

SESA

Sector: Industrials

OUTPERFORM

Price: Eu112.30 - Target: Eu180.00

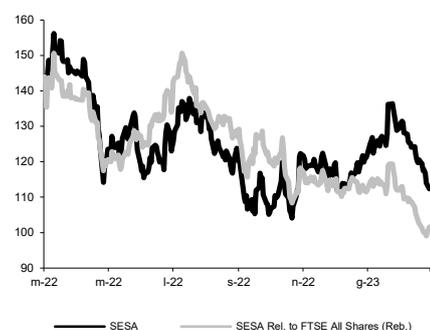
Strong Results, FY Guidance Improved

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

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-0.2%	-0.2%	0.2%

SESA - 12M Performance



Stock Data

 Reuters code: SES.MI
 Bloomberg code: SES IM

Performance	1M	3M	12M
Absolute	-13.4%	-5.6%	-17.4%
Relative	-8.8%	-11.6%	-29.8%
12M (H/L)	156.20/104.10		
3M Average Volume (th):	14.46		

Shareholder Data

No. of Ord shares (mn):	15
Total no. of shares (mn):	15
Mkt Cap Ord (Eu mn):	1,740
Total Mkt Cap (Eu mn):	1,740
Mkt Float - Ord (Eu mn):	811
Mkt Float (in %):	46.6%
Main Shareholder:	
ITH S.p.a.	52.8%

Balance Sheet Data

Book Value (Eu mn):	363
BVPS (Eu):	25.30
P/BV:	4.4
Net Financial Position (Eu mn):	91
Enterprise Value (Eu mn):	1,678

- Surprising organic growth in the quarter.** In 3Q22/23 (1 Nov. – 31 Jan. 2023) revenues came to Eu864.6mn, up 19.9% YoY, 1.9% better than expected. The VAD business unit (75.4% of quarterly sales) grew 20.6% YoY – almost entirely organic - the most significant positive surprise to our forecasts; the SSI business unit (21.8% of quarterly sales) posted a 18.0% rise in revenues, while the contribution from Business Services (2.2% of quarterly sales) was up 35.9% YoY, but lower than expected. In terms of margins, we point to a 13bp EBITDA margin increase YoY to 7.2%, a level in line with our estimates. All in all, quarterly EBITDA came in at Eu62.6mn, up 22.0% YoY and in line with forecasts. Notably, as at the end of January 2023 the net financial position was positive to the tune of Eu15.2mn (Eu199.6mn adj.), Eu10mn below our forecast as a result of slightly higher M&A cash-outs.
- Management has improved FY22/23 guidance and given indications on FY23/24.** In light of the positive results, management has improved FY guidance, and now assumes revenues at Eu2,850mn (from Eu2,750-Eu2,825mn) and EBITDA in the Eu200-210mn range (from Eu195-205mn). Organic growth is expected to continue at a double-digit rate thanks to strong demand and increased market share. As a key partner for US giants in Italy, Sesa is ideally positioned in segments enjoying the fastest growth rates, such as cloud, security, digital platforms, and digital green (the latter representing almost 10% of group revenues after very strong growth). At the end of April 2023, group human resources should reach 5,000 units, with an average attrition rate below 7% and with 60% of recent hirings below 30 years old. Looking forward to the accounting year ending April 2024, growth should remain consistent with the group track record, i.e., revenues are seen up +10%/15% YoY and EBITDA up +15%/20% (thanks in particular to a strong pipeline in the Business Service segment as well as the continuation of solid trends for VAD and SSI).
- Change in estimates.** Our revenue and EBITDA estimates for the current year were already above the top end of management's guidance range, therefore we are merely fine tuning in light of new indications. In 2023/24 and in line with management outlook we expect the Business Services segment to gain significant momentum. Notably, management said the new guidance incorporates only already announced M&A deals, implying that the acquisitions to be announced should provide upside to these numbers. All in all, having assumed higher financial charges, we are leaving our EPS assumptions broadly unchanged.
- OUTPERFORM confirmed; target Eu180.0 unchanged.** Sesa is enjoying very strong organic growth (ca. +20% in 9M) and remains well placed to seize further M&A opportunities, including outside Italy. Despite a complex macro environment, business trends are expected to remain healthy (corporate digital spending should remain strong) and the group enjoys a strong market positioning thanks to a clear focus on technology, with revenues that are well diversified across a large customer base. In conclusion, we appreciate group business visibility, reflected in management guidance to April 2024 and we vigorously confirm our positive view.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,037	2,390	2,866	3,225	3,601
EBITDA Adj (Eu mn)	126	168	209	242	277
Net Profit Adj (Eu mn)	58	82	100	116	133
EPS New Adj (Eu)	3.733	5.282	6.476	7.507	8.552
EPS Old Adj (Eu)	3.733	5.282	6.488	7.522	8.538
DPS (Eu)	0.850	0.900	1.123	1.315	1.515
EV/EBITDA Adj	9.6	13.9	8.0	6.7	5.5
EV/EBIT Adj	13.2	18.5	10.8	9.1	7.5
P/E Adj	30.1	21.3	17.3	15.0	13.1
Div. Yield	0.8%	0.8%	1.0%	1.2%	1.3%
Net Debt/EBITDA Adj	-0.8	-0.5	-0.4	-0.7	-0.9