SESA

OUTPERFORM

Sector: Industrials

Price: Eu111.80 - **Target: Eu180.00**

Positive Guidance and Reassuring Management Indications

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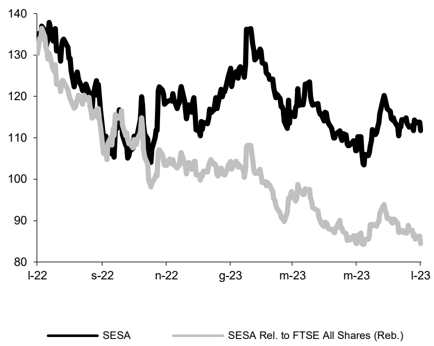
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	-0.6%	

Next Event 1Q23/24 Results
Results Out: 14 September 2023

SESA - 12M Performance



Stock Data			
Reuters code:			SES.MI
Bloomberg code:			SES IM
Performance	**1M**	**3M**	**12M**
Absolute	-4.4%	-3.8%	-14.3%
Relative	-6.8%	-5.9%	-46.6%
12M (H/L)			137.90/103.50
3M Average Volume (th):			13.11

Shareholder Data	
No. of Ord shares (mn):	15
Total no. of shares (mn):	15
Mkt Cap Ord (Eu mn):	1,732
Total Mkt Cap (Eu mn):	1,732
Mkt Float - Ord (Eu mn):	808
Mkt Float (in %):	46.6%
Main Shareholder:	
ITH S.p.a.	52.8%

Balance Sheet Data	
Book Value (Eu mn):	394
BVPS (Eu):	27.37
P/BV:	4.1
Net Financial Position (Eu mn):	34
Enterprise Value (Eu mn):	1,868

- **Another excellent year with revenues and EBITDA up 22% and 25% YoY respectively.** On 19 June, Sesa announced revenues for the full-year to 30 April 2023 of Eu2.9bn, a figure that was updated yesterday to Eu2,907.6mn, up 21.7% YoY. Looking at 4Q (1 February – 30 April 2023), revenues were Eu731.3mn, up 15.7% YoY. In 4Q, all the business lines reported positive growth: the VAD business unit (70% of quarterly sales) grew 9.8% YoY, the SSI business unit (26% of quarterly sales) posted a 31.3% rise in revenues, while the contribution from Business Services (3% of quarterly sales) was up 44% YoY. EBITDA came in at Eu53.5mn, a touch above our expectations (+0.4%), witnessing a 49bp EBITDA margin improvement to 7.31%. Below this line, D&A were broadly in line with our forecast, while financial expenses and the tax rate were both higher, taking quarterly adjusted net profit to Eu23.5mn, 1.2% below our estimate but 15.2% higher YoY. Notably, at the end of April 2023, the net financial position was positive to the tune of Eu34mn (or Eu239.5mn before considering the Eu-50.1mn impact from IFRS16 and Eu-155.7mn from the future M&A earn-out and put options). The group will pay a Eu1.00 dividend per share, corresponding to a 18% payout ratio.
- **Management guidance for FY23/24 (ending April 2024) confirmed:** in light of FY22/23 results, the contribution from M&A deals and growth in core markets, Sesa confirmed guidance for the full year to 30 April 2024, indicating revenues 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 SSI and VAD). At the end of April 2023, group human resources reached 4,717 units, with an average attrition rate below 7% and with 60% of recent hirings under 30 years old. During the presentation, significant attention was devoted to improvements in the group's sustainability profile, ranging from a beefed-up welfare programme for employees to the appointment of a Sustainability Committee and important achievements in the reduction of group emissions.
- **Change in estimates.** Our revenue and EBITDA estimates for the current year were already consistent with the mid-range 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. All in all, we are leaving our EPS assumptions broadly unchanged.
- **OUTPERFORM confirmed; target Eu180.0 unchanged.** Sesa has enjoyed very strong organic growth (ca. +18% in FY) 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.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,390	2,908	3,241	3,589	3,959
EBITDA Adj (Eu mn)	168	209	240	273	305
Net Profit Adj (Eu mn)	83	100	116	132	146
EPS New Adj (Eu)	5.335	6.458	7.509	8.497	9.431
EPS Old Adj (Eu)	5.282	6.476	7.507	8.552	
DPS (Eu)	0.900	1.000	1.302	1.481	1.650
EV/EBITDA Adj	13.9	8.9	6.8	5.7	4.7
EV/EBIT Adj	18.5	11.6	9.0	7.5	6.4
P/E Adj	21.0	17.3	14.9	13.2	11.9
Div. Yield	0.8%	0.9%	1.2%	1.3%	1.5%
Net Debt/EBITDA Adj	-0.5	-0.2	-0.5	-0.8	-1.1