

Production date: October 1st, 2021- 18:00 CET

Publishing date: October 4th, 2021 - 7:00 CET

Sebino	Italy	FTSE AIM Italia	Fire & Security
Rating: BUY	Target Price: € 8.94 (da €8,77)		Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	9.14%	17.83%	54.49%	209.62%
to FTSE AIM Italia	13.26%	10.02%	29.65%	146.89%
to FTSE STAR Italia	14.52%	12.32%	34.88%	159.66%
to FTSE All-Share	11.20%	16.09%	49.62%	174.66%
to FTSE Italia Small Cap	9.63%	11.07%	36.72%	153.29%

Stock Data

Price	€ 7.40
Target price	€ 8.94
Upside/(Downside) potential	20.8%
Bloomberg Code	SEB IM Equity
Market Cap (€m)	€ 98.29
EV (€m)	€ 96.65
Free Float	13.42%
Share Outstanding	13,282,000
52-week high	€ 7.80
52-week low	€ 2.15
Average daily volumes (3m)	16,200

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%

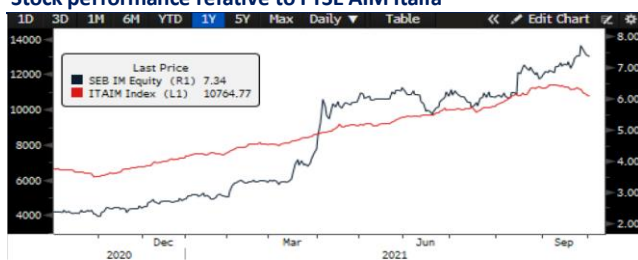
Main Ratios	FY20A	FY21E	FY22E	FY23E
EV/EBITDA Adj. (x)	8.6	8.0	7.2	6.5
EV/EBIT (x)	19.5	8.8	7.9	7.1
P/E (x)	13.1	12.2	11.0	9.8

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Stock performance relative to FTSE AIM Italia



1H21 Results

The results of the 1H21 are positive and able to support our estimates for the FY21E, which therefore we do not modify. The 2022-24E estimates are also unchanged. Revenues grew by 29% YoY (including consolidation of Sebino Service Srl) € 24.7 million, while EBITDA grew by 11.2% YoY reaching € 3.8 million. The impact of raw material on core revenues, combined with that of semi-finished products, costs for services, and external processing, went down to 67.2% (from 69.6% of 1H20), due to consolidation effect of Sebino Service Srl and limited activities of Romania. The EBITDA margin is reduced by 2.4 percentage points as a result of the higher Employees costs due to the consolidation of Sebino Service Srl and is equal to 15.4% (17.8% in 1H20).

2021-24E forecast update

As mentioned above, our estimates for 2021-24E remain unchanged. Thus according to the management: "...During the coming months the Company will be engaged in the process of acquiring businesses, or companies, ancillary to our industrial growth project also in neighboring and complementary sectors in terms of security..." In light of the above statements (see press release of September 29, 2021) and the cash flow, we believe that in the next 18 months Sebino may acquire other companies/business units. The acquisitions made in recent years have been positive for the Group's income growth. Thus, we are confident about the possibility of continuing to grow through acquisitions safeguarding long-term profit-making capacity.

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 equal to € 133.4 million (including a discount of 25%). The result is an average equity value of approx. € 116.7 million. **The target price is € 8.94 (from € 8.77) 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 by Integrae SIM. * Pro Forma 2019 data. In 2020 Riccardi Srl activity, merged into Newco, was consolidated for six months.

1.1 FY20 Results

The results of the 1H21 are positive and able to support our estimates for the FY21E, which therefore we do not modify. The 2022-24E estimates are also unchanged.

Revenues grew by 29% YoY (also including Sebino Service Srl in the scope of consolidation, which shares were acquired on July 2, 2020) for € 24.7 million, while Ebitda grew by 11.2% YoY, reaching € 3.8 million. The impact of raw material on core revenues, combined with that of semi-finished products, costs for services, and external processing, went down to 67.2% (from 69.6% of 1H20), due to consolidation effect of Sebino Service Srl and limited activities of Romania.

The EBITDA margin is reduced by 2.4 percentage points, as a result of the higher Employees costs due to the consolidation of Sebino Service Srl and is equal to 15.4% (17.8% in 1H20).

The 1H21 was affected by a still conditioned context, especially in Romania, by the health emergency, which caused a slowdown in the supply chain and a sharp increase in the prices of raw materials worldwide. Thanks to its structural flexibility regarding installation costs, largely carried out by external installers, the Group Sebino has maintained good profitability.

Italy recorded an increase of 60.9% (97.5% of total revenues), while Romania recorded a decrease in revenues to € 0.6 million (from € 4.1 million in 1H20). For the latter, 1H21 was anomalous in terms of revenues and EBITDA, as a negative effect of the health emergency that caused the closure of the construction sites and postponed the acquisition of new orders and the installation of the related plants. In fact, the first half of 2021 was closed with revenues of € 0.59 million compared to € 4.4 million in 1H20. The Romanian subsidiary's order backlog as of July 31, 2021, amounted to approximately € 5.8 million, which would make it possible to close the year in line with 2020.

The consolidated NFP of 1H21 is cash positive for € 3.5 million, a further improvement compared to the cash of € 1.6 million in FY20. Cash and cash equivalents as of June 30, 2021, thus amounted to approximately € 14.1 million.

These results are even more positive if read in the light of the pandemic that, as we know, has still characterized most of the semester, especially, as noted above, in Romania.

The total order backlog at the end of July, equal to € 26.8 million, is in further growth compared to that at the end of 2020 and equal to € 20 million. The positive performance is due in particular to the relevance of the initiatives concerning new logistics sites, intended to support the significant increase in e-commerce in our country, also stimulated by post healthcare emergency lockdown effects and the repositioning of the supply chain of large Italian and international groups (in this regard, the Report of the BoD on Operations, contained in the Consolidated Management Report as of 30.6.2021, contains a very detailed analysis).

1.2 New estimates FY21E – FY24E

As mentioned above, our estimates for 2021-24E remain unchanged. Thus according to the management: *“..During the coming months the Company will be engaged in the process of acquiring businesses, or companies, ancillary to our industrial growth project also in neighboring and complementary sectors in terms of security..”*

In the medium term, therefore, the objectives of management seem to be:

- maintain the leadership position on the Italian and Romanian market in all plant activities;
- consolidate the Group from a dimensional and financial point of view, as the market in the future will require the presence of players of greater size than the current and more structured;
- better balance the three areas of business, Fire, Security, and Service, to reduce the risks that can be caused by a specific market crisis in one of the three areas and to maximize the synergies deriving from the combined commercial and operational offer of the three areas on the market;
- Increase the share of recurring revenues on the total turnover of the Group typical of the B.U. Service already strengthened by the acquisition of Sebino Service carried out in July 2020;
- Extend the marketing of the remote control system, SebinoConnect®, and the technological operating parameters of the extinguishing and detection systems, to ensure the optimal level of efficiency of the extinguishing and detection systems in 24/24 hours, even without the presence or human support.

The half-yearly report also states that between July and August the Group obtained loans (unsecured loans) for a total amount of € 4.8 million, which combined with cash at the end of June, bring the "firepower" to approximately € 19 million.

In light of the management statements above (see press release of September 29, 2021) and the cash flow, we believe that in the next 18 months Sebino may acquire other companies/business units.

The acquisitions made in recent years have been positive for the Group's income growth. Thus, we are confident about the possibility of continuing to grow through acquisitions safeguarding long-term profit-making capacity.

2. Valuation

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

2.1 DCF Method

Fig. 2 – 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%. The result is a WACC of 8.57%.

Fig. 3 – 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. 4 – Equity Value - Sensitivity analysis

€/mln	Growth Rate (g)	WACC						
		7,1%	7,6%	8,1%	8,6%	9,1%	9,6%	10,1%
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 made up of companies operating in the same sector as Sebino but with a greater capitalization. These companies are the same ones used for the calculation of Beta for the DCF method.

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

Fig. 5 – Market Multiples

Company Name	EV/EBITDA (x)			
	FY21A	FY22E	FY23E	FY24E
Marlowe Plc	14.0	12.4	11.3	10.6
Johnson Controls International	16.1	14.0	12.6	12.3
Taiwan Secom Co. Ltd.	N/A	N/A	n.m.	n.m.
ADT INC	6.9	6.6	6.3	5.5
Peer median	14.0	12.4	11.3	10.6

Source: Infinitals

Fig. 6 – Market Multiples Valuation

€/mln	2021A	2022E	2023E	2024E
Enterprise Value (EV)				
EV/EBITDA	168.7	166.4	168.1	183.7
Equity Value				
EV/EBITDA	170.3	170.0	175.7	195.5
Equity Value post 25% discount				
EV/EBITDA	127.8	127.5	131.8	146.6

Source: Infinitals

The equity value of Sebino using the market multiple EV/EBITDA is equal to approx. € 177.9 million. To this value, we applied a 25% discount to include in the price also the smaller liquidity regarding the comparables: the result is an equity value of € 133.4 million.

2.3 Equity Value

Table 7 – Equity Value

Average Equity Value (€/mln)	118.7
Equity Value DCF (€/mln)	104.0
Equity Value multiples (€/mln)	133.4
Target Price (€)	8.94

Source: Integrae SIM

The average equity value is € 118,7 million (€ 116,5 million in our note as of April 1, 2021). The increase in equity value with unchanged estimates is due to the variation in multiples. The target price is, therefore, € 8.94 (from € 8.77) per share. BUY rating and MEDIUM risk unchanged.

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24/06/2020	Buy	3,70	Medium	Initiation Of Coverage
03/07/2020	Buy	4,22	Medium	Riccardi Srl Operation
29/09/2020	Buy	4,68	Medium	1H20 Results
01/04/2021	Buy	8,77	Medium	FY20 Results

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
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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