

SESA

 Sector: *Industrials*
BUY

Price: Eu73.80 - Target: Eu140.00

Solid Business Acceleration Foreseen in 2H

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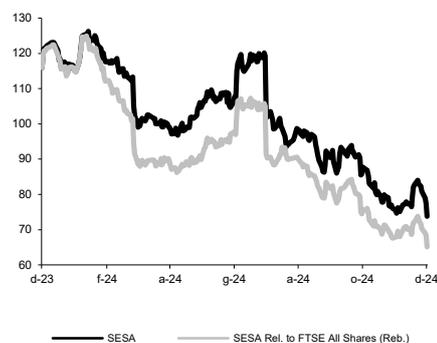
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 152.00 to 140.00		
	2025E	2026E	2027E
Chg in Adj EPS	-8.2%	-9.4%	-10.7%

Next Event 3Q24/25 Results

Results Out 13 March 2025

SESA - 12M Performance



Stock Data

Reuters code:	SES.MI		
Bloomberg code:	SES IM		
Performance	1M	3M	12M
Absolute	-2.3%	-18.4%	-36.3%
Relative	-4.2%	-20.7%	-49.7%
12M (H/L)	126.10/73.80		
3M Average Volume (th):	28.38		

Shareholder Data

No. of Ord shares (mn):	15
Total no. of shares (mn):	15
Mkt Cap Ord (Eu mn):	1,144
Total Mkt Cap (Eu mn):	1,144
Mkt Float - Ord (Eu mn):	533
Mkt Float (in %):	46.6%
Main Shareholder:	
ITH S.p.a.	52.8%

Balance Sheet Data

Book Value (Eu mn):	423
BVPS (Eu):	30.81
P/BV:	2.4
Net Financial Position (Eu mn):	3
Enterprise Value (Eu mn):	1,724

■ **2Q revenues/EBITDA weaker than expected, hit by contraction in VAS and Digital Green.** 2Q revenues came in at Eu650.8mn, down 10.3% YoY and 7% lower than expected. The gap to our forecasts is explained by VAS revenues falling 15.5% YoY, 13% below our assumptions. Quarterly EBITDA amounted to Eu46.1mn, down 20% YoY and 17% lower than expected after an 80bp margin contraction, mainly due to a very tough comparison. At bottom line, adjusted net profit was Eu13.5mn vs. Eu21.4mn expected, after higher net financial charges that came in at Eu11.7mn, above 2Q23/24 (Eu7.8mn). At the end of October 2024, the net financial position was negative to the tune of Eu113.0mn (or positive for Eu73.1mn before considering the Eu42.3mn impact from IFRS16, and Eu143.8mn from the future M&A earn-out and put options), significantly worse than expected, partly because higher NWC absorption limited FCF generation to about Eu60mn in the last 12 months.

■ **Management confirmed FY24/25 guidance, albeit at low end of range:** management expects a strong acceleration in 2H to deliver mid-single-digit growth in FY revenue, and low single-digit growth in adj. EBIT. These figures include the Greensun acquisition on a pro-forma 12-month basis. As for 2H, the VAS segment should be stable, SSI should confirm 10% growth, and Business Services are expected to remain the top performer. Elsewhere, net financial charges also face an easier comparison going forward, although factoring costs should remain quite high.

■ **Updated estimates.** We are changing our estimates to include the pro-forma contribution of Greensun, in order to represent numbers consistent with management guidance. In 2H, we expect revenue and EBITDA to grow by 4.4% and 7.8% respectively. While 1H adj. net profit was down 15.7% YoY, we expect the same figure to grow 11.2% in 2H. As for next year, we are lowering expected revenue growth to 5.9% (from +6.4%), while assuming 7.6% EBITDA growth, mainly thanks to the favourable mix effect. In 2025/26 we expect adj. net profit to grow double-digit thanks also to a gradual reduction of net financial charges.

■ **BUY; target Eu140 from Eu152.** Quarterly results were weaker than expected but we remain confident that, as of 2H, the group will regain solid earnings momentum, enhanced by a normalisation of financial charges. In recent years, the business has been evolving from the traditional VAS segment into more added-value activities (SSI and Business Services) which are expected to support profitability growth in the years to come. M&A activity should remain a positive contributor. We consider the current valuation to be particularly attractive and confirm our positive view. Our new target reflects the new estimates under the same valuation approach (DCF model with a 9% WACC and 3% long-term growth).

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,908	3,210	3,302	3,496	3,702
EBITDA Adj (Eu mn)	209	240	247	266	287
Net Profit Adj (Eu mn)	102	106	105	117	132
EPS New Adj (Eu)	6.600	6.867	6.767	7.564	8.489
EPS Old Adj (Eu)	6.600	6.867	7.368	8.349	9.509
DPS (Eu)	1.000	1.000	0.928	0.998	1.077
EV/EBITDA Adj	9.0	7.2	5.1	4.6	4.1
EV/EBIT Adj	11.3	8.9	6.4	5.8	5.2
P/E Adj	11.2	10.7	10.9	9.8	8.7
Div. Yield	1.4%	1.4%	1.3%	1.4%	1.5%
Net Debt/EBITDA Adj	-0.2	0.0	0.2	0.1	-0.2

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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: 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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 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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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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