Milan, 18 May 2026

Italian Equity Research – 1Q26 Results

REPLY

BUY

Sector: Industrials

Price: Eu97.70 - **Target: Eu187.00**

Strong Start to the Year, with Potential M&A in 2Q

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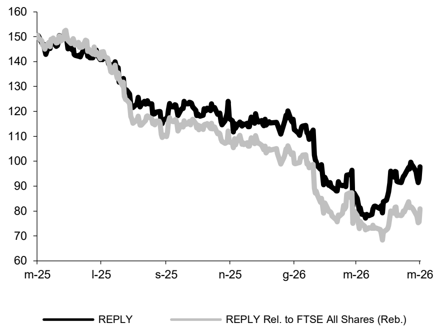
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2026E	**2027E**	**2028E**
Chg in Adj EPS	0.5%	0.3%	0.3%

Next Event 1H26 Results
Results Out 30 July 2026

REPLY - 12M Performance



Stock Data			
Reuters code:			REY.MI
Bloomberg code:			REY IM
Performance	**1M**	**3M**	**12M**
Absolute	11.5%	4.4%	-35.1%
Relative	9.2%	-3.0%	-55.9%
12M (H/L)			151.90/77.15
3M Average Volume (th):			171.30

Shareholder Data	
No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	3,655
Total Mkt Cap (Eu mn):	3,655
Mkt Float - Ord (Eu mn):	2,300
Mkt Float (in %):	62.9%
Main Shareholder:	
Alika (Rizzante family)	37.1%

Balance Sheet Data	
Book Value (Eu mn):	1,690
BVPS (Eu):	45.22
P/BV:	2.2
Net Financial Position (Eu mn):	655
Enterprise Value (Eu mn):	3,000

Encouraged by a set of 1Q26 results that showed sound 6.6% organic revenue growth and strong cash generation, we confirm our view on Reply, as we believe the company represents an excellent investment opportunity due to its strong positioning in the most innovative segment of the IT consultancy sector. There are three main catalysts: 1) the group business model is based on the agile paradigm that is proving very effective in the current AI-driven market environment. For example, in recent quarters, Reply was able to launch tens of new start-ups to seize new targeted opportunities. Thanks to the launch of Reply Model Factory, the group is positioned to help customers transform AI into a proprietary asset, enabling differentiated, domain-specific capabilities. 2) for the remainder of the year, organic growth should remain at least as strong as in 1Q26, if not accelerating thanks to improving trends in specific areas, such as the automotive sector. 3) Having finalized 4 bolt-on acquisitions in the last 6 months, the group is actively scouting new M&A opportunities in the US and Germany and we expect some announcement soon.

- **A solid quarter, with organic growth better than expected.** Reply reported 1Q26 revenues of Eu645mn, up 6.2% YoY, or +6.6% organically (i.e. before a 1.4% negative ForEx effect and a 1% M&A contribution), above our estimate (+6.0%). In more detail: Region 1 (62% of quarterly sales) grew 7.5% organically, while Region 3 (19% of quarterly sales) was up 8.5% organically. Finally, Region 2 (18% of quarterly sales) remained softer but positive at +0.8% YoY. EBITDA was in line with our estimates, up 6.4% YoY to Eu112mn; 17.4% margin, stable YoY. Below EBITDA, thanks to positive Eu5mn net financial income, pre-tax profit amounted to Eu99.8mn, 5% higher than expected and up 15% YoY. Net cash as at end-March 2026 (excl. IFRS16) was the main positive surprise at Eu775mn vs. our forecast of Eu700mn.
- **Management comments.** Management expressed confidence in the quality of Reply's market positioning and ability to continue to outperform. Chairman Mario Rizzante highlighted the recent launch of Reply Model Factory in order to help customers to turn AI into a true proprietary asset: Reply offers an industrial platform designed to support companies in the analysis, design, and training of specific models able to overcome the limitations of general-purpose systems. Looking at regional performance, the UK performed extremely well, with double-digit growth; France is stabilizing; Italy continues to perform strongly; the US is growing at a mid-single-digit rate; and Germany is growing slowly. Management confirmed its intention of deploying the group's strong cash position for both the buyback and M&A: on the latter, the group finalised 2 bolt-on deals in the UK in 1Q26 (Cyberis and Movar) and is working to close a more significant transaction in the US in 2Q26.
- **Change in estimates**. In light of results, we have adjusted up our organic growth assumptions from +6.4% to 6.6% in 2026 and have added the contribution from the two recent M&A deals (+0.5% overall revision). As for the 2026/2027 EBITDA margin, we confirm our 17.5% margin forecast, slightly more prudent than in 2025 before one-offs (17.9%) but still above historical levels. We have slightly raised 2026 EPS, by 0.5%.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	2,305	2,484	2,648	2,831	3,033
EBITDA Adj (Eu mn)	411	468	463	495	532
Net Profit Adj (Eu mn)	211	251	253	271	293
EPS New Adj (Eu)	5.644	6.706	6.759	7.254	7.845
EPS Old Adj (Eu)	5.644	6.706	6.725	7.232	7.820
DPS (Eu)	1.150	1.350	1.450	1.550	1.650
EV/EBITDA Adj	11.4	10.0	6.5	5.6	4.8
EV/EBIT Adj	14.2	12.0	8.1	7.0	5.9
P/E Adj	17.3	14.6	14.5	13.5	12.5
Div. Yield	1.2%	1.4%	1.5%	1.6%	1.7%
Net Debt/EBITDA Adj	-0.9	-1.0	-1.4	-1.8	-2.1

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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 FTSEMIB40 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.

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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 18 May 2026 Intermonte's Research Department covered 136 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.35%
OUTPERFORM:	39.71%
NEUTRAL:	27.94%
UNDERPERFORM:	00.00%
SELL:	00.00%

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:	53.75%
OUTPERFORM:	28.75%
NEUTRAL:	16.25%
UNDERPERFORM:	01.25%
SELL:	00.00%

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