Featuring Strong Cash Generation

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

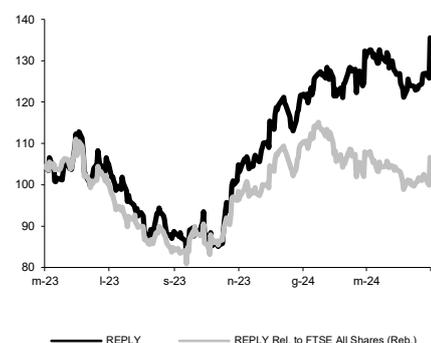
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 150.00 to 153.00		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event 1H24 results

Results Out 2 August 2024

REPLY - 12M Performance



Stock Data

Reuters code:	REY.MI		
Bloomberg code:	REY IM		
Performance	1M	3M	12M
Absolute	7.0%	10.1%	31.7%
Relative	3.0%	-1.6%	5.0%
12M (H/L)	135.70/82.40		
3M Average Volume (th):	43.51		

Shareholder Data

No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	5,077
Total Mkt Cap (Eu mn):	5,077
Mkt Float - Ord (Eu mn):	2,792
Mkt Float (in %):	55.0%
Main Shareholder:	
Alia (Rizzante family)	39.8%

Balance Sheet Data

Book Value (Eu mn):	1,279
BVPS (Eu):	34.25
P/BV:	4.0
Net Financial Position (Eu mn):	369
Enterprise Value (Eu mn):	4,708

- Strong 1Q24 results, especially considering volatile market momentum.** Reply reported 1Q24 revenues of Eu554.3mn, a touch better than expected and up 6.5% YoY, or +6.1% organically, i.e. excluding a minor ForEx contribution. In more detail: Region 1 and Region 2 (61.8% and 20.5% of quarterly sales respectively) outperformed the 4Q23 pace, posting the same organic growth, +9.3% YoY. On the other hand, Region 3 (17.7% of quarterly sales, mainly generated in the UK and France) was down 1.6% YoY organically, still accelerating from 4Q23 (-9.3%), partly because of a change in the accounting of some non-core activities. Quarterly EBITDA came to Eu87.3mn, up 7.8% YoY. This positive result, a 15.8% margin on sales, in line with our estimates and up almost 20bp YoY, was mainly achieved thanks to improvements in Region 1 (from 16.8% to 17.4%), while profitability was almost flat in Region 2 (from 13.9% to 13.4%) and down in Region 3 (from 12.2% to 10.2%). As at the end of March 2024, Reply held net cash (excluding IFRS16) of Eu498.3mn, Eu43mn above our estimate, thanks to about Eu220mn of FCF in the last 12 months.
- Quarterly trends and outlook.** In Italy and Germany, Automotive and Financial Services segments, which represent about 50% of total quarterly revenues overall, were very strong, growing at a double-digit rate. In Italy, the Health, Government and Defence segments were also very strong. On the other hand, the Telco & High Tech and Retail & CPG segments recorded more volatile performances. In Region 3, Logistic & Transportation was the best performing segment, while the Financial Services segment suffered declining trends in this region. The outlook appears supportive, and Chairman Mario Rizzante underlined that, since the beginning of the year, Reply has seen increased interest in applications related to the use of artificial intelligence, an area where Reply has gained a leading position on the market. The increasingly pervasive diffusion of artificial intelligence is accelerating the evolution from models composed of a few large core applications to scenarios based on a fragmentation of global services and platforms. According to Rizzante, we are still at the beginning of a huge transformation.
- Updating our estimates.** We believe market conditions will remain fairly positive and we consider Reply to be well positioned to continue to outperform the industry. As for 2024, we confirm our assumptions that foresee 10% organic growth in Region 1 and Region 2, thanks in part to the comparison becoming easier in the coming quarters, and 3% organic progress in Region 3. We are slightly raising our cash flow estimates.
- OUTPERFORM confirmed; target from Eu150.0 to Eu153.0.** Reply once again showed its ability to outperform its reference market, remaining a profitable, hefty cash generator. The group continues to seek M&A opportunities and can count on a record net cash position. We believe it is perfectly placed to exploit the wave of investments related to the artificial intelligence revolution and, more generally, to digital innovation. The revision to our target price is mainly to reflect better-than-expected cash flow generation.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,891	2,118	2,302	2,532	2,785
EBITDA Adj (Eu mn)	340	352	369	408	450
Net Profit Adj (Eu mn)	191	187	202	226	252
EPS New Adj (Eu)	5.106	4.990	5.400	6.047	6.735
EPS Old Adj (Eu)	5.106	4.990	5.400	6.047	6.735
DPS (Eu)	1.000	1.000	1.100	1.200	1.300
EV/EBITDA Adj	13.7	10.5	12.8	11.1	9.6
EV/EBIT Adj	16.4	12.6	16.2	13.9	12.0
P/E Adj	26.6	27.2	25.1	22.4	20.1
Div. Yield	0.7%	0.7%	0.8%	0.9%	1.0%
Net Debt/EBITDA Adj	-0.2	-0.6	-1.0	-1.4	-1.7

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization. Please see important disclaimer on the last page of this report

DISCLAIMER (for more details go to [DISCLAIMER](#))

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certifies that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

GUIDE TO FUNDAMENTAL RESEARCH

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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIDEX 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.

Explanation of our ratings system:

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte is acting as financial advisor to SGG Holding S.p.A. in relation to the voluntary public tender offer launched on SAES Getters S.p.A.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, EL.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, Go Internet, GPI, Greenthesis (formerly Ambientthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luve, Matica Fintec, Mondadori, Notorious Pictures, Omer, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMBI, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STI, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifre S.P.A., B&C Speakers, Cleanbnb, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxoe, Edilizacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, Intercos, Intred, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Notorious Pictures, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, Solid World Group, Spindox Digital Soul, Tamburi, Tesmec, Tinexta, Tps Group, Trendevice, Ulisse Biomed, Wiit.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emitente	%	Long/Short
----------	---	------------

© Copyright 2024 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available