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Sebino	Italy	FTSE AIM Italia	Fire & Security
Rating: BUY	Target Price: € 8,77 (from €4.68)		Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	30,77%	58,99%	87,29%	67,42%
to FTSE AIM Italia	31,52%	50,27%	67,35%	46,08%
to FTSE STAR Italia	30,81%	55,05%	68,86%	7,70%
to FTSE All-Share	30,82%	54,91%	65,95%	31,18%
to FTSE Italia Small Cap	30,65%	49,73%	63,24%	20,49%

Stock Data

Price	€ 4,42
Target price	€ 8,77
Upside/(Downside) potential	98,4%
Bloomberg Code	SEB IM Equity
Market Cap (€m)	€ 58,71
EV (€m)	€ 57,07
Free Float	13,42%
Share Outstanding	13.282.000
52-week high	€ 4,50
52-week low	€ 2,15
Average daily volumes (3m)	N/A

Key Financials (€m)	FY20A	FY21E	FY22E	FY23E
Value of Production	49,4	56,1	62,1	68,1
EBITDA Adj.	11,3	12,1	13,4	14,9
EBITDA	11,3	12,1	13,4	14,9
EBIT	5,0	11,0	12,3	13,6
Net Profit	7,5	8,0	9,0	10,0
EBITDA Adj. margin	22,8%	21,5%	21,6%	21,8%
EBIT margin	10,0%	19,6%	19,8%	20,0%
Net Profit margin	15,3%	14,3%	14,5%	14,7%

Main Ratios	FY20A	FY21E	FY22E	FY23E
EV/EBITDA Adj. (x)	5,1	4,7	4,3	3,8
EV/EBIT (x)	11,5	5,2	4,6	4,2
P/E (x)	7,8	7,3	6,5	5,9

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Stock performance relative to FTSE AIM Italia



FY20 Results

The results of FY20 are very positive with profitability well above our estimates. Revenues grew by 24.7% YoY up to €49.4 million (our estimate €44.4 million), while EBITDA grew by 97.9% YoY up to €11.3 million (our estimate €7.11 million). The EBITDA margin is therefore 22.8% (14.4% in FY19 and 16% according to our estimate). Very significant is the cash production of the ordinary operations, equal to € 8.0 million before the payment of € 1.5 million of dividends and € 1.46 million paid for the purchase of 100% of the shares of Sebino Service Srl in July 2020. These results are even more positive when read in the light of the pandemic.

2021-23E forecast update

The strategic factors that characterized 2020 and that have allowed a 24.7% growth of turnover and above all 97.9% growth of EBITDA, we believe can be present also for the coming years. While our new estimates forecast a substantially stable value of production compared to previous estimates, we believe that the growth of marginality, measured by EBITDA, may be more significant. In other words, we are convinced that the level of EBITDA margin reached in 2020 and equal to 22.8% (from 14.4% of FY19), can be considered sustainable in the medium term. We expect the same to reach 23.1% in FY24E.

Valuation Update

We have conducted the valuation of Sebino equity value based on the DCF and multiples. The DCF method (which in the calculation of the WACC includes for prudential purposes also a specific risk of 2.5%) provides an equity value of € 104.0 million. The equity value of Sebino using market multiples is € 129.0 million (including a discount of 25%). The result is an average equity value of approx. € 116.7 million. **The target price is €8.77 (from 4.68) per share. We confirm BUY rating and MEDIUM risk unchanged.**

1. Economics & Financials

Fig. 1 – Economics & Financials *

CONSOLIDATED INCOME STATEMENT (€/mln)						
	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Revenues	39,68	48,91	56,00	62,00	68,00	74,80
Other Revenues	0,06	0,45	0,10	0,10	0,10	0,11
Value of Production	39,74	49,36	56,10	62,10	68,10	74,91
COGS	16,15	17,39	20,36	22,54	24,59	26,43
Services	12,01	13,07	14,85	16,44	18,03	19,57
Use of assets owned by others	0,72	1,00	1,15	1,30	1,46	1,63
Employees	4,29	6,11	7,08	7,72	8,38	9,10
Other Operating Expenses	0,86	0,52	0,60	0,68	0,76	0,85
EBITDA	5,70	11,28	12,05	13,42	14,88	17,33
<i>EBITDA</i>	<i>14,4%</i>	<i>22,8%</i>	<i>21,5%</i>	<i>21,6%</i>	<i>21,8%</i>	<i>23,1%</i>
D&A	0,75	0,91	1,03	1,14	1,25	1,38
EBIT	4,95	10,37	11,02	12,27	13,63	15,95
<i>EBIT Margin</i>	<i>12,5%</i>	<i>21,0%</i>	<i>19,6%</i>	<i>19,8%</i>	<i>20,0%</i>	<i>21,3%</i>
Financial Management	(0,15)	(0,16)	(0,12)	(0,10)	(0,09)	0,00
EBT	4,80	10,21	10,90	12,17	13,54	15,95
Taxes	1,54	2,68	2,86	3,20	3,55	4,19
Net Income	3,26	7,53	8,04	8,98	9,98	11,76
CONSOLIDATED BALANCE SHEET (€/mln)						
	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Fixed Assets	4,40	5,62	6,40	6,55	6,60	7,60
Account receivable	18,47	24,33	26,50	29,00	31,50	34,50
Inventories	1,22	1,38	1,80	2,20	2,30	2,50
Account payable	8,92	11,91	13,00	14,60	15,80	17,20
Operating Working Capital	10,76	13,81	15,30	16,60	18,00	19,80
Other receivable	1,59	1,19	1,80	2,20	2,55	2,95
Other payable	1,65	2,05	2,50	3,20	3,60	3,90
Net Working Capital	10,70	12,95	14,60	15,60	16,95	18,85
Severance Indemnities & Other Provisions	1,46	2,25	2,35	2,55	2,70	2,95
NET INVESTED CAPITAL	13,64	16,32	18,65	19,60	20,85	23,50
Share Capital	1,15	1,33	1,33	1,33	1,33	1,33
Reserves	4,02	9,10	12,87	16,89	21,37	26,37
Net Income	3,26	7,53	8,04	8,98	9,98	11,76
Equity	8,43	17,96	22,23	27,19	32,69	39,46
Cash & Cash Equivalent	2,45	11,80	12,98	16,44	20,64	24,21
Short Term Debt to Bank	2,52	0,92	0,90	0,85	0,80	0,75
M/L Term Debt to Bank	5,15	9,24	8,50	8,00	8,00	7,50
Net Financial Position	5,21	-1,64	-3,58	-7,59	-11,84	-15,96
SOURCES	13,64	16,32	18,65	19,60	20,85	23,50
CONSOLIDATED CASH FLOW (€/mln)						
	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
EBIT	4,95	10,37	11,02	12,27	13,63	15,95
Taxes	1,54	2,68	2,86	3,20	3,55	4,19
NOPAT	3,41	7,69	8,16	9,08	10,07	11,76
D&A	0,75	0,91	1,03	1,14	1,25	1,38
Change in receivable	(6,26)	(5,87)	(2,17)	(2,50)	(2,50)	(3,00)
Change in inventories	(0,06)	(0,17)	(0,42)	(0,40)	(0,10)	(0,20)
Change in payable	3,66	2,99	1,09	1,60	1,20	1,40
Change in others	0,31	0,79	-0,15	0,30	0,05	-0,10
<i>Change in NWC</i>	<i>-2,35</i>	<i>-2,25</i>	<i>-1,65</i>	<i>-1,00</i>	<i>-1,35</i>	<i>-1,90</i>
Change in provisions	0,75	0,79	0,10	0,20	0,15	0,25
OPERATING CASH FLOW	2,57	7,13	7,64	9,42	10,12	11,49
Capex	(0,2)	(2,1)	(1,8)	(1,3)	(1,3)	(2,4)
FREE CASH FLOW	2,39	5,00	5,83	8,13	8,82	9,11
Financial Management	(0,15)	(0,16)	(0,12)	(0,10)	(0,09)	0,00
Change in Debt to Bank	0,47	2,50	(0,76)	(0,55)	(0,05)	(0,55)
Change in Equity	(0,83)	2,01	(3,76)	(4,02)	(4,49)	(4,99)
FREE CASH FLOW TO EQUITY	1,88	9,35	1,18	3,46	4,20	3,57

Source: estimates Integrae SIM. * Pro Forma data 2019. In 2020E assets of Riccardi S.r.l. merged into Newco were consolidated for six months.

1.1 FY20 Results

The results of FY20 are very positive with profitability well above our estimates.

Revenues grew by 24.7% YoY up to €49.4 million (our estimate €44.4 million), while EBITDA grew by 97.9% YoY up to €11.3 million (our estimate €7.11 million). The EBITDA margin is therefore 22.8% (14.4% in FY19 and 16% according to our estimate).

Fig. 2 – 2020 actual vs forecast

€/mln	2020A	2020F	Var %
Value of Production	49,36	44,4	11,2%
Ebitda	11,28	7,11	58,6%
Ebitda margin	22,9%	16,0%	
Ebit	10,37	5,66	83,2%
Ebit margin	21,0%	12,7%	

Source: Sebino and estimates Integrae SIM.

Italy has recorded an increment of 23.4%, while Romania grew by 27.5%.

Very significant is the cash production of the ordinary operations, equal to € 8.0 million before the payment of € 1.5 million of dividends and of € 1.46 million paid for the purchase of 100% of the shares of Sebino Service Srl in July 2020.

These results are even more positive when read considering the pandemic. It is well known that 2020 was characterized by the Covid-19 health emergency, whose greatest impact on the Company was the closure of the construction sites with work in progress for the installation of fire protection systems throughout April. Maintenance activities have been continued regularly.

The total order backlog at the end of the year was equal to € 20 million, in line with that recorded at the end of the last year and was driven in particular by the significance of initiatives concerning new logistics sites, designed to support the substantial increase in e-commerce in our country, stimulated also by the effects induced by the lockdown caused by the health emergency.

Thanks to its structural flexibility in terms of installation costs, carried out mainly by external installers, Sebino did not use the Redundancy fund in 2020.

1.2 New estimates FY20E – FY23E

The higher than estimated results allow us to upgrade the 2021/23E estimates. We also introduce estimates for the 2024E.

According to the Management: *“Thanks to the consistency of the Orders Backlog at the end of the year, the Company is optimistic about 2021. The impacts of the health emergency, which have not yet been fully resolved, remain limited. Positive signals, as confirmed also by recent press releases of the Company, come in particular from logistics intended to serve big players in international e-commerce and retail.*

The Parent Company continues to watch with interest at the possibility of acquiring medium-small companies with expertise in the field of plant engineering and maintenance of the Security Business Unit.

The reorganization of the Business Unit Service continues following the acquisition of Sebino Service Srl to concentrate all Maintenance activities on the latter and fire protection and security plants activities on the Parent Company”.

We remind that on July 2, 2020, Sebino SpA completed the acquisition of the entire business managed by Riccardi Srl of Casale Monferrato (AL), a historical company operating on the market in the field of the maintenance of fire protection systems and equipment, with offices also in Veneto, Sardinia, and Lazio.

The strategic factors that characterized 2020 and that have allowed a 24.7% growth of turnover and above all 97.9% growth of EBITDA, we believe can be present also for the coming years. We expect in particular a strong increase in the orders deriving from the companies operating in the cold chain (starting from the storage of vaccines) that need sophisticated and perfectly functioning fire-fighting systems, up to the activities of the companies operating in the logistics sector, whose business over the past year has literally exploded, changing households' purchasing experience forever, and requiring safe, efficient, and compliant facilities that major competitors often fail to provide.

These are our new estimates for 2021-23E.

Fig. 3 – 2020 actual vs forecast

€/mln	2021E			2022E			2023E		
	Old	New	Var %	Old	New	Var %	Old	New	Var %
Value of Production	55,00	56,00	1,8%	61,00	62,00	1,6%	67,00	68,00	1,5%
Ebitda	8,63	12,05	39,6%	10,27	13,42	30,7%	11,54	14,88	28,9%
<i>Ebitda margin</i>	<i>15,7%</i>	<i>21,5%</i>		<i>16,8%</i>	<i>21,6%</i>		<i>17,2%</i>	<i>21,9%</i>	
Ebit	7,57	11,02	45,5%	9,1	12,27	34,9%	10,25	13,63	32,9%
<i>Ebit margin</i>	<i>13,8%</i>	<i>19,7%</i>		<i>14,9%</i>	<i>19,8%</i>		<i>15,3%</i>	<i>20,0%</i>	

Source: estimates Integrae SIM.

While our new estimates forecast a substantially stable value of production compared to previous estimates, we believe that the growth of marginality, measured by EBITDA, may be more significant. In other words, we are convinced that the level of EBITDA margin reached in 2020 and equal to 22.8% (from 14.4% of FY19), can be considered sustainable in the medium term. We expect the same to reach 23.1% in FY24E.

2. Valuation

We conducted the valuation of the equity of Sebino based on the DCF methodology and market multiples of a sample of comparable companies.

2.1 DCF Method

Fig. 4 – WACC

WACC		8,57%
Risk Free Rate	-0,32% α (specific risk)	2,50%
Market Premium	6,85% Beta Adjusted	0,9
D/E (average)	0,00% Beta Relevered	0,9
Ke	8,57% Kd	2,00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 8.57%. Compared to the report of last September 29, we highlight the risk premium decline to 6.85% from 8.46% calculated by Prof. A. Damodaran.

Fig. 5 – DCF Valuation

DCF Equity Value		104,0
FCFO actualized	19,6	19%
TV actualized DCF	82,7	81%
Enterprise Value	102,3	100%
NFP (FY20A)	(1,6)	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 104.0 million**.

Fig. 6 – Equity Value - Sensitivity analysis

€/mln		WACC						
		7,1%	7,6%	8,1%	8,6%	9,1%	9,6%	10,1%
Growth Rate (g)	2,5%	165,2	148,9	135,5	124,4	115,0	106,9	99,9
	2,0%	151,0	137,4	126,1	116,6	108,3	101,2	95,0
	1,5%	139,4	127,9	118,2	109,8	102,6	96,3	90,7
	1,0%	129,7	119,8	111,3	104,0	97,5	91,9	86,8
	0,5%	121,5	112,9	105,4	98,9	93,1	88,0	83,4
	0,0%	114,4	106,8	100,2	94,3	89,1	84,5	80,3
	-0,5%	108,3	101,5	95,6	90,3	85,6	81,3	77,5

Source: Integrae SIM

2.2 Market multiples

Our panel is formed up of companies operating in the same sector as Sebino but with higher capitalization. These companies are the same ones used for the calculation of Beta for the DCF method.

In line with previous reports, we sustain that the EV/EBITDA indicator is the most significant for the evaluation using the multiples method.

Fig. 7 – Market Multiples

Company Name	EV/EBITDA (x)			
	FY20A	FY21E	FY22E	FY23E
Marlowe Plc	17,6	12,5	11,0	11,2
Johnson Controls International	16,3	15,1	13,9	13,1
Taiwan Secom Co. Ltd.	N/A	N/A	n.m.	n.m.
ADT INC	7,1	7,2	6,9	6,5
Peer median	16,3	12,5	11,0	11,2

Source: Infinancials

Fig. 8 – Market Multiples Valuation

€/mln	2020A	2021E	2022E	2023E
Enterprise Value (EV)				
EV/EBITDA	197,9	150,9	148,0	166,5
Equity Value				
EV/EBITDA	199,5	154,5	155,6	178,3
Equity Value post 25% discount				
EV/EBITDA	149,7	115,8	116,7	133,8

Source: Infinancials

The equity value of Sebino using the market multiple EV/EBITDA, is equal to € 172.0 million. To this value, we have applied a discount of 25% in order to include in the price also the smaller liquidity regarding the comparables: the result is an equity value of € 129 million.

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	116,5
Equity Value DCF (€/mln)	104,0
Equity Value multiples (€/mln)	129,0
Target Price (€)	8,77

Source: Integrae SIM

The result is an average equity value of approximately € 116.5 million (62.2 million in our notice of last September 29). The target price is, therefore, €8.77 (from € 4.68) per share. BUY rating and MEDIUM risk unchanged.

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03/07/2020	Buy	4,22	Medium	Riccardi Srl Operation
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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
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HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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