

Sebino	Italy	Euronext Growth Milan	Fire & Security
Rating: BUY (<i>unch.</i>)	Target Price: € 10,00 (<i>prev € 9,31</i>)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-10,58%	-22,26%	0,77%	-28,22%
to FTSE Italia Growth	-7,67%	-19,88%	15,15%	-10,35%
to Euronext STAR Milan	-5,58%	-10,41%	22,32%	1,22%
to FTSE All-Share	-6,77%	-17,54%	16,81%	-7,83%
to EUROSTOXX	-6,68%	-18,52%	13,29%	-11,09%
to MSCI World Index	-2,29%	-15,12%	20,50%	-7,65%

Stock Data

Price	€ 5,24
Target price	€ 10,00
Upside/(Downside) potential	90,9%
Bloomberg Code	SEB IM Equity
Market Cap (€m)	€ 70,62
EV (€m)	€ 65,69
Free Float	14,67%
Share Outstanding	13.477.576
52-week high	€ 7,36
52-week low	€ 4,50
Average daily volumes (3m)	4.650

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Revenues	54,8	74,0	80,0	88,0
VoP	58,3	75,0	81,0	89,0
EBITDA	10,9	11,5	15,8	18,7
EBIT	9,9	10,5	14,8	17,7
Net Profit	7,2	7,7	10,8	13,0
EBITDA margin	18,6%	15,3%	19,5%	21,0%
EBIT margin	17,0%	14,0%	18,3%	19,9%
Net Profit margin	12,3%	10,2%	13,3%	14,6%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	6,0	5,7	4,2	3,5
EV/EBIT (x)	6,6	6,3	4,4	3,7
P/E (x)	9,9	9,2	6,5	5,5

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Stocks performance vs FTSE Italia Growth



1H22A Results

The value of production, equal to € 31.56 million, is 24.5% up compared to the previous period closed with an amount of € 25.35 million. EBITDA, equal to € 3.39 million, decreased by 10.8% compared to the value of 1H21A, which stood at € 3.80 million. EBIT, after amortization of € 0.51 million, amounted to € 2.88 million, down compared to the first half of the previous fiscal year (€ 3.24 million). Net Income amounted to € 1.99 million, registering a 19.2% decrease compared to the figure as of 30 June 2021 (€ 2.46 million). The NFP went from € - 4.93 million in FY21A to € - 6.90 million in 1H22A, registering an overall improvement of € 1.97 million.

Estimates Update

In light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years. In particular, we estimate FY22E value of production equal to € 75.00 million and EBITDA of € 11.50 million, corresponding to a marginality of 15.3%. For subsequent years, we expect the value of production to increase up to € 89.00 million (CAGR FY21A-24E: 15.1%) in FY24E, with EBITDA of € 18.70 million (corresponding to an EBITDA margin of 21.0%), up from € 10.88 million in FY21A (corresponding to an EBITDA margin of 18.6%). We estimate an NFP for FY24E cash positive and equal to € 21.20 million.

Valuation Update

We have conducted the valuation of Sebino equity value based on the DCF methodology and market multiples of a comparable companies sample. The DCF method (which in the calculation of the WACC includes for prudential purposes a specific risk of 2.5%) provides an equity value of € 134.7 million. The equity value of Sebino using market multiples is equal to € 134.9 million (with a 25% discount). The result is an average equity value of €134.8 million. The target price is € 10.00 (prev. € 9.31), BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

CONSOLIDATED INCOME STATEMENT (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenues	48,91	54,75	74,00	80,00	88,00
Other Revenues	0,45	3,59	1,00	1,00	1,00
Value of Production	49,36	58,34	75,00	81,00	89,00
COGS	17,39	21,39	29,00	30,00	33,00
Services	13,07	16,08	21,50	22,50	23,70
Use of assets owned by others	1,00	1,08	1,40	1,40	1,40
Employees	6,11	8,70	11,10	10,80	11,70
Other Operating Expenses	0,52	0,22	0,50	0,50	0,50
EBITDA	11,28	10,88	11,50	15,80	18,70
<i>EBITDA Margin</i>	<i>22,8%</i>	<i>18,6%</i>	<i>15,3%</i>	<i>19,5%</i>	<i>21,0%</i>
D&A	0,91	0,98	1,00	1,00	1,00
EBIT	10,37	9,89	10,50	14,80	17,70
<i>EBIT Margin</i>	<i>21,0%</i>	<i>17,0%</i>	<i>14,0%</i>	<i>18,3%</i>	<i>19,9%</i>
Financial Management	(0,16)	(0,19)	(0,15)	(0,20)	(0,20)
EBT	10,21	9,71	10,35	14,60	17,50
Taxes	2,68	2,54	2,70	3,80	4,55
Net Income	7,53	7,17	7,65	10,80	12,95

CONSOLIDATED BALANCE SHEET (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E
Fixed Assets	5,62	5,56	5,10	4,60	4,10
Account receivable	24,33	26,21	27,50	29,40	32,20
Inventories	1,38	4,89	5,80	5,50	5,20
Account payable	11,91	13,98	16,70	17,50	17,20
Operating Working Capital	13,81	17,12	16,60	17,40	20,20
Other receivable	1,19	3,49	5,00	5,40	5,80
Other payable	2,05	3,54	4,00	4,20	4,50
Net Working Capital	12,95	17,07	17,60	18,60	21,50
Severance Indemnities & Other Provisions	2,25	2,25	2,50	2,70	2,90
NET INVESTED CAPITAL	16,32	20,37	20,20	20,50	22,70
Share Capital	1,33	1,34	1,34	1,34	1,34
Reserves	9,10	16,80	20,39	24,21	29,61
Net Income	7,53	7,17	7,65	10,80	12,95
Equity	17,96	25,31	29,37	36,35	43,90
Cash & Cash Equivalent	11,80	22,08	31,17	35,25	39,00
Short Term Debt to Bank	0,92	0,12	3,50	3,00	2,50
M/L Term Debt to Bank	9,24	17,03	18,50	16,40	15,30
Net Financial Position	(1,64)	(4,93)	(9,17)	(15,85)	(21,20)
SOURCES	16,32	20,37	20,20	20,50	22,70

CONSOLIDATED CASH FLOW (€/mln)	FY21A	FY22E	FY23E	FY24E
EBIT	9,89	10,50	14,80	17,70
Taxes	2,54	2,70	3,80	4,55
NOPAT	7,35	7,80	11,00	13,15
D&A	0,98	1,00	1,00	1,00
Change in receivable	(1,88)	(1,29)	(1,90)	(2,80)
Change in inventories	(3,51)	(0,91)	0,30	0,30
Change in payable	2,07	2,72	0,80	(0,30)
Change in others	(0,80)	(1,05)	(0,20)	(0,10)
<i>Change in NWC</i>	<i>(4,11)</i>	<i>(0,53)</i>	<i>(1,00)</i>	<i>(2,90)</i>
Change in provisions	0,01	0,25	0,20	0,20
OPERATING CASH FLOW	4,23	8,51	11,20	11,45
Capex	(0,9)	(0,5)	(0,5)	(0,5)
FREE CASH FLOW	3,30	7,97	10,70	10,95
Financial Management	(0,19)	(0,15)	(0,20)	(0,20)
Change in Debt to Bank	6,99	4,85	(2,60)	(1,60)
Change in Equity	0,18	(3,58)	(3,83)	(5,40)
FREE CASH FLOW TO EQUITY	10,28	9,09	4,08	3,75

Source: Sebino and Integrae SIM estimates

1.1 1H22A Results

Table 2 – 1H22A vs 1H21A

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H22A	31,56	3,39	10,2%	2,88	1,99	(6,90)
1H21A	25,35	3,80	15,4%	3,24	2,46	(4,93)*
<i>Change</i>	<i>24,5%</i>	<i>-10,8%</i>	<i>-5,2%</i>	<i>-11,1%</i>	<i>-19,2%</i>	<i>N.A</i>

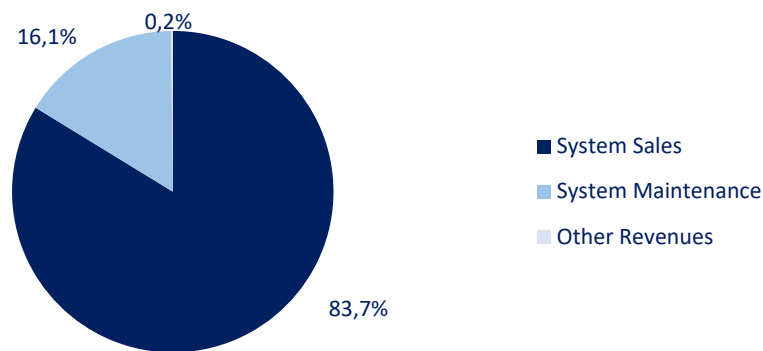
*NFP as of 31/12/2022

Source: Integrae SIM

In a press release, Gianluigi Mussinelli, CEO of the Group, commenting on the half-yearly results, stated: *"Rationally commenting on the numerical data of the first half of 2022 compared to those of the first half of the previous year is a difficult undertaking, since the anomalies of 2022 have overall, in their negativity, unique characteristics. I am thinking in particular of inflation driven by the cost of energy and transport. I believe that it is difficult if not impossible for every manufacturing company to transfer all these price increases to its customers. In this context, we have extensively informed our Shareholders, in the Directors' Report accompanying the Consolidated Half-Year Report, of the current and foreseeable positive context in which the logistics and data center sector in particular is located, supporting our vision with authoritative independent testimonies. Other positive results can be found in recent reports by operators or analysts in the sector such as Savills, Jones Lang LaSalle and Cushman & Wakefield, which report data on the sector in Europe and Italy. The issue of reshoring, which, as already announced, is destined to support the logistics sector in the coming years, is widely discussed by the magazine of Economic Policy of Confindustria. As far as we are concerned, we are fully satisfied with our performance in relation to the Core Revenues of the B.U. Fire (Italy + Romania), which recorded an increase of about 34.8% over the same period of the previous year, and the B.U. Specialist Maintenance Services, which recorded an increase of about 21.9% over the same period of the previous year. The margins suffered from the situation already described, with the impact of the consolidated EBITDA on Consolidated Core Revenues falling from about 15.4% to about 10.3%, due to the aforementioned increase in costs on almost all the components constituting the fire-fighting systems. The service sector has been only marginally affected by the context described above and retains its centrality in our growth strategies. It is well known how we have successfully overcome the pandemic period in general distrust and remain optimistic about the possibility of recovering part of this marginality in the near future; moreover: "Calm seas never made a skilled sailor".*

The value of production, equal to € 31.56 million, is 24.5% up compared to the previous period closed with an amount of € 25.35 million. The excellent results achieved by the Group in terms of turnover during the first half of 2022 were significantly favored by the new trend in the logistics sector, to which Sebino's activities are closely connected. This trend is mainly visible from the growing order book, which, going from approximately € 31.80 million in FY21A to approximately € 41.00 million in 1H22A, shows an increase of 28.9%. The increase in the order book was driven by initiatives related to new logistics sites, aimed at supporting the increase in e-commerce at the national level, by the demand for new sites for data centers, and by the phenomenon of reshoring caused by the risk of interruption of the supply chain to which companies are exposed. To mitigate this risk, the logistics sector in recent months has been supported by the global trend to replace just-in-time models with safer just-in-home models and it is thought that this change may continue over the next few years.

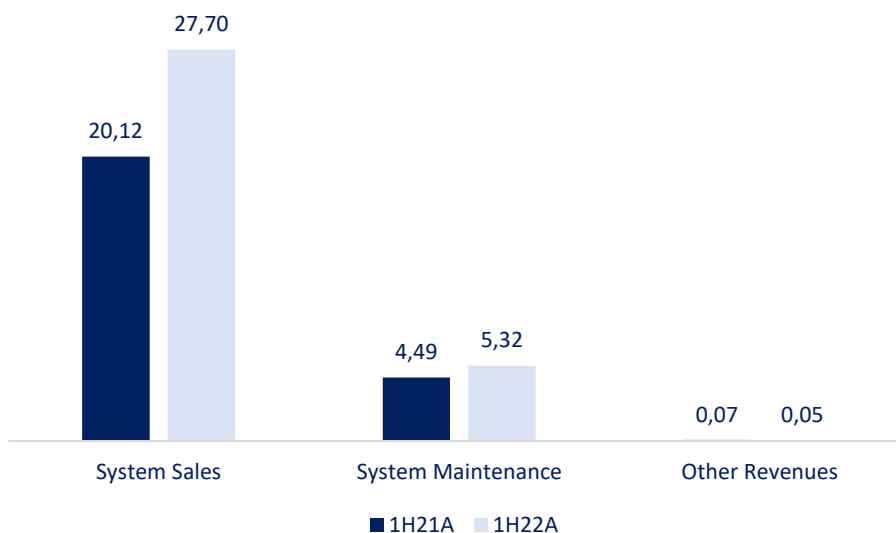
Chart 1 – Revenues Breakdown by Activity



Source: Sebino

As shown by the graphs, growth was mainly driven by system sales, with an 83.7% incidence on turnover and a 37.7% growth compared to the first half of last year. The maintenance of the systems followed with 16.1%, an increase of 18.7% compared to 1H21A. The remaining part of revenues, 0.2%, is mainly composed of revenues generated by merchandise marketing and technical and commercial consultancy activities.

Chart 2 – Revenues Breakdown by BU 1H22A vs 1H21A



Source: Sebino

EBITDA, equal to € 3.39 million, decreased by 10.8% compared to the value of 1H21A, which stood at € 3.80 million. The erosion of marginality was determined by the continued increase in costs, in particular raw materials, energy, and transport, which continued throughout the first quarter of the year due to the Russian-Ukrainian conflict. As a result, the EBITDA margin went from 15.4% in 1H21A to 10.2% in 1H22A.

EBIT, after amortization and depreciation of € 0.51 million, amounted to € 2.88 million, down compared to the first half of the previous year (€ 3.24 million), corresponding to an EBIT margin of 8.7% against 13.1% in 1H21A. Net Income amounted to € 1.99 million, registering a 19.2% decrease compared to the figure as of 30 June 2021 (€ 2.46 million).

The NFP went from € - 4.93 million (cash positive) in FY21A to € - 6.90 million (cash positive) in 1H22A, registering an overall improvement of € 1.97 million.

1.2 FY22E – FY25E Estimates

Table 3 – Estimates Updates FY22A-24E

€/mln	FY22E	FY23E	FY24E
VoP			
New	75,0	81,0	89,0
Old	68,6	75,1	82,6
Change	9,3%	7,9%	7,7%
EBITDA			
New	11,5	15,8	18,7
Old	13,4	15,2	17,5
Change	-14,2%	3,8%	7,0%
EBITDA %			
New	15,3%	19,5%	21,0%
Old	19,5%	20,3%	21,2%
Change	-4,2%	-0,8%	-0,1%
EBIT			
New	10,5	14,8	17,7
Old	12,2	14,0	16,1
Change	-14,3%	6,0%	10,1%
Net Income			
New	7,7	10,8	13,0
Old	9,0	10,2	11,9
Change	-14,7%	5,4%	9,1%
NFP			
New	(9,2)	(15,8)	(21,2)
Old	(11,1)	(15,6)	(19,7)
Change	N.A	N.A	N.A

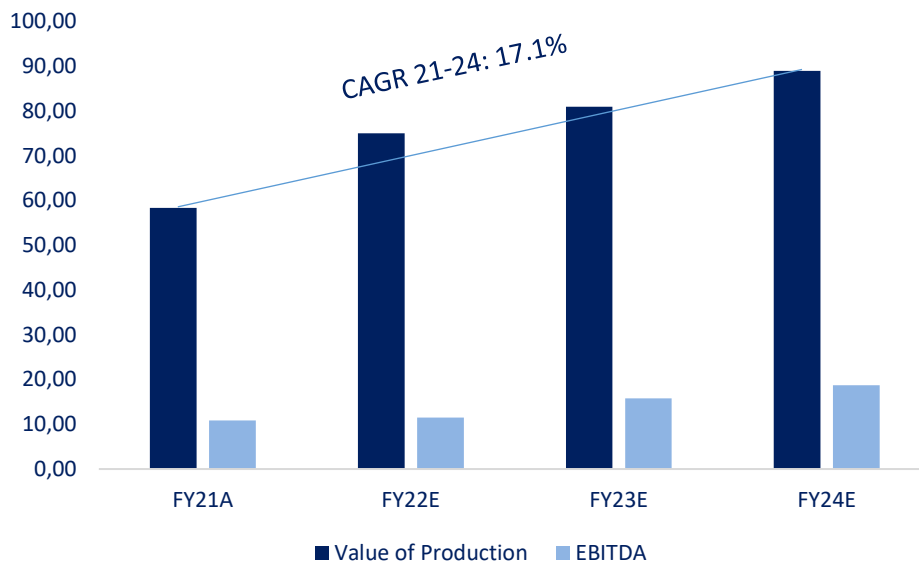
Source: Integrae SIM

In light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate the FY22E value of production equal to € 75.00 million and EBITDA of € 11.50 million, corresponding to a marginality of 15.3%. For subsequent years, we expect the value of production to increase up to € 89.00 million (CAGR FY21A-24E: 15.1%) in FY24E, with EBITDA of € 18.70 million (corresponding to an EBITDA margin of 21.0%), up from € 10.88 million in FY21A (corresponding to an EBITDA margin of 18.6%).

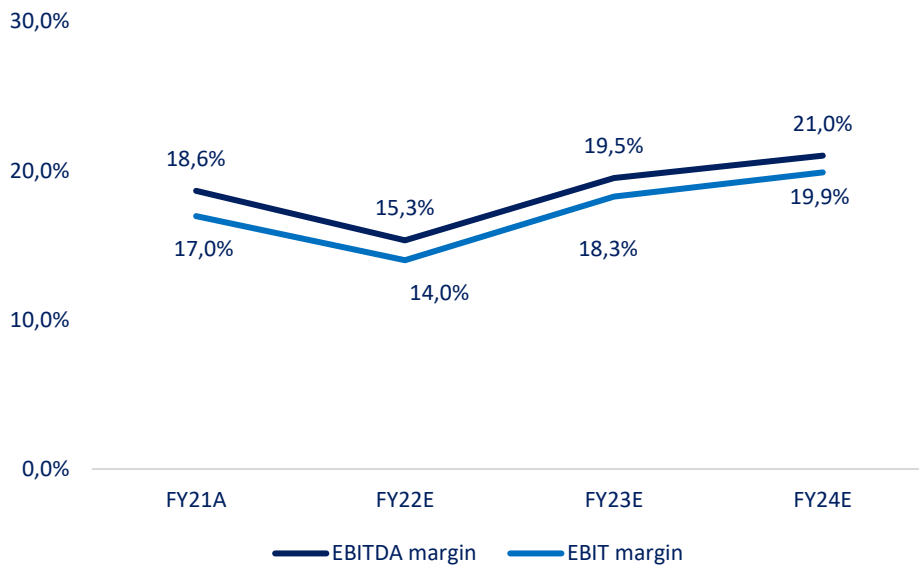
We estimate an NFP for FY24E cash positive and equal to € 21.20 million.

Chart 3 – VoP and EBITDA FY21A-24E



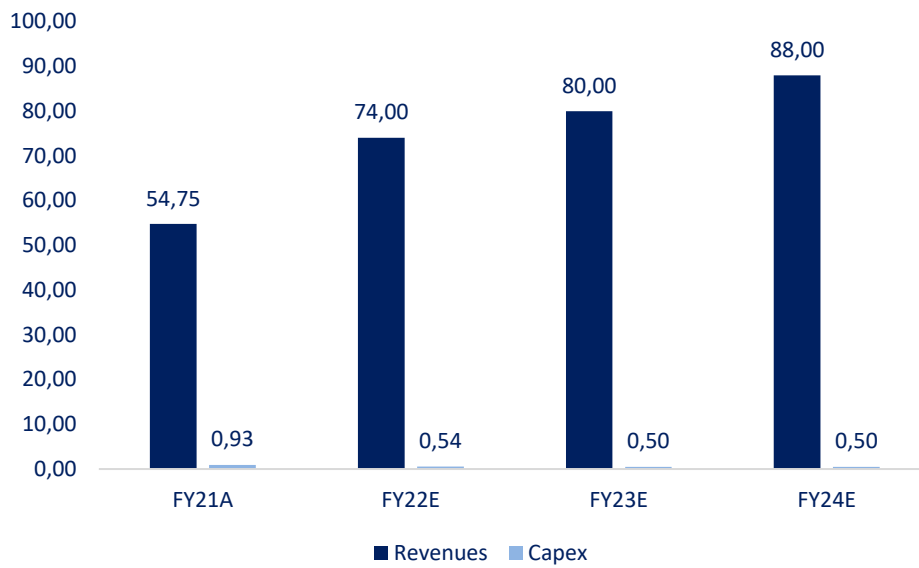
Source: Integrae SIM

Chart 4 – Margin FY21A-24E



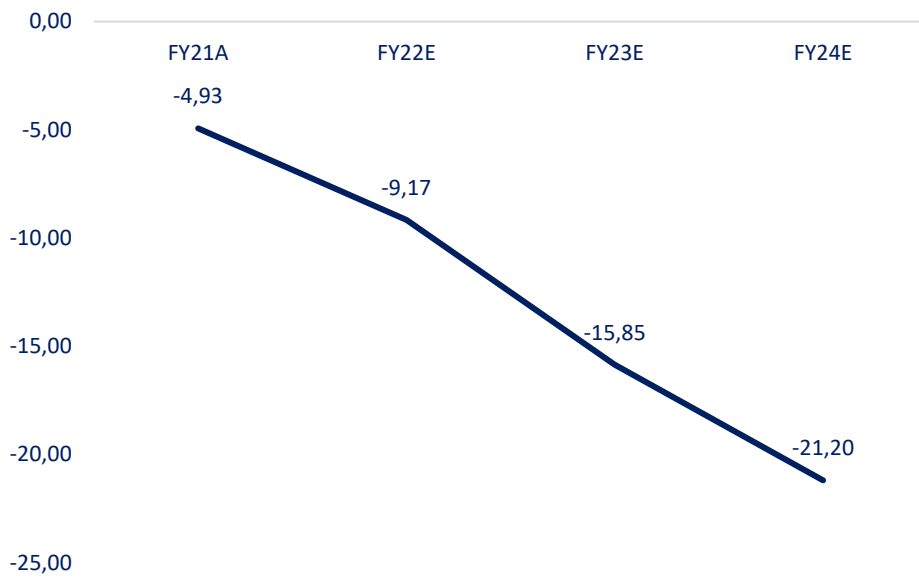
Source: Integrae SIM

Chart 5 – Capex FY21A-24E



Source: Integrae SIM

Chart 6 – NFP FY21A-24E



Source: Integrae SIM

2. Valuation

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

2.1 DCF Method

Table 4 – WACC

WACC		8,68%
Risk Free Rate	2,18% α (specific risk)	2,50%
Market Premium	9,08% Beta Adjusted	0,9
D/E (average)	53,85% Beta Relevered	1,2
Ke	12,57% Kd	2,00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 8.68%.

Table 5 – DCF Valuation

DCF Equity Value		134,7
FCFO actualized	25,9	20%
TV actualized DCF	103,9	80%
Enterprise Value	129,8	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 € 134.7 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		7,2%	7,7%	8,2%	8,7%	9,2%	9,7%	10,2%
Growth Rate (g)	2,5%	207,1	188,3	172,9	160,0	149,0	139,5	131,3
	2,0%	190,1	174,5	161,4	150,3	140,7	132,4	125,1
	1,5%	176,1	162,9	151,7	142,0	133,6	126,2	119,6
	1,0%	164,4	153,0	143,2	134,7	127,3	120,7	114,8
	0,5%	154,4	144,5	135,9	128,4	121,7	115,8	110,4
	0,0%	145,8	137,1	129,5	122,8	116,8	111,4	106,5
	-0,5%	138,4	130,7	123,8	117,8	112,3	107,4	102,9

Source: Integrae SIM

2.2 Market multiples

Our panel is made up of companies operating in the same sector as Sebino. These companies are the same ones used for the calculation of Beta for the DCF method. The Panel is composed of:

Table 7 – Market Multiples

Company Name	EV/EBITDA (x)		
	FY22E	FY23E	FY24E
Marlowe Plc	11,5	10,7	10,0
Johnson Controls International	12,1	10,6	9,7
SECOM CO., LTD.	7,3	7,1	6,6
IDEX Corp.	18,8	17,8	16,9
MSA Safety Inc.	15,3	13,5	N/A
Peer median	12,1	10,7	9,8

Source: Infinancials

Table 8 – Market Multiples Valuation

€/mln	2022E	2023E	2024E
Enterprise Value (EV)			
EV/EBITDA	139,5	169,7	184,1
Equity Value			
EV/EBITDA	148,7	185,5	205,3
Equity Value post 25% discount			
EV/EBITDA	111,5	139,2	154,0
Average	111,5	139,2	154,0

Source: Integrae SIM

The equity value of Sebino, using the market multiples EV/EBITDA, is equal to € 179.8 million. To this value, we have applied a 25% discount. **Therefore, as a result, the equity value is € 134.9 million.**

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	134,8
Equity Value DCF (€/mln)	134,7
Equity Value multiples (€/mln)	134,9
Target Price (€)	10,00

Source: Integrae SIM

The result is an average equity value of € 134.8 million. **The target price is, therefore, € 10.00 (prev. €9.31). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	11,9x	11,3x	8,2x	6,9x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	6,0x	5,7x	4,2x	3,5x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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Date	Price	Recommendation	Target Price	Risk	Comment
04/10/2021	7,40	Buy	8,94	Medium	Update
13/10/2021	7,06	Buy	8,94	Medium	Flash Note
26/01/2022	6,12	Buy	8,94	Medium	Flash Note
07/04/2022	5,20	Buy	9,31	Medium	Update
25/07/2022	6,82	Buy	9,31	Medium	Flash Note

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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		

Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRAE SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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- In the IPO phase, it played the role of Global Coordinator.