

SERI INDUSTRIAL

BUY

Sector: Industrials

Price: Eu3.13 - Target: Eu7.20

2024 Another Busy Year Ahead

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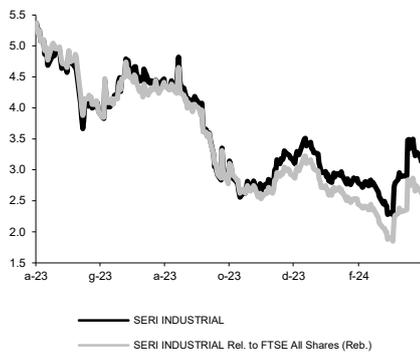
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 7.00 to 7.20		
	2024E	2025E	2026E
Chg in Adj EPS	n.m.	-3.8%	

Next Event

 1Q24 Revenue out 30th of April

SERI INDUSTRIAL - 12M Performance



Stock Data

Reuters code:	SERK.MI
Bloomberg code:	SERI IM

Performance	1M	3M	12M
Absolute	37.5%	5.4%	-42.3%
Relative	39.1%	-4.1%	-60.4%
12M (H/L)	5.37/2.27		
3M Average Volume (th):	216.26		

Shareholder Data

No. of Ord shares (mn):	54
Total no. of shares (mn):	54
Mkt Cap Ord (Eu mn):	169
Total Mkt Cap (Eu mn):	169
Mkt Float - Ord (Eu mn):	61
Mkt Float (in %):	36.2%
Main Shareholder:	
Civitillo Family	56.4%

Balance Sheet Data

Book Value (Eu mn):	129
BVPS (Eu):	2.40
P/BV:	1.3
Net Financial Position (Eu mn):	-90
Enterprise Value (Eu mn):	259

■ **2H23 results: better EBITDA, but worse net debt.** SERI reported higher-than-expected 2H23 results thanks to higher sales at T1 and stronger profitability for Lead-Acid Batteries. Revenues were €104mn, +2% YoY (vs our €107mn, FY23: €200mn) amid higher sales of Lithium Batteries from the T1 plant (€11mn vs our €7mn), but lower Plastic Materials (€52mn vs our €58mn). Adj. EBITDA was €15.7mn (vs our €9.3mn; FY23: €22.9mn) with the group margin at 15.1% (vs our 8.7%) thanks to the contribution of T1, also as scrap costs of sold production were accounted as R&D (i.e. capitalised), and lower costs per unit for lead acid batteries (19.6% margin vs our 10.7%). Net debt (incl. IFRS 16) came to €67mn, improving from €104mn in YE22 thanks to €83mn of advance payment of public grants for T2, though lower than our €33mn due to higher CapEx and lower NWC inflow (linked to cash in of T2 grants envisaged for 2024).

■ **T1 update: problems solved with upgrade awaited in 2H to unlock full capacity.** The T1 lithium battery plant is fully operational as product and process problems encountered in 2023 have been solved, partly thanks to work by the new technical and managerial structure. However, the plant is still constrained by a bottleneck in the cell formation department that should be solved by planned upgrades in 2H. Hence, management expects sales of 60% of production capacity in 2024, above our estimate (180 MWh vs our ~120 or 40% saturation). We welcome the update from SERI, but we confirm our forecast as 1Q and 2Q are envisaged remaining below the target for the year and upgrades are needed to reach full capacity. Overall, we slightly raise revenues (€60mn vs €55mn prev.), based on a higher ASP, and confirm the adj. EBIT forecast as higher D&A offset higher adj. EBITDA.

■ **T2 plant update.** The most notable update on the T2 project was publication of the supplementary decree, so the remaining €89mn to which SERI is entitled is now available. The total grant for the IPCEI Battery 1 was €505mn and in March 22 the first concession decree was issued for €417mn. 2024 will be an important year for the project as significant progress on the CapEx plan is expected, with orders to suppliers to be finalized (~€90mn). We confirm our assumptions on the project, which prompt us to value T2 at €4.1 per share (see previous notes for details).

■ **Change in estimates.** Overall, we are fine-tuning our EPS estimates, as higher EBITDA estimates for the T1 project are offset by higher D&A due to increased CapEx (incl. capitalization of costs).

■ **BUY, TP €7.2.** 2023 was a year of progress for SERI: production of lithium batteries at T1 started; the problems that emerged and stopped initial targets being achieved seem to have been solved; the last part of T2 grants were unlocked; the as-is business obtained better-than-expected results. In 2024, we expect another step forward, although we are conscious that the overall situation is still in a state of flux. Key priorities are: scaling up production and reaching full capacity for T1, and beginning the investment phase for T2. Also in light of the upside to our TP, which we update to €7.2 vs €7.0 prev. (roll-over offset by higher net debt), we confirm our rating.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	204	200	252	318	352
EBITDA Adj (Eu mn)	17	26	31	50	59
Net Profit Adj (Eu mn)	-3	-2	-1	12	18
EPS New Adj (Eu)	-0.069	-0.039	-0.018	0.228	0.343
EPS Old Adj (Eu)	-0.069	-0.253	-0.031	0.237	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	25.9	12.0	8.4	5.8	5.3
EV/EBIT Adj	nm	nm	nm	12.1	9.8
P/E Adj	nm	nm	nm	13.8	9.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	6.0	2.6	2.9	2.4	2.5

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- 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)

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Frequency of research: quarterly.

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

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short

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