

Company Note

MID CORPORATE

Seri Industrial

Trading Normalised in 1Q21

Seri Industrial reported a nice 20% yoy growth in 1Q21 despite a plant stoppage at its smelter division. The quarter was in line with 1Q19 levels showing how the trading environment has normalised after the pandemic impact. NFP too is under control despite the likely cash absorption through NWC due to the production ramp-up at Teverola 1.

1Q21 results: solid revenues growth with no cash absorption

1Q21 revenues stood at EUR 35.6M (+20% yoy, flat vs. 1Q19), incorporating a -2% in pricing due to the raw materials pass-through. Group revenues, at constant prices and without the plant stoppage at the 'smelter' division, would have grown by 28.7% yoy. The Plastic division growth (+30% YoY) testifies to the recovery in OEMs production volumes. Lead-acid batteries were almost flat but, ex-smelter stoppage, would have posted a +16% yoy. Production has already re-started and the company plans to recover the lost volumes in 2Q and 3Q. NFP was flat vs. YE20, reaching EUR 96.4M despite the ramp-up of Teverola 1, which is inflating NWC.

Raising 2021 estimates

Jan/feb cumulated revenues (therefore excluding the easy comparison of March) posted a 7% yoy growth. Before the release, our 2H21 implied estimates showed a -3.8% yoy if Teverola 1 is excluded. We are raising our FY21E revenue estimates that now, excluding Teverola 1, look for a +9.4% yoy growth in 2H21. This translates into an overall +3.2% increase in our adj. EPS estimates for 2021 while we only fine-tune upwards our 2022-23E forecasts. We also slightly improved our NFP.

Raising TP to EUR 8.6/sh; BUY confirmed

We continue to like the story given its "circular economy" profile coupled with a number of transformational activities put in place (Teverola 1 & 2, the JV with Unilever). **We confirm our BUY rating** while raising our TP to EUR 8.6/sh on the back of: a) the increase in our estimates; and b) the inclusion of the tax benefits; We see 1H21 results as key for the share price as the first revenues/profits from Teverola 1 should be evident by then.

Note: Intesa Sanpaolo took over equity coverage of **Seri Industrial** on 12/4/2021; the ISP-UBI Equity Ratings Reconciliation Table and the archive of ex-UBI's previously published research reports are available at the following link:
<https://group.intesasanpaolo.com/it/research/equity---credit-research/equity>

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 Date and time of production

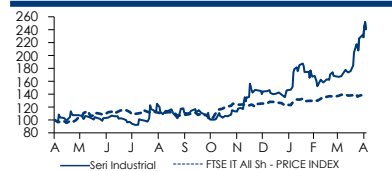
BUY

Target Price: EUR 8.6
 (from EUR 8.1)

Italy/Industrials
 Update

MTA

Price Performance
 (RIC: SERK.MI, BB: SERI IM)



Seri Industrial - Key Data

Price date (market close)	30/04/2021
Target price (EUR)	8.6
Target upside (%)	20.79
Market price (EUR)	7.12
Market cap (EUR M)	336.73
52Wk range (EUR)	7.45/2.73

Price performance %	1M	3M	12M
Absolute	45.6	66.2	140.5
Rel. to FTSE IT All Sh	47.6	47.8	76.0

Y/E Dec (EUR M)	FY20A	FY21E	FY22E
Revenues	125.6	206.2	275.0
EBITDA	2.31	34.33	51.49
EBIT	-11.46	20.98	38.19
Net income	-4.08	12.70	27.83
EPS (EUR)	-0.02	0.28	0.60
Net debt/-cash	95.97	89.34	69.58
Adj P/E (x)	Neg.	25.5	11.9
EV/EBITDA (x)	NM	12.5	8.0
EV/EBIT (x)	Neg.	20.5	10.7
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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1Q21 Results

1Q21 "revenues with customers" showed a +20.1% yoy growth, that rises to 21.1% including the other "operating revenues line". Net of the raw materials pass through, revenues would have grown by 23% yoy. EUR 1.7M were lost due to the stoppage of the smelting plant, which has now returned fully operational. Excluding this, revenues would have grown by 28.7%. More than 50% of the revenues were with Italian customers while 37% were with European customers and 5% with Asian customers (the company has a presence in China).

By division, plastic materials posted a sound 32% yoy growth, which would have been 33% excluding the raw materials pass-through. Being largely an OE business, it benefited from the recovery of production activities at customers' premises. In fact, March alone posted a +76% yoy while Jan/Feb posted a +12%.

Batteries (at this time Lead-acid ones) posted a +2% yoy growth in revenues with customers that rises to +6% yoy including the "other operating revenues" line. Excluding the raw materials price pass-through, revenues would have grown by 8% yoy and by 16% excluding the smelter production halt. Those revenues (EUR 1.7M) should be recovered by 3Q21, according to management. March revenues grew 18% yoy while Jan/Feb were -1% yoy. This is the result of a business which is mostly AM and therefore was not immediately impacted by the pandemic in 1Q20.

The net financial position at the end of March stood at EUR 96.4M, in line with the EUR 96M of YE20. We see this figure as positive considering the production ramp-up at Teverola (which is likely to be absorbing cash through NWC) and some "one-off" capex linked again to the aforementioned production ramp-up.

Sound growth in 1Q21 despite some negative one-off

Plastic materials division was the star of the quarter

Batteries were impacted by one-offs and didn't have an easy comparison

NFP under control despite Teverola 1 ramp-up costs with no revenues yet

Seri Industrial – 1Q21 results

EUR M	1Q19A	1Q20A	FY20A	1Q21A	1Q21E	1Q21C	1Q A/E %	1Q A/C %	1Q yoy%	1Q vs. 1Q19A%	FY21E	FY21C
Electric batteries	13.1	12.3	57.0	12.5	14.2	NA	-12.1	NA	1.9	-4.4	111.9	NA
Plastics	23.7	17.8	78.3	23.1	22.0	NA	4.8	NA	29.9	-2.6	94.7	NA
Others & corporate	0.0	-0.4	-1.3	0.02	-0.2	NA	NM	NA	NM	NM	-0.5	NA
Total sales	36.8	29.7	134.0	35.6	36.1	NA	-1.3%	NA	20.0	-3.1	206.2	NA

NA: not available; NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Earnings Outlook: Upwards Fine-tuning of our Estimates

The company's press release provided an interesting breakdown of revenues by month separating Jan/Feb (i.e. not yet touched by the pandemic last year) with March (the second worst month after April, in terms of pandemic impact). The data showed how Jan/Feb revenues grew by 7% yoy which, adding back the EUR 1.7M to be recovered from the smelting activity, is a good proxy of what to expect from May/June onwards, in our view. April's rebound should be even stronger than the 50% shown in March. Putting all these factors together, we calculate a 2H21 revenues growth estimated at +9.4% yoy. As a result, we increase our 2021E revenue estimate by 4.8%, which in turn impacts our profitability and cash flow assumptions.

We highlight that the above trends do not reflect the Teverola 1 contribution which is now fully operational and should start to book revenues in 2Q21 (when we estimate EUR 8M). All in all, our 2021E estimates point to a 28% yoy growth in revenues and a strong 6x growth in EBITDA (operating leverage effect coupled with Teverola 1's fully additional, and more profitable business). We expect NFP to be stable in 2021 vs. 2020 with a NWC build-up in 2Q21/3Q21, which should then stabilize as revenues begin to flow and deflate in 2022 when the production should return to full speed.

Comparison with pre-pandemic levels lead us to raise our revenue estimates

Adding Teverola 1 revenues brings the overall 2021 top line growth to 28% YoY

Seri Industrial – Estimates revision (2021-23E)

EUR M	2021E			2022E			2023E		
	Old	New	New/Old %	Old	New	New/Old %	Old	New	New/Old %
Sales	196.7	206.2	4.8	266.5	275.0	3.2	311.2	319.3	2.6
Adj. EBITDA	33.7	34.3	2.0	51.1	51.5	0.7	62.7	62.8	0.1
Adj. EBIT	20.3	21.0	3.2	37.9	38.2	0.8	49.3	49.3	0.0
%	10.3	10.2		14.2	13.9		15.8	15.4	
EPS	0.26	0.27	3.3	0.58	0.59	0.6	0.74	0.73	-0.2
Adj. EPS (EUR)	0.27	0.28	3.2	0.60	0.60	0.6	0.75	0.74	-0.2
Net (Debt)/Cash	87.3	89.3	-2.3	67.6	69.6	-2.8	40.0	42.3	-5.4

E: estimates; Source: Intesa Sanpaolo Research

TP raised, BUY Confirmed, Still Not Including Teverola 2

We continue to like Seri Industrial's equity story, which is centered on the "circular economy" concept (for both Li-on batteries and plastics Seri will implement recycling) on two markets (batteries and plastics), which are on some investors' radar thanks to the sound prospects. We reiterate our BUY rating on the stock.

Our TP moves to EUR 8.6/sh (from EUR 8.1/sh) reflecting the following factors:

- Our estimates' fine tuning (+3.3% on 2021E EPS);
- The inclusion in our fair value of the NPV of the significant tax benefits (EUR 52M nominal value) booked in FY20 accounts. We did not account for them in our tax rate nor in our cash flow assumptions;
- The inclusion of the fully diluted number of shares (additional 9.9M shares on top of the 47.3M outstanding, a 20.9% increase) now that the warrants are in-the-money (EUR 5.03 strike price).

Seri Industrial – Summary valuation

EUR	New	Old	Chg%
DCF	9.0	9.3	-3
Peers	10.3	10.8	-5
EVA	8.3	8.5	-2
Average	9.2	9.5	-3
Discount %	15	15	0
Tax benefits (NPV)	0.8	0.0	NM
Target price	8.6	8.1	6

NM: not meaningful; E: estimates; Source: Intesa Sanpaolo Research

We highlight that running a separate DCF on Teverola 1 shows how, in our estimates, this business represents around half of Seri Industrial's fair value (EUR 4.5/sh out of EUR 9.0/sh DCF value) while the current business makes up the remaining portion.

We highlight that our target price does not yet take into account:

- Teverola 2: we wait for the final award of EUR 505M and, even then, we believe that the market would incorporate only a part of its fair value considering that this business should book revenues starting from 2024;
- The JV with Unilever on plastics: we await more details on the economics of the deal and ideally a business plan.

We think the presentation to the financial community of a detailed business plan by the company would represent a soft catalyst for the stock. In fact, more details on the strategy in every division coupled with a detailed market analysis would improve the visibility on businesses not yet operational (Teverola 2 and Unilever JV) or those operating in a fast-changing environment (Teverola 1). Moreover, a potential exit from the Consob black list (we highlight that the black list status derives from the reverse merger with KR Energy and not from Seri's own financials) may also lend support as the black list prevents some institutional investors from owning the shares. We highlight however the current limited visibility on the timing of the latter.

Circular economy, EV batteries and recycled plastics are the main themes

Our new TP now is on a fully-diluted basis

Teverola 1 represents half of our fair value

...but Teverola 2 and Unilever JV not included yet

Soft catalysts: BP presentation and Consob black list exit

DCF model

Our DCF model returns a fair value of EUR 9.0/sh and is based on the following parameters:

- A 2.0% terminal growth rate;
- A 6.1% WACC based on a 0.75% risk-free rate, a 6.5% market risk premium, a Beta of 1, a 4.0% pre-tax cost of debt and a sustainable D/E assumption of 25%.

We believe the assumptions behind our DCF are conservative

We believe that the cash flows assumptions at the base of our DCF are conservative, considering that we assume a "recession year" right after the explicit estimates that aims to smooth the typical pitfall of forecasting ever-growing flows. In fact, in 2024E, we incorporated a -5% in top line, which remains stable the year after and then returns to growth in 2026E. As a result, while in the explicit forecasts period (2020-23E) the top line CAGR is 36.5%, in the implicit forecast the CAGR (2023-27) is only 2.1%.

Seri Industrial – DCF model (2021-27E)

EUR M	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Terminal
Revenues	206	275	319	303	303	325	347	344
yoy growth %	64.2	33.4	16.1	-5.0	0.0	7.0	7.0	6.0
EBIT	21.0	38.2	49.3	45	45	50	56	48
EBIT margin %	10.2	13.9	15.4	15.0	15.0	15.5	16.0	14.0
EBITDA	34	51	63	58	58	63	69	62
EBITDA margin %	16.7	18.7	19.7	19.0	19.0	19.5	20.0	18.0
Labour cost	-37	-48	-51	-48	-48	-52	-55	-55
% on sales	-18.2	-17.4	-15.9	-15.9	-15.9	-15.9	-15.9	-15.9
Working capital	45	61	74	70	70	75	80	79
% on Sales	22.0	22.0	23.0	23.0	23.0	23.0	23.0	23.0
Tax on EBIT	7.0	12.1	15.3	14.2	14.2	15.6	17.2	15.1
	33.5	31.8	31.1	31.2	31.2	31.0	30.9	31.4
DCF	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Terminal
NOPLAT	14.0	26.1	34.0	31.3	31.3	34.7	38.4	33.0
Capex	-8.2	-11.0	-12.8	-12.1	-12.1	-13.0	-13.9	-13.8
D&A	13.1	13.1	13.1	13.3	13.3	13.3	13.3	13.8
Change in Working capital	-14.0	-14.0	-15.2	-12.9	-	-4.9	-5.2	-4.5
Cash flow to the firm	4.9	14.2	19.1	19.5	32.5	30.1	32.5	28.6
Time adjustment	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5
Discount factor	0.97	0.91	0.86	0.81	0.76	0.72	0.68	0.64
Discounted cash flow to firm	4.7	13.0	16.5	15.9	24.8	21.7	22.1	18.3

E: estimates; Source: Intesa Sanpaolo Research

EVA valuation

We believe that the EVA method is useful as it is an absolute valuation method. It also considers the capital efficiency of a company and the level of utilization of its asset base.

In our EVA valuation, we look at the post tax ROACE (or ROIC) and then compare it to the WACC. In Seri's case, we estimate this ratio at 2.2x. This means that for every euro employed in the company, being it either equity or debt, then a EUR 2.2 is obtained in return. Therefore, by applying this ratio to the overall capital employed a fair EV is obtained which returns a fair value of EUR 8.3/sh.

Seri Industrial – EVA valuation (EUR M)

Av. CE	226
Av. EBIT (post tax)	25.3
Av. ROACE %	11.2
WACC %	5.0
Risk-free rate	0.75
Beta	1.00
Market premium	6.5
Cost of Equity	7.3
Cost of debt	2.8
% theoretical Debt on CE	50.0
ROACE/WACC ratio	2.2
CE - Average	226
A - Implied EV	504
B - Net Debt/(Cash) - average '20-23	67
C - Pension liabilities	10
E - cash-in from warrants	50
Implied Equity value (A-B-C)	426
N.° of shares (M; outstanding)	47
Equity fair value per share	9.0
Equity value f.d. (A-B-C+D)	476
N.° of shares f.d. (M)	57.2
Equity fair value – per share f.d.	8.3

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

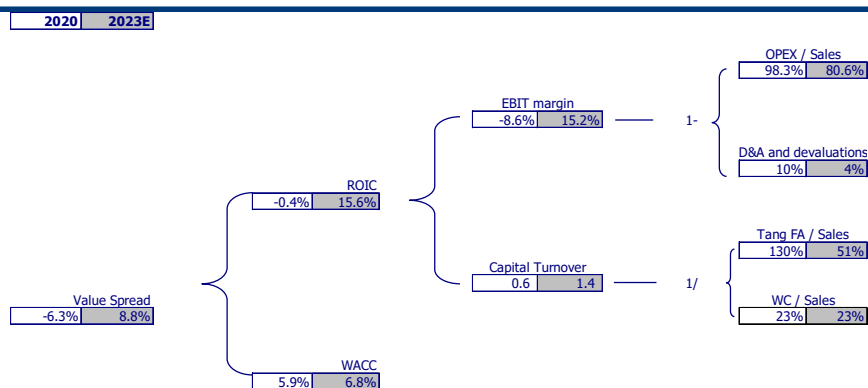
Seri's value spread (i.e. the difference between its ROIC and its cost of capital) turns from negative in 2020 to positive in 2023 due to the growth in the ROIC. This improvement is driven by:

- Higher EBIT margins (both because D&A levels decline and the opex structure is more coherent with the new sales levels);
- A better capital turnover (despite NWC/sales worsening, its fixed assets are used more intensively).

Seri should create value from 2020 to 2023 turning its ROIC from negative to positive

This is more evident in the graph below:

Seri Industrial – Value tree estimates



Source: Company data and Intesa Sanpaolo Research

Peers comparison: the stock still looks cheap, despite the recent run

The stock has shown a strong performance (+74.5% YTD, +129.6% last 12M) supported by the market's growing interest in electric vehicle-related trends. On this front, we highlight that Seri is the only producer in Italy of battery cells.

Having said that, at our target price the stock would still look cheap, in our view, with implied multiples at around 10x 2022 EV/EBITDA and 16.6x P/E (see the table below). While we acknowledge that it is not easy to find perfect peers, the stock continues to trade at a discount to what we consider its most comparable peers (Tier 1 in table below).

Still cheap and at a discount to peers even at our target price

Seri Industrial – Implicit multiples at our EUR 8.6/sh target price

	2021E	2022E	2023E
Nosh (M)*	57.2	57.2	57.2
Mkt cap (EUR M)	492	492	€92
Debt (EUR M)**	39	20	-8
EV (EUR M)	531	512	484
EV/EBITDA (x)	15.5	9.9	7.7
Prem/(discount) to peers % avg. Tier 1	-1	-26	-19
EV/EBIT (x)	25.3	13.4	9.8
Prem/(discount) to peers % avg. Tier 1	12	-28	-25
P/E (x)	32.5	16.3	13.2
Prem/(discount) to peers % avg. Tier 1	16	-29	-18

Note: NOSH f.d. for the warrants; ** includes the potential cash-in from warrants; E: estimates; Source: Intesa Sanpaolo Research

As peers we selected a group of companies split into Tier I (which we think can be considered as a guidance in terms of valuation) and Tier II which, although relevant in terms of main trends (i.e. future mobility technology), are not 100% comparable with Seri.

Tier I includes:

- Varta AG: Varta AG is a German company that produces and markets micro batteries and energy storage solutions through the business segments "Micro batteries & Solutions" and "Household Batteries";
- EnerSys: EnerSys is a US firm which manufactures and distributes reserve power and motive power batteries, battery chargers, power equipment, battery accessories and outdoor equipment enclosure solutions to customers worldwide;
- Umicore: Umicore produces automotive catalysts (for gasoline and diesel light and heavy-duty diesel applications, including on-road and non-on-road vehicles), materials (cobalt and specialty materials, electro-optic materials, electroplating, rechargeable battery materials and thin film), recycling (precious metals refining, jewellery and industrial metals);
- GEM: the company does R&D and industrialization of recycling systems and recycled products. It focuses on used batteries, waste electrical and electronics, scrapped automobiles, and cobalt-nickel-tungsten rare metal waste. Its products include cobalt and nickel products, wood plastic composites, recycling, and plastic products;

Tier II companies are:

- Solar Edge: the company develops smart energy technology (photovoltaic inverters, power optimizers, photovoltaic monitoring, software tools, and electric vehicle chargers);
- CATL: it is very similar to SERI (R&D, production and sale of power battery systems, energy storage systems, and lithium battery materials). The company is in Tier II because of its size and because it is more mass-market than SERI;
- Ganfeng: the company operates more in the materials part of the battery value chain (manufactures lithium chloride, lithium fluoride, lithium carbonate, lithium hydroxide and lithium magnesium alloy. Its products include lithium metal, battery grade, low sodium, catalyst grade, lithium fluoride, lithium rods, tablets, particles, battery grade lithium carbonate, lithium hydroxide, lithium chloride, anhydrous and battery grade lithium fluoride).

Seri Industrial – Peer group multiples

x	Tier	EV/EBITDA			EV/EBIT			P/E		
		2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Varta AG	I	16.5	13.1	11.2	23.9	17.9	14.2	33.0	25.9	21.5
EnerSys	I	13.1	11.2	10.1	19.6	15.2	13.7	20.9	16.8	14.1
Umicore	I	12.0	12.2	11.4	16.0	16.8	15.6	21.1	22.5	20.3
GEM Co., Ltd. Class A	I	20.7	17.1	14.7	31.3	24.7	22.0	36.9	27.0	24.8
SolarEdge Technologies	II	38.2	28.6	23.4	52.8	37.0	28.8	69.7	52.5	39.0
Ganfeng Lithium Co.	II	45.6	31.8	25.3	54.7	37.4	29.6	56.7	40.4	33.0
CATL	II	48.0	34.6	24.5	81.7	57.6	34.3	105.0	76.1	44.0
Average		27.7	21.2	17.2	40.0	29.5	22.6	49.0	37.3	28.1
Average Tier I		15.6	13.4	11.9	22.7	18.7	16.4	28.0	23.0	20.2
SERI Industrial*		12.5	7.9	6.1	20.4	10.7	7.7	26.6	12.2	9.7
Premium/(Disc.) to Tier 1 %		-20	-41	-49	-10	-43	-53	-5	-47	-52

Priced at market close on 30/4/2021; Source: FactSet and *Intesa Sanpaolo Research

Seri Industrial – Key Data

Rating	Target price (EUR/sh)	Mkt price (EUR/sh)		Sector	
BUY	Ord 8.6	Ord 7.12		Industrials	
Values per share (EUR)	2019A	2020A	2021E	2022E	2023E
No. ordinary shares (M)	47.29	47.29	47.29	47.29	47.29
Total no. of shares (M)	47.29	47.29	47.29	47.29	47.29
Market cap (EUR M)	83.23	140.80	336.73	336.73	336.73
Adj. EPS	0.11	-0.02	0.28	0.60	0.74
CFPS	0.29	-0.14	0.26	0.54	0.78
BVPS	2.5	2.4	2.7	3.3	4.0
Dividend ord	0	0	0	0	0
Income statement (EUR M)	2019A	2020A	2021E	2022E	2023E
Revenues	151.0	125.6	206.2	275.0	319.3
EBITDA	19.38	2.31	34.33	51.49	62.75
EBIT	6.71	-11.46	20.98	38.19	49.28
Pre-tax income	3.32	-14.79	17.40	35.38	47.53
Net income	1.54	-4.08	12.70	27.83	34.70
Adj. net income	5.02	-1.08	13.20	28.33	35.20
Cash flow (EUR M)	2019A	2020A	2021E	2022E	2023E
Net income before minorities	1.8	-4.3	12.7	27.8	34.7
Depreciation and provisions	12.7	13.8	13.3	13.3	13.5
Others/Uses of funds	-3.0	-5.5	2.8	4.8	4.8
Change in working capital	2.3	-7.7	-14.0	-15.2	-12.9
Operating cash flow	13.2	-3.3	14.9	30.8	40.0
Capital expenditure	-58.5	-23.4	-8.2	-11.0	-12.8
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	-45.3	-26.7	6.6	19.8	27.3
Dividends	0	0	0	0	0
Equity changes & Other non-operating items	17.9	0	0	0	0
Net cash flow	-27.4	-26.7	6.6	19.8	27.3
Balance sheet (EUR M)	2019A	2020A	2021E	2022E	2023E
Net capital employed	189.2	211.8	217.9	226.0	233.4
of which associates	0	0	0	0	0
Net debt/-cash	69.0	96.0	89.3	69.6	42.3
Minorities	1.8	1.8	1.8	1.8	1.8
Net equity	118.4	114.1	126.7	154.5	189.2
Minorities value	0	0	0	0	0
Enterprise value	153.5	239.0	430.8	410.2	382.2
Stock market ratios (x)	2019A	2020A	2021E	2022E	2023E
Adj. P/E	16.6	Neg.	25.5	11.9	9.6
P/CFPS	6.0	Neg.	27.8	13.3	9.1
P/BVPS	0.69	1.2	2.6	2.2	1.8
Payout (%)	0	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0
FCF yield (%)	3.1	-5.3	2.0	5.9	8.1
EV/sales	1.0	1.9	2.1	1.5	1.2
EV/EBITDA	7.9	NM	12.5	8.0	6.1
EV/EBIT	22.9	Neg.	20.5	10.7	7.8
EV/CE	0.81	1.1	2.0	1.8	1.6
D/EBITDA	3.6	41.5	2.6	1.4	0.67
D/EBIT	10.3	Neg.	4.3	1.8	0.86
Profitability & financial ratios (%)	2019A	2020A	2021E	2022E	2023E
EBITDA margin	12.8	1.8	16.7	18.7	19.7
EBIT margin	4.4	-9.1	10.2	13.9	15.4
Tax rate	44.1	71.4	27.0	21.3	27.0
Net income margin	1.0	-3.2	6.2	10.1	10.9
ROCE	3.5	-5.4	9.6	16.9	21.1
ROE	1.3	-3.5	10.6	19.8	20.2
Interest cover	-2.0	3.4	-5.9	-13.6	-28.2
Debt/equity ratio	57.4	82.8	69.5	44.5	22.2
Growth (%)		2020A	2021E	2022E	2023E
Sales		-16.8	64.2	33.4	16.1
EBITDA		-88.1	NM	50.0	21.9
EBIT		NM	NM	82.0	29.0
Pre-tax income		NM	NM	NM	34.3
Net income		NM	NM	NM	24.7
Adj. net income		NM	NM	NM	24.2

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

Seri Industrial is a listed company on the MTA of Borsa Italiana. The mission of Seri Industrial is to accelerate the energetic transition to sustainability and decarbonization, controlling the entire supply chain of electric accumulators and plastic components. The Group operates through two operating companies: (i) Seri Plast, operating in the production and recycling of plastic material for the battery, automotive and hydro-thermosanitary market; (ii) FIB, active, through the brand FAAM, in the design, production and recycling of lead-acid and Li-Ion batteries for industrial, storage, military and special applications, as well as in the design and construction of plants for the recycling of batteries. The activities shape a fully integrated cycle and recovery of raw materials, representing a unique example of Circular Economy.

Key data

Mkt price (EUR)	7.12	Free float (%)	20.6
No. of shares	47.29	Major shr	Civitillo V.
52Wk range (EUR)	7.45/2.73	(%)	62.6
Reuters	SERK.MI	Bloomberg	SERI IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	45.6	-1M	47.6
-3M	66.2	-3M	47.8
-12M	140.5	-12M	76.0

Key Risks

Company specific risks:

- Execution risks;
- Technology evolution risks;
- High leverage;

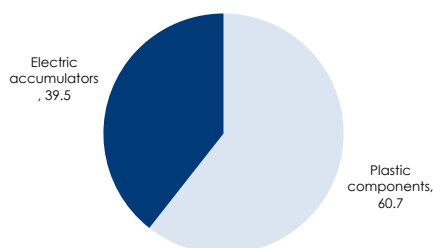
Sector generic risks:

- Overcapacity: a significant amount of capacity is coming on stream in the near future
- Trade barriers may emerge as countries tend to protect the local industry
- Geopolitical risks may impair operations (rare earth minings, raw material supply, etc)

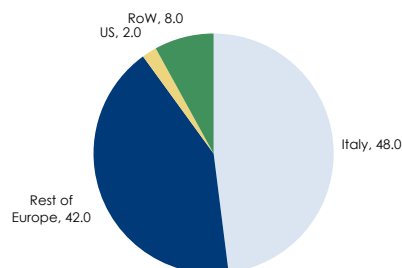
Estimates vs. consensus

EUR M (Y/E Dec)	2020A	2021E	2021C	2022E	2022C	2023E	2023C
Sales	125.6	206.2	NM	275.0	NM	319.3	NM
EBITDA	2.31	34.33	NM	51.49	NM	62.75	NM
EBIT	-11.46	20.98	NM	38.19	NM	49.28	NM
Pre-tax income	-14.79	17.40	NM	35.38	NM	47.53	NM
Net income	-4.08	12.70	NM	27.83	NM	34.70	NM
EPS	-0.02	0.28	NM	0.60	NM	0.74	NM

Sales breakdown by division (%)



Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 30/04/2021)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

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Equity rating key: (long-term horizon: 12M)

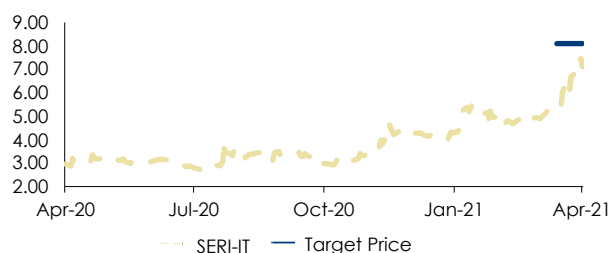
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ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
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NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

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Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
12-Apr-21	BUY	8.1	5.2

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at 12 April 2021)**

Number of companies considered: 127	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%) (*)	46	27	26	1	0
of which Intesa Sanpaolo's Clients (%) (**)	82	71	64	100	0

(*) Last rating refers to rating as at end of the previous quarter; (**) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
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- Intesa Sanpaolo acts as Corporate Broker relative to securities issued by Seri Industrial

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