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Sebino	Italy	Euronext Growth Milan	Fire & Security
Rating: BUY (inv)	Target Price: € 9.31	(from €8,94)	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	3.17%	-24.64%	-30.11%	0.00%
to Euronext Growth Milan	-0.27%	-15.42%	-26.61%	-20.94%
to FTSE STAR Italia	3.82%	-8.33%	-21.78%	-8.21%
to FTSE All-Share	2.83%	-13.26%	-26.27%	0.36%
to Eurostoxx	2.28%	-13.65%	-26.58%	2.90%

Stock Data	
Price	€ 5.20
Target price	€ 9.31
Upside/(Downside) potential	79.0%
Bloomberg Code	SEB IM Equity
Market Cap (€m)	€ 69.07
EV (€m)	€ 67.43
Free Float	13.42%
Share Outstanding	13,282,000
52-week high	€ 7.80
52-week low	€ 4.50
Average daily volumes (3m)	8,000

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Value of Production	58.3	68.6	75.1	82.6
EBITDA Adj.	10.9	13.4	15.2	17.5
EBITDA	10.9	13.4	15.2	17.5
EBIT	9.9	12.2	14.0	16.1
Net Profit	7.2	9.0	10.2	11.9
EBITDA Adj. margin	18.6%	19.5%	20.3%	21.2%
EBIT margin	17.0%	17.9%	18.6%	19.5%
Net Profit margin	12.3%	13.1%	13.6%	14.4%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA Adj. (x)	6.2	5.0	4.4	3.9
EV/EBIT (x)	6.8	5.5	4.8	4.2
P/E (x)	9.6	7.7	6.7	5.8

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Performance relative to Euronext Growth Milan



FY21 Results

The FY21 results are positive, although profitability is slightly lower than our estimates. Revenues grew by 12.2% YoY and reached € 54.8 million (our estimates € 56.1 million). EBITDA fell by 3.5% YoY to € 10.9 million (€ 11.3 million in FY20 and € 12.0 million according to our estimates). The EBITDA margin fell to 18.6% (from 22.8% in FY20). The decrease is due to the increase in costs (especially of Employees costs), resulting from the consolidation for 12 months of the Sebino Service, acquired in July 2020 and consolidated for six months.

2022-24E forecast update

In light of the substantial increase in the order book (+59% YoY), we carried out a fine tuning of the 2022-24E estimates. The same led to a 10.5% increase in VoP in 2022 with a substantially unchanged EBITDA and EBIT (due to an increase in raw materials). VoP also grew for the two-year period 2023-24E by 10.3% for each year. Also in growth we estimated EBITDA (+2.3% for 2023E and +0.8% for 2024E). Our new estimates forecast a CAGR 2021-24E of the value of production equal to 12.2% and 16.9% of EBITDA thanks to the optimization of the overall structure costs and the recovery of management efficiency of Sebino Service.

Valuation Update

We have conducted the valuation of Sebino equity value based on the DCF and market 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 € 118.7 million. The equity value of Sebino using market multiples is equal to € 128.5 million (including a discount of 25%). The result is an average equity value of approx. € 123.6 million. The target price is € 9.31 (from € 8.94) per share. We confirm BUY rating and MEDIUM risk unchanged.

1. Economics & Financials

Fig. 1 – Economics & Financials *

CONSOLIDATED INCOME STATEMENT (€/mIn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Revenues	39.68	48.91	54.75	68.50	75.00	82.50
Other Revenues	0.06	0.45	3.59	0.10	0.10	0.11
Value of Production	39.74	49.36	58.34	68.60	75.10	82.61
COGS	16.15	17.39	21.39	24.91	26.99	29.69
Services	12.01	13.07	16.08	18.71	20.28	21.86
Use of assets owned by others	0.72	1.00	1.08	1.29	1.44	1.55
Employees	4.29	6.11	8.70	10.03	10.87	11.72
Other Operating Expenses	0.86	0.52	0.22	0.26	0.29	0.31
EBITDA	5.70	11.28	10.88	13.40	15.23	17.47
<i>EBITDA Margin</i>	14.4%	22.8%	18.6%	19.5%	20.3%	21.2%
D&A	0.75	0.91	0.98	1.16	1.27	1.39
EBIT	4.95	10.37	9.89	12.25	13.96	16.08
<i>EBIT Margin</i>	12.5%	21.0%	17.0%	17.9%	18.6%	19.5%
Financial Management	(0.15)	(0.16)	(0.19)	(0.10)	(0.09)	0.00
EBT	4.80	10.21	9.71	12.14	13.88	16.08
Taxes	1.54	2.68	2.54	3.18	3.63	4.21
Net Income	3.26	7.53	7.17	8.96	10.24	11.87

CONSOLIDATED BALANCE SHEET (€/mIn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Fixed Assets	4.40	5.62	5.56	6.55	6.60	7.60
Account receivable	18.47	24.33	26.21	29.00	31.50	34.50
Inventories	1.22	1.38	4.89	2.20	2.30	2.50
Account payable	8.92	11.91	13.98	14.60	15.80	17.20
Operating Working Capital	10.76	13.81	17.12	16.60	18.00	19.80
Other receivable	1.59	1.19	3.49	2.20	2.55	2.95
Other payable	1.65	2.05	3.54	3.20	3.60	3.90
Net Working Capital	10.70	12.95	17.07	15.60	16.95	18.85
Severance Indemnities & Other Provisions	1.46	2.25	2.25	2.55	2.70	2.95
NET INVESTED CAPITAL	13.64	16.32	20.37	19.60	20.85	23.50
Share Capital	1.15	1.33	1.34	1.34	1.34	1.34
Reserves	4.02	9.10	16.80	20.39	24.87	29.99
Net Income	3.26	7.53	7.17	8.96	10.24	11.87
Equity	8.43	17.96	25.31	30.69	36.45	43.20
Cash & Cash Equivalent	2.45	11.80	22.08	19.94	24.40	27.95
Short Term Debt to Bank	2.52	0.92	0.12	0.85	0.80	0.75
M/L Term Debt to Bank	5.15	9.24	17.03	8.00	8.00	7.50
Net Financial Position	5.21	-1.64	-4.93	-11.09	-15.60	-19.70
SOURCES	13.64	16.32	20.37	19.60	20.85	23.50

CONSOLIDATED CASH FLOW (€/mIn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	4.95	10.37	9.89	12.25	13.96	16.08
Taxes	1.54	2.68	2.54	3.18	3.63	4.21
NOPAT	3.41	7.69	7.35	9.07	10.33	11.87
D&A	0.75	0.91	0.98	1.16	1.27	1.39
Change in receivable	(6.26)	(5.87)	(1.88)	(2.79)	(2.50)	(3.00)
Change in inventories	(0.06)	(0.17)	(3.51)	2.69	(0.10)	(0.20)
Change in payable	3.66	2.99	2.07	0.62	1.20	1.40
Change in others	0.31	0.79	-0.80	0.95	0.05	-0.10
<i>Change in NWC</i>	-2.35	-2.25	-4.11	1.47	-1.35	-1.90
Change in provisions	0.75	0.79	0.01	0.30	0.15	0.25
OPERATING CASH FLOW	2.57	7.13	4.23	11.99	10.39	11.61
Capex	(0.2)	(2.1)	(0.9)	(2.1)	(1.3)	(2.4)
FREE CASH FLOW	2.39	5.00	3.30	9.84	9.08	9.22
Financial Management	(0.15)	(0.16)	(0.19)	(0.10)	(0.09)	0.00
Change in Debt to Bank	0.47	2.50	6.99	(8.30)	(0.05)	(0.55)
Change in Equity	(0.83)	2.01	0.18	(3.58)	(4.48)	(5.12)
FREE CASH FLOW TO EQUITY	1.88	9.35	10.28	(2.15)	4.46	3.55

Source: estimates by Integrae SIM. * Pro Forma 2019 data. In 2020, the activity of Riccardi Srl, merged into Newco, was consolidated for six months.

1.1 FY21 Results

The FY21 results are positive although profitability is slightly lower than our estimates. Revenues grew by 12.2% YoY and reached € 54.8 million (our estimates of € 56.1 million). Italy recorded an increase of approx. 25.6 % over the previous fiscal year and Romania a decrease of 38% as a result of an abnormal first half of the year due to the pandemic.

EBITDA fell by 3.5% YoY to € 10.9 million (€ 11.3 million in FY20 and € 12.0 million according to our estimates). The EBITDA margin fell to 18.6% (from 22.8% in FY20). The decrease is due to the increase in costs (especially Employees costs), resulting from the consolidation for 12 months of Sebino Service, acquired in July 2020 and consolidated for six months.

Fig. 2 – 2021 actual vs forecast

€/mln	2021A	2021F	Var %
Value of Production	58.34	56.10	4.0%
Ebitda	10.88	12.05	-9.7%
<i>Ebitda margin</i>	<i>18.6%</i>	<i>21.5%</i>	
Ebit	9.87	11.02	-10.4%
<i>Ebit margin</i>	<i>16.9%</i>	<i>19.6%</i>	

Source: Sebino and Integrae SIM estimates

2021 was still largely characterized by the healthcare emergency, even in the context of global and local economic expansion. The significant difference compared to 2020 is due to the sharp, somewhat unexpected, increase in the cost of materials and components in general as well as energy and transport, which have often caused supply chain disruptions.

Sebino has limited as much as possible the impact on the margins and the interruptions of the supply chain thanks to the excellent and long-lasting relationships with main suppliers. The increase in inventories compared to 2020 should be considered from this perspective.

The NFP (cash) is further improving and is equal to € 4.9 million (cash for € 1.6 million as of December 31, 2020), benefiting from a cash generation of the ordinary operations equal to € 9.0 million (€ 7.7 million in 2020).

The order book as of December 31 was 59% up YoY and reached € 31.8 million (equal to € 20 million as of December 31, 2020). The growth is mainly due to new logistics sites, intended to support the substantial increase in e-commerce in our country, also stimulated by the effects induced by the lockdown caused by the healthcare emergency, but also by the reshoring of activities and logistics sites by industrial companies.

1.2 New estimates FY22E – FY24E

In light of the significant increase in the order book, we have carried out a fine-tuning of the 2022-24E estimates.

Fig. 3 – Fine-tuning of 2022-24E estimates

€/mln	2022E			2023E			2024E		
	Old	New	Var %	Old	New	Var %	Old	New	Var %
Value of Production	62.10	68.60	10.5%	68.10	75.10	10.3%	74.91	82.61	10.3%
Ebitda	13.42	13.40	-0.1%	14.88	15.23	2.3%	17.33	17.47	0.8%
Ebitda margin	21.6%	19.5%		21.9%	20.3%		23.1%	21.2%	
Ebit	12.27	12.25	-0.2%	13.63	13.96	2.4%	15.95	16.08	0.8%
Ebit margin	19.8%	17.9%		20.0%	18.6%		21.3%	19.5%	

Source: estimates by Integrae SIM

The same led to a 10.5% increase in the value of production in 2022 with a substantially unchanged EBITDA and EBIT (due to an increase in raw materials). The value of production also increased for the two years 2023-24E by 10.3% each year. As well as growth, we estimated EBITDA (+2.3% for 2023E and +0.8% for 2024E).

Our new estimates forecast a CAGR 2021-24E of the value of production equal to 12.2% and 16.9% of EBITDA thanks to the optimization of the overall structure costs and the recovery of management efficiency of Sebino Service.

Thus the management: *"...Thanks to the consistency of the Order Book at the end of the year, the Company is optimistic about 2022. The impacts of the healthcare emergency are not currently present. Positive signs continue, coming in particular from logistics destined to serve the major players in international e-commerce and retail. We do not expect negative impacts from military events in Ukraine as the Group has no credit exposure to warring countries. However, a further impact on the prices of raw materials, in particular steel, to which the Group is exposed due to the purchase of pipes used in fire-fighting systems, and energy, is foreseen.*

The Parent Company continues to consider with interest the possibility of acquiring medium-small-sized companies, with skills primarily in the field of recurring services and maintenance..."

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

- maintain the leadership position in 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, also already reinforced 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 extinguishing efficiency and detection systems 24/24, even without the presence or human support.

In light of the management statements mentioned above (see press release of March 29, 2022) and the cash flow, we believe Sebino may acquire other companies/business units in the next 12/18 months.

The acquisitions made in recent years have been decidedly positive for the Group's income growth. We are therefore confident about the possibility of Sebino pursuing external growth while safeguarding long-term earning 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. 4 – WACC

WACC		8.82%
Risk Free Rate	-0.32% α (specific risk)	2.50%
Market Premium	6.42% Beta Adjusted	1.0
D/E (average)	0.00% Beta Relevered	1.0
Ke	8.82% Kd	2.00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. The result is a WACC of 8.82%.

Fig. 5 – DCF Valuation

DCF Equity Value		118.7
FCFO actualized	23.2	20%
TV actualized DCF	90.6	80%
Enterprise Value	113.8	100%
NFP (FY21A)	(4.9)	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 118.7 million**.

Fig. 6 – Equity Value - Sensitivity analysis

€/mln		WACC						
		7.3%	7.8%	8.3%	8.8%	9.3%	9.8%	10.3%
Growth Rate (g)	2.5%	182.0	165.5	151.8	140.2	130.4	121.9	114.5
	2.0%	167.6	153.7	142.0	132.0	123.4	115.9	109.3
	1.5%	155.7	143.8	133.7	124.9	117.3	110.6	104.6
	1.0%	145.6	135.4	126.5	118.7	111.9	105.9	100.5
	0.5%	137.1	128.1	120.2	113.3	107.2	101.7	96.8
	0.0%	129.7	121.7	114.7	108.5	102.9	97.9	93.4
	-0.5%	123.2	116.1	109.8	104.1	99.1	94.5	90.4

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 market multiples method.

Fig. 7 – Market Multiples

Company Name	EV/EBITDA (x)			
	FY21A	FY22E	FY23E	FY24E
Marlowe Plc	15.6	10.8	10.1	9.5
Johnson Controls International	15.8	13.1	11.5	10.6
Taiwan Secom Co. Ltd.	N/A	N/A	n.m.	n.m.
ADT INC	4.8	4.4	4.2	3.9
Peer median	15.6	10.8	10.1	9.5

Source: Infinancials

Fig. 8 – Market Multiples Valuation

€/mln	2021A	2022E	2023E	2024E
Enterprise Value (EV)				
EV/EBITDA	169.7	144.8	153.8	166.0
Equity Value				
EV/EBITDA	174.6	155.9	169.4	185.7
Equity Value post 25% discount				
EV/EBITDA	131.0	116.9	127.1	139.3

Source: Infinancials

The equity value of Sebino using the market multiple EV/EBITDA is equal to approx. € 171.4 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 € 128.5 million.

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	123.6
Equity Value DCF (€/mln)	118.7
Equity Value multiples (€/mln)	128.5
Target Price (€)	9.31

Source: Integrae SIM

The average equity value is equal to € 123.6 million (€ 118.7 million in our note of October 4, 2021). We, therefore, modify our TP to 9.31 (from 8.94) per share. Buy rating and medium risk unchanged.

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03/05/2021	Buy	8.77	Medium	Contract with Pirelli
01/07/2021	Buy	8.77	Medium	New Contract
04/10/2021	Buy	8.94	Medium	1H21 Results
13/10/2021	Buy	8.94	Medium	New Contracts
26/01/2022	Buy	8.94	Medium	FY21 Preliminary 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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