Milan, 18 July 2025

Italian Equity Research – FY24/25 Results

SESA

BUY

Sector: Industrials

Price: Eu69.75 - **Target: Eu120.00**

Credible FY Guidance: Turning the Page After a Tough 2024/5

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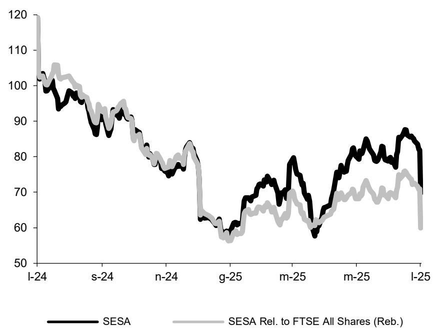
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 140.00 to 120.00
	2026E	**2027E**	**2028E**
Chg in Adj EPS	-10.1%	-10.4%	

SESA - 12M Performance



Stock Data			
Reuters code:			SES.MI
Bloomberg code:			SES IM
Performance	**1M**	**3M**	**12M**
Absolute	-12.3%	6.1%	-41.4%
Relative	-14.3%	-5.8%	-57.9%
12M (H/L)			104.20/57.65
3M Average Volume (th):			29.14

Shareholder Data	
No. of Ord shares (mn):	15
Total no. of shares (mn):	15
Mkt Cap Ord (Eu mn):	1,081
Total Mkt Cap (Eu mn):	1,081
Mkt Float - Ord (Eu mn):	504
Mkt Float (in %):	46.6%
Main Shareholder:	
ITH S.p.a.	52.8%

Balance Sheet Data	
Book Value (Eu mn):	440
BVPS (Eu):	32.31
P/BV:	2.2
Net Financial Position (Eu mn):	-75
Enterprise Value (Eu mn):	1,463

- **4Q24/25 EBITDA up 8% YoY, lower than expected.** 4Q revenues (1 February – 30 April 2025) came to Eu840mn, up 3.1% YoY, but 2.9% below our estimate. In 4Q, VAS, at Eu494mn, was down 8.2% YoY marking an unexpected slowdown compared to a brilliant 3Q performance, while all the other segments grew in line with our expectations: Digital Green, at Eu90mn, was up >100% YoY, SSI was up +7% YoY to Eu229mn, and Business Services rose +41% YoY to Eu43mn. Quarterly group EBITDA came in at Eu64mn, up 8% YoY but 7% lower than expected, mainly because of lower profitability in the SSI segment (10.2% on sales, down 160bp YoY) while VAS showed a good margin (4.5% on sales, +30bp YoY); Business Services and Digital Green performed very well. Further down, financial charges (suffering Eu1.4mn of ForEx losses) and the tax rate were both higher, taking quarterly adjusted net profit to Eu20.4mn, 21% below our estimate and down 8% YoY. Notably, at the end of April 2025, net debt closed at Eu74.7mn (after a Eu57.2mn impact from IFRS16 and Eu176.0mn from the future M&A earn-out and put options), c.Eu40mn higher than expected, due to higher CapEx and NWC absorption related to a decrease in payables. At April-25, factoring amounted to Eu450mn, flat YoY as a % of revenues. The group will pay a Eu1 DPS in addition to a Eu25mn buyback.
- **Management guidance for FY25/26:** revenues are seen up +5-7.5% YoY and EBITDA up +5-10% (+7.5% at mid-range vs. the previous indication of +8.75%). Management preferred to adopt quite a prudent stance on revenue growth in the VAD segment (indicated up low single-digit) and on margins in SSI (expected flat YoY). Guidance is assuming a purely inertial contribution from M&A. Adjusted net profit is expected to grow between 10.0% and 12.5%, with financial charges gradually decreasing. Cash flow generation should improve by about Eu30mn, which means about +50% in terms of FCF, to the best of our understanding.
- **Updated estimates.** We are updating our estimates to reflect indications from results (stronger Digital Green and Business Service, smoother growth for SSI), reducing revenues by 1.2%/1.8% and EBITDA by 4.1%/4.6%. Our new estimates are consistent with the lower-end of management guidance. Below EBITDA, we are leaving our estimates unchanged, resulting in EPS cuts of -10.1% and -10.4% for 2025/26 and 2026/27 respectively.
- **BUY; target from Eu140 to Eu120.** We consider yesterday's market reaction excessive, especially considering that consensus forecasts were clearly challenging and that the overall business confirmed a good recovery trajectory. We appreciated management's focus on achieving organic growth and improving cash flow generation, as well as on setting cautious and credible targets. We tried to position ourselves on the safe side and are looking forward to the next quarterly release as a catalyst to build credibility on the new guidance. Having updated our target to reflect the new estimates, we confirm our positive view in light of the attractive valuation and expectations for improving newsflow.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	3,210	3,357	3,530	3,710	3,896
EBITDA Adj (Eu mn)	240	241	254	273	292
Net Profit Adj (Eu mn)	106	96	104	116	129
EPS New Adj (Eu)	6.867	6.183	6.695	7.487	8.307
EPS Old Adj (Eu)	6.867	6.531	7.450	8.352	
DPS (Eu)	1.000	1.000	1.038	1.198	1.354
EV/EBITDA Adj	7.2	6.1	4.6	4.1	3.6
EV/EBIT Adj	8.9	7.9	6.0	5.4	4.8
P/E Adj	10.2	11.3	10.4	9.3	8.4
Div. Yield	1.4%	1.4%	1.5%	1.7%	1.9%
Net Debt/EBITDA Adj	0.0	0.3	0.1	-0.1	-0.4

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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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BUY:	32.33%
OUTPERFORM:	38.35%
NEUTRAL:	29.32%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	51.90%
OUTPERFORM:	29.11%
NEUTRAL:	18.99%
UNDERPERFORM:	00.00%
SELL:	00.00%

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