

REWAY GROUP

Sector: Industrials

OUTPERFORM

Price: Eu6.58 - Target: Eu8.00

Leading the Way in the Italian Road and Rail Maintenance

Carlo Maritano +39-02-77115.358
 carlo.maritano@intermonte.it
Chiara Pampurini: +39-02-77115.633
 chiara.pampurini@intermonte.it

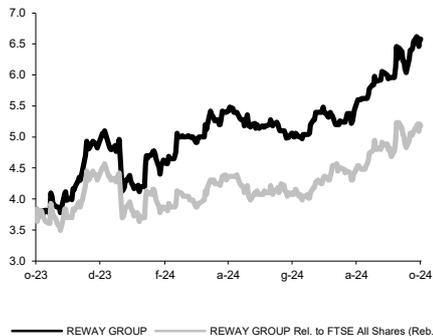
Stock Rating

Rating: OUTPERFORM (New Coverage)
Target Price (Eu): 8.00 (New Coverage)

Next Event

3Q24 KPI Out 31 October

REWAY GROUP - 12M Performance



Stock Data

Reuters code: RWY.MI
 Bloomberg code: RWY IM

Performance	1M	3M	12M
Absolute	10.4%	21.9%	71.4%
Relative	7.8%	19.3%	44.9%
12M (H/L)		6.62/3.65	
3M Average Volume (th):		8.01	

Shareholder Data

No. of Ord shares (mn):	39
Total no. of shares (mn):	39
Mkt Cap Ord (Eu mn):	253
Total Mkt Cap (Eu mn):	253
Mkt Float - Ord (Eu mn):	42
Mkt Float (in %):	16.8%
Main Shareholder:	
Luccini S.r.l.	64.9%

Balance Sheet Data

Book Value (Eu mn):	88
BVPS (Eu):	2.27
P/BV:	2.9
Net Financial Position (Eu mn):	-55
Enterprise Value (Eu mn):	322

- A leading player in Italian infrastructure maintenance.** Reway Group is a leading player in motorway and railway rehabilitation services in Italy, specializing in the restoration of tunnels, viaducts, and bridges. Established in 1994, the Group maintains a strong presence in Lunigiana, a region renowned for its high concentration of tunnels and viaducts. The company has long-standing relationships with major clients in the industry, which are not only large-scale but also financially sound and committed to infrastructure investment. RWY's competitive edge is its experience, expertise, and top-tier certifications. Leveraging these strengths, the Group stands out in a fragmented competitive landscape, while boasting a robust order book exceeding Eu1bn as of 30 September, or >4 years' turnover.
- Focus on highway and railway safety boosts investment in rehabilitation.** The Group operates in sectors poised for sustained growth. The deterioration of the aging Italian road network, highlighted by the 2018 Morandi Bridge collapse, has triggered a surge in demand for modernization, increased inspections, and substantial investments from major road operators. This presents an estimated annual addressable market of >Eu2bn for RWY's road maintenance services. At the same time, the railway network, deemed essential for sustainable mobility, is also benefiting from significant investments for upgrades and maintenance, driven by both national and European initiatives.
- Robust order intake and better sales mix to sustain growth to 2027.** We estimate VoP reaching Eu280mn in 2027, sustained by robust order intake momentum that should lead to double-digit organic growth in the period. We anticipate a slight improvement in the EBITDA margin (from 20% in 2023 to 21% by 2027), driven by a favourable revenue mix, as we expect the higher margin railway segment to grow faster than the highway segment. This should lead to a ~24% CAGR for adjusted net profit in 2023A/27E, enabling RWY to more than double its bottom line from the 2023 figure. As for the NFP, we expect the cash conversion rate at c.27% on average in the 2024E-27E period, with net debt to be practically zero at the end of 2027 (vs Eu34.6mn in FY23A). Our estimates do not include potential future acquisitions, which we do not rule out as the Group is aiming to consolidate and strengthen its presence in the infrastructure maintenance market, leveraging on the experience gained, as well as to expand the business into new markets (such as sea ports) or new geographical areas.
- We initiate our coverage with OUTPERFORM, TP Eu8.00.** We appreciate RWY's unique exposure to a visible and growing market which, thanks to an order book exceeding €1 billion (equivalent to more than four years' revenue), the company is well positioned to address. In our view, M&A will remain part of the story, enabling the company to overcome some of its limitations (100% in Italy, concentrated client base) and to leverage its strengths (leading positioning in a fragmented market, vast know-how and services offered). Our valuation, the weighted average of a DCF (70%) and peer comparison (30%) approach, yields a target price of Eu8.0, leaving 22% upside at the current market price and deserving, in our view, of an Outperform rating. At our target price, RWY would trade at 7.8x EV/EBITDA and 11.6x PE based on our FY25E estimates.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	111	132	210	237	261
EBITDA Adj (Eu mn)	20	26	40	48	54
Net Profit Adj (Eu mn)	8	15	22	27	31
EPS New Adj (Eu)		0.393	0.571	0.696	0.802
DPS (Eu)		0.000	0.000	0.000	0.000
EV/EBITDA Adj		8.9	8.0	6.4	5.3
EV/EBIT Adj		10.6	10.8	8.2	6.7
P/E Adj		16.8	11.5	9.5	8.2
Div. Yield		0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.2	1.3	1.4	1.0	0.5

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 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"). 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 Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

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&P500 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 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
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 (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
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 Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.

Intermonte is acting as financial advisor to Eagle S.p.A. and intermediary responsible for coordinating the collection of sale requests in relation to the sell-out procedure on Greenthesis S.p.A.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Aquafil, 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, DHH, El.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, GPI, Greenthesis (formerly Ambientthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luvè, Misitano & Stracuzzi, Mondadori, Notorious Pictures, Omer, Pharamnutra, Relatech, Reply, Revo Insurance, Reway, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, Sys-Dat Group, 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, FTMI, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, 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 and/or Specialist and/or Corporate Broker on the following companies: Abitare In, Alkemy, Allcore, Almawave, Banca Sistema, Bifre S.p.A., B&C Speakers, Casta Diva Group, Cleanbnb, Coffe, Crowdfundme, Cube Labs, Cy4gate, Cyberoo, DHH, Digital Bros, Digital Magics, Digitouch, Doxee, Edilziacrobatica Spa, Eles, Elica, Emak, Energy, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, Green Oleo, High Quality Food, Ikonisys, Intercos, Intred, ISCC Fintech, Lemon Sistemi, Lventure Group, Maps Group, Masi Agricola, Matica Fintech, Misitano & Stracuzzi, Neodecortech, Notorious Pictures, Oldata, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, SG Company, Solid World Group, Spindox Digital Soul, Talea, Tamburi, Tesmec, Tinexta, TMP Group, Tps Group, Trendevice, Ulisse Biomed, Xenia Hôtellerie Solution Spa Società Benefit, Wit.

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

Emittente	%	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