

SESA

Sector: Industrials

BUY

Price: Eu70.30 - Target: Eu140.00

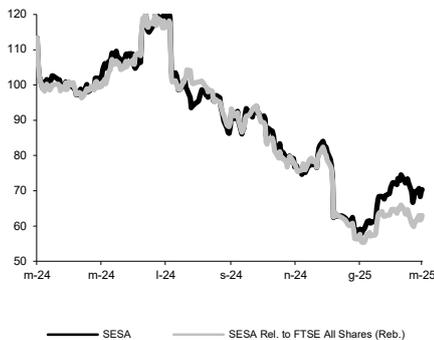
Sharp 3Q Acceleration Should be Consolidated in 4Q

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

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	-3.5%	-1.5%	-1.6%

SESA - 12M Performance



Stock Data

Reuters code:	SES.MI		
Bloomberg code:	SES IM		
Performance	1M	3M	12M
Absolute	-2.6%	-13.0%	-37.9%
Relative	-2.7%	-21.5%	-49.6%
12M (H/L)	120.00/57.65		
3M Average Volume (th):	38.27		

Shareholder Data

No. of Ord shares (mn):	15
Total no. of shares (mn):	15
Mkt Cap Ord (Eu mn):	1,089
Total Mkt Cap (Eu mn):	1,089
Mkt Float - Ord (Eu mn):	508
Mkt Float (in %):	46.6%
Main Shareholder:	
ITH S.p.a.	52.8%

Balance Sheet Data

Book Value (Eu mn):	500
BVPS (Eu):	36.20
P/BV:	1.9
Net Financial Position (Eu mn):	-36
Enterprise Value (Eu mn):	1,186

■ **3Q results beat forecasts, especially in terms of cash flow.** Compared to pro-forma 1H results (which showed +1.1% YoY revenue growth and a -4.7% YoY drop in EBITDA), 3Q figures marked a sharp acceleration for both: revenues were up 11.7% YoY, 3.5% better than expected, and EBITDA rose 2.6% YoY (we expected a flat performance). Looking at individual segments, Business Services remained the best-performing area (revenues surprisingly up 45% YoY with EBITDA doubling YoY), but VAS showed the sharpest acceleration (revenues up 7.7% YoY after a 7.6% YoY decline in 1H), along with Digital Green, which delivered 57% YoY growth, thanks to normalisation on a like-for-like basis (-10% YoY in 3Q from -42% in 1H) and the contribution of the newly-acquired Greensun. Finally, the SSI business showed a mere 0.3% revenue growth, the only segment decelerating compared to 1H when it was up 10% YoY, with margins improving slightly compared to 1H. Below EBITDA, financial charges remained at c.Eu10mn, flat YoY. Thanks to a lower tax rate, adj. net profit closed at Eu33.2mn, down just 2.7% YoY and 14% better than expected. Quarterly cash flow was a positive surprise: net debt reported at the end of January 2025 was Eu92mn vs. Eu120mn exp., thanks to FCF of about Eu100mn in the last 12 months, a significant QoQ recovery.

■ **Management confirmed FY24/25 guidance:** management expects this strong acceleration to continue in 4Q, leading to mid-single-digit FY revenue and EBITDA growth. These figures include the Greensun acquisition on a pro-forma 12-month basis. As for 4Q, SSI should return to positive growth, Digital Green should accelerate further, VAS should continue in positive ground, while Business Services are expected to remain the top performer. Moreover, net financial charges are also expected to decrease in the coming quarters. Reported net debt should be close to zero with factoring at end of April '25 stable compared to April '24 (ca. Eu400mn).

■ **Updated estimates.** We are updating our estimates to reflect indications from results (stronger Digital Green and VAS, smoother growth for SSI), slightly raising our revenue estimates while broadly confirming EBITDA, remaining consistent with management guidance (a touch below on EBITDA). Below EBITDA, we are marginally lifting D&A, resulting in EPS cuts for 2024/25 and 2025/26 of -3.5% and -1.5% respectively.

■ **BUY; target Eu140 unchanged.** Quarterly results revealed improving top line momentum and better-than-expected cash flow generation. Looking ahead, we expect Sesa to confirm a solid business acceleration in 4Q and show encouraging improvements in terms of decreasing financial charges and better cash flow generation. M&A activity should remain a positive contributor, but with fewer deals than in the recent past as we expect the company to focus more strongly on organic growth. We consider the current valuation to be particularly attractive and confirm our positive view.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,908	3,210	3,382	3,574	3,777
EBITDA Adj (Eu mn)	209	240	246	265	286
Net Profit Adj (Eu mn)	102	106	101	115	129
EPS New Adj (Eu)	6.600	6.867	6.531	7.450	8.352
EPS Old Adj (Eu)	6.600	6.867	6.767	7.564	8.489
DPS (Eu)	1.000	1.000	0.892	0.978	1.054
EV/EBITDA Adj	9.0	7.2	4.8	4.3	3.8
EV/EBIT Adj	11.3	8.9	6.1	5.5	4.9
P/E Adj	10.7	10.2	10.8	9.4	8.4
Div. Yield	1.4%	1.4%	1.3%	1.4%	1.5%
Net Debt/EBITDA Adj	-0.2	0.0	0.1	0.0	-0.2

