

Seri Industrial

New Projects are Ongoing Despite Delays

FY22 top line for the business "as is" grew by double digits in FY22, EBITDA was hit by cost inflation, basically energy costs, due to be recovered in FY23. Teverola 1 plant didn't contribute to FY22 and 1Q23 sales, as a necessary technical process upgrading slowed down the business phase-in; it is now working at 1/3 of its capacity and full steam is expected by 3Q23, although price increases (+37%) are offsetting lower output. In recent weeks, the news flow on Seri was positive: 1) the demand for lithium batteries is strong and Seri has already collected a substantial amount of orders; 2) the Ministry of Economic Development has increased grants for Teverola 2 R&D expenses; 3) a CTO for Teverola 2 was appointed; and 4) funds for P2P projects are now granted.

FY22 results broadly in line

FY22 top line for the business "as is" (plastics and lead-acid batteries) grew by 14% yoy, EBITDA was lower than our estimates due to cost inflation (basically energy) but Seri reached an agreement with customers for an energy surcharge based on the energy cost, indexed to the single national electricity price, to be applied henceforth. EBIT was EUR -4.1M, after EUR 21.6M D&A (including D&A related to the investments in Teverola 1 and 2). FY22 net loss was EUR 4.4M. The company expects overall volumes to rise in FY23.

New, positive events still support our investment case

The Ministry of Economic Development (MISE) has announced an increase in grants for R&D expenses for the 100% of the opex envisaged on Teverola 2 project (around additional EUR 80M). As a reminder, this new facility comes on top of the EUR 505M facilities granted by the European Commission (IPCEI Project). Teverola 2 has an expected production capacity, at full speed, of 8/8.5GWh/year of lithium cells, modules and batteries, which should bring around EUR 1.4Bn additional yearly revenues to the company. For the project, Seri has recently appointed a Chief Technology Officer, Dominique Ligeois, with around 30 years' experience in Northvolt and Saft. As for P2P (the project in partnership with Unilever, envisaging an industrial reconversion of the Pozzilli plant into one of the most advanced sites in Europe for the production of recycled plastic), EUR 82M subsidies are now granted, following the signing of the Development Contract by the Ministry of Enterprises and Made in Italy (MIMIT) and Invalitalia.

Estimates' revision

We have revised our FY23/25E estimates including a lower contribution from Teverola 1 sales in FY23E, now at EUR 33M revenues. For FY24/25E we have assumed around 320MWh annual production (full steam) at EUR 400/KWh, which brings revenues to EUR 128M and EUR 130.6M respectively. Profitability for Teverola 1 should be 25% at regime (EBITDA margin in FY25E). We have postponed Teverola 2's contribution to our estimates to FY26E (vs. FY24E). As in our previous company updates, we do not include the impact from P2P project either in our estimates or in our valuation, since we expect the project to be in a start-up phase only in 2H25. Based on our calculations, we outline that P2P should generate around EUR 30M cash flow per year.

Valuation

Our new target price of EUR 9.5/sh reflects our new estimates and the periodical increase of the risk-free rate to 4% (from 3.5%), while implying a material upside at current levels. **BUY confirmed.**

12 July 2023: 7:17 CET
Date and time of production

BUY

Target Price: EUR 9.5
(from EUR 11.6)

Italy/Industrials
Company Update

EXM

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



Seri Industrial - Key Data

Price date (market close)	10/07/2023
Target price (EUR)	9.5
Target upside (%)	110.18
Market price (EUR)	4.52
Market cap (EUR M)	243.99
52Wk range (EUR)	7.69/3.67

Y/E Dec (EUR M)	FY22A	FY23E	FY24E
Revenues	204.1	248.5	354.3
EBITDA	17.73	26.47	54.62
EBIT	-4.09	3.28	30.78
Net income	-4.44	-1.84	18.41
EPS (EUR)	-0.06	-0.03	0.34
Net debt/-cash	104.3	110.1	121.8
Adj P/E (x)	Neg.	Neg.	13.2
EV/EBITDA (x)	27.2	13.4	6.7
EV/EBIT (x)	NM	NM	11.9
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Recent Results: A Recap

FY22

- **FY22 top line was broadly in line with our estimates:** 14% growth yoy was driven by better volumes in some business segments and higher average selling prices. Both divisions (Seri Plast, plastics, and FIB, lead acid batteries) showed a deceleration in growth in 2H22;
- **FY22 EBITDA** was lower than our estimates (down 12% yoy) due to rising raw material (plastic and lead) and energy costs. Plastic and lead purchasing contracts are indexed to their cost and Seri adjusts end-prices accordingly with a time lag of 60 days on average. End-price adjustments limited the impacts of cost inflation on the batteries segment's profitability, while in plastics there was an erosion in profitability for pipes and fittings' products (according to the company, profitability has already improved in 1Q23). The incidence of energy cost on revenues moved from 5% in FY21 to 7% in FY22; however, Seri reached an agreement with customers for an energy surcharge based on the energy cost, indexed to the single national electricity price, to be applied henceforth. EBIT was EUR -4.1M, after EUR 21.6M D&A (including EUR 11.2M related to the investments in Teverola 1 and 2). FY22 net loss was EUR 4.4M. The company expects overall volumes to rise in FY23;
- **The net debt (ex IFRS 16 impact)** was EUR 79M, in line with expectations and includes the impact of investments in Teverola 1 and 2.

Sales grew by double digits in FY22, with a deceleration in 2H22

FY22 EBITDA was affected by inflation costs

YE22 net debt was in line with estimates and included the impacts of Tev 1, 2 investments

Seri Industrial – 2H/FY22 results

EUR M	2H21A	2H22E	2H22A	yoy %	2H A/E %	2021A	2022E	2022A	yoy %	FY A/E %
Sales and other revenues	88.4	95.5	95.3	7.8	-0.2	169.3	193.0	192.9	13.9	-0.1
o/w Plastics	52.1	54.5	59.1	13.4	8.5	104.7	117.3	121.9	16.4	3.9
o/w Lead acid batteries	42.0	37.1	44.3	5.5	19.3	74.6	76.6	83.8	12.4	9.4
o/w Teverola 1	0.0	0.0	0.0			0.0	0.0	0.0		
EBITDA	11.7	11.7	8.9	-24.3	-24.2	20.1	20.6	17.7	-11.8	-13.8
Margin (%)	13.3	12.3	9.3	-29.8	-24.1	11.9	10.7	9.2		-13.7
EBITDA Adj.	12.3	11.7	8.4	-31.5	-28.1	20.5	20.8	17.3	-15.7	-16.9
Margin (%)	13.9	12.3	8.8	-36.5	-28.0	12.1	10.8	9.0		
EBIT	0.5	0.0	-2.2			-0.9	-1.9	-4.1	NM	NM
Margin (%)	0.6	NM	NM			NM	NM			
Pre-tax	-1.6	-2.6	-4.8	NM	NM	-4.7	-6.9	-9.9	NM	NM
Net Result attr.	2.6	0.1	-2.1			-1.5	-5.1	-4.4		-12.1
Net Debt/(Cash) adj.	75.0	80.2	79.0	5.3	-1.5	75.0	80.2	79.0	5.3	-1.5

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

1Q23 sales

- 1Q23 sales and other revenues were EUR 45.0M vs. EUR 44.0M in 1Q22 (+2.2% yoy and -0.7% vs. our estimate). Seri Plast (plastics) revenues were EUR 29.4M (+4.6% yoy); sales from lead-acid batteries were EUR 15.6M (-2% yoy and -4.2% vs. our estimates); the difference vs. our expectations was due to a shutdown at the Repiombo new refining and smelter plant, given its set-up activities in January and February; in March, sales resumed at full speed. Without this activity's suspension (which impacted revenues for EUR 1.549M), sales of the lead-acid battery division would have been up 7.5%. Net debt, including IFRS impact, increased to EUR 112M (vs. EUR 104M at YE22). As far as the business "as is" is concerned, the company commented that sales were substantially in line with management's plan. No details were given on the Teverola 1 revenues/orders.

Flat 1Q23 sales**Seri Industrial – 1Q23 revenues**

EUR M	1Q22A	1Q23E	1Q23A	A/E %	yoy %
Plastics	28.1	29.0	29.4	1.3	4.6
Lead acid batteries	15.9	16.3	15.6	-4.2	-1.9
Total sales and other revenues	44.0	45.3	45.0	-0.7	2.2
Net debt (incl. IFRS 16)	109.1	NA	112.0	NA	2.7

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

Recent News Flow and Estimates Revision

- **Teverola 1 – news flow:** we recall that at the end of March, the company stated that Teverola 1 plant was working at 30% of its theoretical capacity (about 28 MWh/month), this was due to an upgrading of the production process; however, it was expected to gradually reach maximum installed capacity within 3Q23. The lower output was offset by a price increase of around 37% (vs. the previous 2022-26 assumption of 400 EUR/KWh), driven by the strong demand. No hints were given about profitability;
- **Teverola 1 estimate revision:** we have revised our FY23/25E estimates including a lower contribution from Teverola 1 sales in FY23E, now working at 1/3 of its capacity vs. full steam in our previous assumptions: we have conservatively included EUR 33M revenues, coming from expected conservative 60MWh production at around EUR 550/KWh and EUR 4M EBITDA (12% EBITDA margin). For FY24/25E we have assumed around 320MWh annual production (full steam) at EUR 400/KWh, which brings revenues to EUR 128M and EUR 130.6M respectively. Profitability should be 25% at regime (FY25E);
- **Teverola 2 – news flow:** the Ministry of Economic Development (MISE) has announced an increase in grants for R&D expenses for the 100% of the opex envisaged on the project (around additional EUR 80M). As a reminder, this new facility comes on top of the EUR 505M facilities granted by the European Commission (IPCEI Project) in the form of a contribution to expenditure. Teverola 2 has an expected production capacity, at full speed, of 8/8.5GWh/year of lithium cells, modules and batteries, which should bring around EUR 1.4Bn additional yearly revenues to the company (see our DCF in the Valuation paragraph).

Teverola 1 is working at 1/3 of its capacity; lower output offset by end price increase

Only a small impact from Teverola 1 in our estimates in 2023

Additional funds agreed for Teverola 2 R&D expenses; appointment of a CTO

We include Teverola 2 in our estimates from FY26E

The business “as is” is expected to grow, with better profitability

Seri has recently appointed a Chief Technology Officer, Dominique Ligeois, for the Teverola 2 project. He will be responsible for all the activities related to the development, construction, process engineering, and project management related to the Teverola 2 plant. He has been working on li-on cell and battery engineering since 1995, leading and setting up multiple industrialised production lines in different countries (mainly the US, France and Sweden) and companies. He has gained around 30 years' experience in Northvolt and Saft;

- **Teverola 2 - estimate revision:** we have postponed its contribution to our estimates to FY26E (vs. FY24E), since the lack of released figures on Teverola 1 suggests being more prudent in our general assumptions. However, we outline that Seri has invested EUR 3.8M as initial amount in Teverola 2 plant, which are due to be refunded by IPCEI funds according to a scheme that foresees the cash reception after 4 months from the fund request (which is due to be applied at the end of the first semester every year); as such, we expect Seri to cash in the amount spent in the short run;
- **The business “as-is”:** we expect it to grow, thanks to increasing volumes in both divisions (up in the mid-single digit in FY23/25E); FY23E profitability should improve vs. FY22 also thanks to the recovery in energy costs spent in FY22. Our estimates are for flat D&A vs. FY22 (which included the impact of investments in Teverola 1 and 2 projects, even if we expect a different accounting once Teverola 1 and 2 generate steady revenues). Maintenance capex is in the range of 2/2.5% of revenues and capex for Tev. 2 in FY23/25E doesn't impact the net debt due to the cash-in of granted funds. Financial charges could be higher than our current estimates due to the financing that will advance the funds.

Seri Industrial - Estimates revision (2023/25E)

EUR M	2023E	2023E	2023E	2024E	2024E	2024E	2025E
	Old	New	New/Old %	Old	New	New/Old %	New
Sales	335.4	223.9	-33.2	1,023.2	329.7	-67.8	341.6
Value of production	343.1	248.5	-27.6	1,042.6	354.3	-66.0	366.3
EBITDA	51.6	26.5	-48.7	171.3	54.6	-68.1	57.0
% margin on value of production	15.0	10.7		16.4	15.4		15.6
EBIT	28.5	3.3	-88.5	142.0	30.8	-78.3	32.4
% margin on value of production	8.3	1.3		13.6	8.7		8.9
Net result	18.4	-1.8	-110.0	99.2	18.4	-81.4	18.9
EPS (EUR)	0.3	0.0	-110.0	1.8	0.3	-81.4	0.3
Adj. EPS (EUR)	0.4	0.0	-109.7	1.8	0.3	-81.5	0.3
Net Debt/(Cash)	102.8	110.1	7.1	169.6	121.8	-28.2	111.5

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

Seri Industrial - Revenues breakdown (2022A/25E)

EUR M	2022A	2023E	2024E	2025E
Plastics	121.9	127.9	135.5	142.3
Lead-acid batteries	83.8	88.0	92.4	95.2
Teverola 1	0.0	33.0	128.0	130.6
Teverola 2	0.0	0.0	0.0	0.0
JV Unilever (P2P)	0.0	0.0	0.0	0.0
Others, WIP, corporate & elision	-1.6	-0.3	-1.6	-1.8
Total value of production	204.1	248.5	354.3	366.3
% on total value of production				
Plastics	59.7	51.4	38.3	38.9
Lead-acid batteries	41.1	35.4	26.1	26.0
Teverola 1	0.0	13.3	36.1	35.7
Teverola 2	0.0	0.0	0.0	0.0
JV Unilever (P2P)	0.0	0.0	0.0	0.0

A: actual; E: estimates; Source: Intesa Sanpaolo Research

Seri Industrial - EBITDA breakdown (2022A/25E)

EUR M	2022A	2023E	2024E	2025E
Plastics	10.6	13.4	14.2	14.9
Lead-acid batteries	8.2	9.9	10.3	10.5
Teverola 1	0.0	4.0	29.4	32.7
Teverola 2	0.0	0.0	0.0	0.0
JV Unilever (P2P)	0.0	0.0	0.0	0.0
Total EBITDA	17.7	26.5	54.6	57.0
% margin on value of production	8.7	10.7	15.4	15.6

A: actual; E: estimates; Source: Intesa Sanpaolo Research

P2P Project

We recall that the project, in partnership with Unilever, envisages an industrial reconversion of the Pozzilli plant into one of the most advanced sites in Europe for the production of recycled plastic. This recycling plant has a production capacity of 130,000 tons/year and

A recap of P2P project

Unilever is committed to acquiring 50% of the total output of recycled plastic raw materials (HDPE, PET, LPD, polypropylene) at a price already agreed, indexed on a pricing formula linked to the raw materials' price trend. The agreement has a 5-year duration starting from the beginning of the mass production, renewable for 5 further years, and should grant revenues for Seri at around EUR 110M per year, depending on the raw materials' price (EUR 110M is based on 2021 prices).

Seri Industrial has recently announced the signing of the Development Contract by the Ministry of Enterprises and Made in Italy (MIMIT) and Invitalia to support the P2P project with EUR 82M financial resources from MIMIT. Therefore, out of EUR 109M expected investments on the P2P project, EUR 82M will be subsidised (of which EUR 30M in non-repayable grant form and EUR 52M as a subsidised loan). We expect the plant to be operative in 2Q25; as such, we have conservatively not included P2P either in our estimates or in our valuation. We have drafted some estimates to understand the annual cash generation that the project could bring to Seri, based on the assumption that the price of recycled plastic won't change over the following years vs. the initial forecasts made by the company (EUR 1.7M/ton implied in the company's assumptions of EUR 110M revenues); we have also factored in that the company should be able to sell to third-parties the remaining 50% output at the same price as Unilever's. For the first year we see sales volumes in the range of 47,000 tons and for the following years of around 130,000 tons, at full steam. EBITDA margin should be in the range of 22%, while D&A (7% of revenues) should reflect the initial EUR 109M investment and some maintenance capex. We outline that while we expect the plant to be operative in 2Q25E, we also expect the bulk of investments to be done in FY23/24E (EUR 109M o/w EUR 30M non-repayable grant, not included in our estimates). According to our simulation, P2P should generate more than EUR 30M cash flow per year.

**Funds to P2P are now granted.
According to our simulations P2P
could generate more than EUR
30M in yearly cash for Seri**

Seri Industrial - P2P cash flow (2025-34E)

EUR M	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenues	100	200	210	215	220	215	215	215	215	215
o/w revenues from Unilever	100.	110	110	110	110	110	110	110	110	110
Price EUR/ton		1.69	1.69	1.69	1.69	1.69	1.69	1.69	1.69	1.69
Quantity ton	59	118	124	127	130	127	127	127	127	127
EBITDA	19.0	41.5	45.4	46.3	47.2	46.3	46.3	46.3	46.3	46.3
EBITDA margin %	19	21	22	22	22	22	22	22	22	22
EBIT	4	27	30	31	32	31	31	31	31	31
Tax on EBIT	(1)	(8)	(9)	(9)	(10)	(9)	(9)	(9)	(9)	(9)
Tax rate %	30	30	30	30	30	30	30	30	30	30
NOPLAT	2.8	18.6	21.3	21.9	22.6	21.9	21.9	21.9	21.9	21.9
Capex	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
D&A	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Change in WC	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
Cash flow to firm	12.8	28.6	31.3	31.9	32.6	31.9	31.9	31.9	31.9	31.9

Source: Intesa Sanpaolo Research estimates

Valuation

Based on our new estimates and the periodical increase in our risk-free rate now at 4.0% (from 3.5%), **we set a new target price of EUR 9.5/sh.** (from EUR 11.6/sh.). The potential upside is >100%. We highlight that prudentially we do not consider the JV with Unilever (P2P) in our target price.

P2P is not included in our target price, Teverola 2 is valued with a separate DCF

Seri Industrial – Summary valuation

EUR M	Net valuation EUR M	Per share EUR	18/01/2023	% change
DCF (as is activities)	230	4.3	384	-40.1
Peers	254	4.7	363	-29.9
Average	242	4.5	373	-35.1
Teverola 2 at 50%	362	6.7	361	0.2
Total fair value	604	11.2	734	-17.7
Discount 15%	-91	-1.7	-110	-17.7
Fair value after discount	514	9.5	624	-17.7
No. of shares (M)	54.0		54.0	0.0
Target price (EUR/sh.)	9.5		11.6	-17.7
Current price (EUR)	4.5		6.19	-27.5
Upside (%)	112		86.8	

Source: Intesa Sanpaolo Research

DCF model

Our DCF model does not take into account the revenues by Teverola 2, which are calculated separately; it returns a fair value of EUR 4.3/sh, reflecting our new estimates and the increase in our risk-free rate to 4.0%. The WACC now stands at 8% (from 7.6%) adopting a Beta of 1 and a sustainable D/E assumption of 30%. We assume an EBIT margin at 9.7% at terminal value and a 3.0% terminal growth rate.

Seri Industrial – DCF model (2023/31E) excluding Teverola 2 and P2P

EUR M	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal
Revenues	224	330	342	359	369	381	392	404	416	428
yoy growth %	27.6	47.2	3.6	5.0	3.0	3.0	3	3	3	3.0
EBIT	3	31	32	36	38	39	42	41	43	42
EBIT margin %	1.5	9.3	9.5	9.9	10.2	10.2	10.7	10.2	10.2	9.7
D&A and provisions	-23.2	-23.8	-23.6	-24.3	-25.0	-25.8	-26.5	-27.3	-28.1	-29.0
EBITDA	26	55	57	60	63	65	69	69	71	71
EBITDA margin %	11.8	16.6	16.7	16.7	17.0	17.0	17.5	17.0	17.0	16.5
Labour cost	-37	-32	-33	-34	-35	-36	-38	-39	-40	-41
% on sales	-16.5	-9.8	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6
Working capital	73	119	144	150	153	156	159	162	165	173
% on sales	32.6	36.1	42.1	41.7	41.3	40.9	40.5	40.0	39.6	40.5
Tax on EBIT	2	10	10	11	12	12	13	13	13	13
Tax rate %	64.0	31.1	31.0	30.8	30.8	30.8	30.6	30.8	30.8	30.9
DCF	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal
NOPLAT	1.2	21.2	22.4	24.6	26.2	27.0	29.2	28.6	29.5	28.8
Capex	-5.6	-6.6	-10.0	-10.5	-10.8	-11.1	-11.5	-11.8	-12.2	-12.5
D&A	23.2	23.8	23.6	24.3	25.0	25.8	26.5	27.3	28.1	12.5
Change in Working capital	-20.5	-46.0	-24.8	-5.7	-2.9	-3.0	-3.1	-3.1	-3.2	-8.4
Cash flow to the firm	-1.7	-7.6	11.1	32.7	37.4	38.6	41.2	41.0	42.3	20.4
Time adjustment (years)	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0
Discount factor	0.9	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5
Discounted cash flow to firm	-1.6	-6.5	8.8	24.1	25.5	24.4	24.1	22.2	21.2	9.5

Source: Intesa Sanpaolo Research

Seri Industrial – sensitivity to WACC, g

EUR	Terminal growth rate %			
	7.5	2.5	3.0	3.5
	4.4	4.4	4.9	5.4
	7.8	4.2	4.5	5.0
WACC %	8.0	3.9	4.3	4.6
	8.3	3.6	3.9	4.3
	8.5	3.4	3.7	4.0

Source: Intesa Sanpaolo Research

Relative Valuation

We highlight that the Seri is trading at discount vs. its peers on 2024/25E average EV/EBITDA.

Seri Industrial – Peer group multiples

x	Market cap EUR M	EV/EBITDA			EV/EBIT			P/E		
		2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
CATL	123,320	14.5	11.2	8.8	19.2	14.8	11.4	22.0	16.9	13.2
EnerSys	3,984	10.2	9.3		12.9	11.7		13.8	12.2	10.9
Ganfeng Lithium	14,780	6.3	6.3	5.1	6.6	6.7	5.4	6.7	6.8	5.6
GEM Co.	4,562	10.6	8.6	7.3	16.9	12.6	10.3	18.4	13.3	11.0
SolarEdge	13,325	17.4	14.1	12.1	19.9	15.9	13.6	24.2	20.4	16.8
Varta AG	834	21.4	11.9	9.5						
Umicore	6,335	7.3	7.1	6.6	10.4	10.5	10.0	13.6	13.9	13.5
Average		12.5	9.8	8.2	14.3	12.0	10.1	16.4	13.9	11.8
Seri Industrial*	242	13.4	6.7	6.2	NM	11.9	11.0	NM	13.2	12.9
Premium/(Disc.) %	%	6.1	-31.5	-24.8		-1.9	7.4		-5.8	8.3

Priced at market close on 10/07/2023; NM: not meaningful; Source: FactSet and *Intesa Sanpaolo Research

Seri Industrial – Peer based valuation

EUR M	2023E	2024E	2025E
EV/EBITDA – peers (x)	12.5	9.8	8.2
Adj. EBITDA (ex Tev2 and Unilever JV)	26.5	54.6	57.0
Implied EV	331.7	534.3	469.9
Debt/(Cash)	110.1	121.8	111.5
Pension liabilities + factoring	6.2	12.3	24.7
A - Equity value	215.4	400.2	333.7
EV/EBIT – peers (x)	14.3	12.0	10.1
Adj. EBIT (ex Tev2 and Unilever JV)	3.3	30.8	32.4
Implied EV	47.0	370.3	329.1
Debt/(Cash)	110.1	121.8	111.5
Pension liabilities + factoring	6.2	12.3	24.7
B - Equity value		236.2	192.8
PE – Peers (x)	16.4	13.9	11.8
Adj. Net Profit		18.4	18.9
C - Equity Value		256.1	223.2
Seri Industrial - Fair value	215.4	297.5	249.9
N.° of shares (M)	54.0	54.0	54.0
Fair value per share (EUR)	4.0	5.5	4.6

E: estimates; Source: Intesa Sanpaolo Research

Teverola 2

As in our previous updates, we include in our valuation the contribution of Teverola 2 and assumed in our DCF the plant to be at full steam in 2026. We recall that the average selling price of Teverola 2 should be much lower than the average price per kWh of Teverola 1, given that while Teverola 1 is targeting “niche” applications for motive power (i.e. forklifts, ground movement machines, light traction, telehandlers and so on), ESS, public transport, Naval and Defence, Teverola 2 will be a mass-production Gigafactory for motive power, storage and public transport applications.

Seri Industrial – DCF of Teverola 2

EUR M	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal
Revenues	1,416	1,419	1,483	1,453	1,424	1,438	1,453	1,453
yoy growth %	0.0	0.2	4.5	-2.0	-2.0	1.0	1.0	0.0
EBIT	170	184	222	291	299	288	291	218
EBIT margin %	12	13	15	20	21	20	20	15
Tax on EBIT	-51.0	-55.3	-66.7	-87.2	-89.7	-86.3	-87.2	-65.4
Tax rate %	30	30	30	30	30	30	30	30
DCF	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal
NOPLAT	119.0	129.1	155.7	203.5	209.4	201.3	203.4	152.5
Capex	-28.3	-28.4	-29.7	-29.1	-28.5	-28.8	-29.1	-29.1
D&A	70.8	70.9	74.1	72.7	57.0	43.1	43.6	29.1
Change in Working capital	-283.2	-0.5	-12.9	5.9	5.8	-2.8	-2.9	0.0
Cash flow to the firm	-121.8	171.2	187.3	253.0	243.7	212.9	215.0	152.5
Time adjustment (years)	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0
Discount factor	0.6	0.6	0.5	0.4	0.4	0.4	0.3	0.3
Discounted cash flow to firm	-77.0	96.5	94.2	113.4	97.4	75.9	68.3	43.2

E: estimates; Source: Intesa Sanpaolo Research

Seri Industrial – DCF valuation of Teverola 2

PV of future cash flows EUR M	468.5
PV of Terminal value EUR M	355.6
Enterprise value EUR M	824.1
Net debt/(Cash) EUR M	100.0
Equity Value EUR M	724.1
N. of shares M	54.0
Equity Value per share EUR	13.4

Seri Industrial – WACC of Teverola 2 (%)

Risk free rate	4.0
Equity Risk Premium	6.5
Beta x	1.6
Cost of equity	14.4
Net Cost of debt	3.2
Leverage	20.0
WACC	12.2

Source: Intesa Sanpaolo Research

Source: Intesa Sanpaolo Research

Seri Industrial – sensitivity to WACC, g; Teverola 2

EUR	Terminal growth rate %		
	-0.5	0.0	0.5
	11.7	14.1	14.4
	11.9	13.6	13.9
WACC %	12.2	13.2	13.4
	12.4	12.7	13.0
	12.7	12.3	12.6

Source: Intesa Sanpaolo Research

Valuation and Key Risks

Valuation basis

Our EUR 9.5/sh is derived with an average of DCF model of the business "as is" + Teverola 1 business (WACC 8%, g=3%) and peer multiples valuation. It also includes the fair value of Teverola 2 project at 50% (obtained with a DCF: WACC 12.2%, g=0%). We have applied a 15% discount to our target price due to the stock low liquidity.

Key Risks

Company specific risks:

- Execution risks at Teverola 2 plant;
- Technology evolution risks in batteries;
- Supply shortage and higher raw material prices.

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).

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.

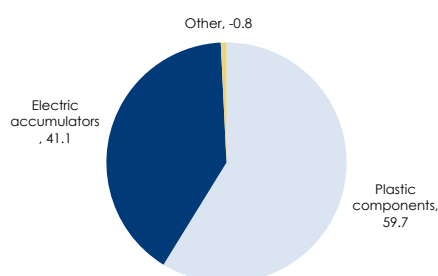
Key data

Mkt price (EUR)	4.52	Free float (%)	36.2
No. of shares	53.98	Major shr	Civitillo V.
52Wk range (EUR)	7.69/3.67	(%)	56.5
Reuters	SERK.MI	Bloomberg	SERI IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	13.1	-1M	10.7
-3M	-21.0	-3M	-22.4
-12M	-35.8	-12M	-48.8

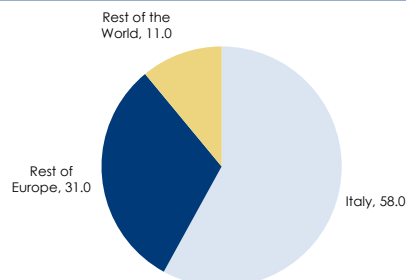
Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	204.1	248.5	NM	354.3	NM	366.3	NA
EBITDA	17.73	26.47	NM	54.62	NM	57.00	NA
EBIT	-4.09	3.28	NM	30.78	NM	32.43	NA
Pre-tax income	-9.94	-2.56	NM	25.94	NM	26.59	NA
Net income	-4.44	-1.84	NM	18.41	NM	18.88	NA
EPS (EUR)	-0.06	-0.03	NM	0.34	NM	0.35	NA

Sales breakdown by division (%)



Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 10/07/2023)

Seri Industrial – Key Data

Rating BUY	Target price (EUR/sh) Ord 9.5		Mkt price (EUR/sh) Ord 4.52			Sector Industrials
	2020A	2021A	2022A	2023E	2024E	2025E
Values per share (EUR)						
No. ordinary shares (M)	47.29	48.90	53.98	53.98	53.98	53.98
Total no. of shares (M)	47.29	48.90	53.98	53.98	53.98	53.98
Market cap (EUR M)	140.80	354.38	377.88	243.99	243.99	243.99
Adj. EPS	-0.14	0.01	-0.06	-0.03	0.34	0.35
BVPS	2.4	2.3	2.0	2.0	2.3	2.7
Dividend ord	0	0	0	0	0	0
Income statement (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Revenues	134.0	177.1	204.1	248.5	354.3	366.3
EBITDA	3.12	20.11	17.73	26.47	54.62	57.00
EBIT	-10.65	-0.88	-4.09	3.28	30.78	32.43
Pre-tax income	-14.10	-4.70	-9.94	-2.56	25.94	26.59
Net income	-4.07	-1.53	-4.44	-1.84	18.41	18.88
Adj. net income	-6.65	0.46	-3.37	-1.84	18.41	18.88
Cash flow (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net income before minorities	-4.3	-1.5	-4.4	-1.8	18.4	18.9
Depreciation and provisions	13.8	21.0	21.8	23.2	23.8	24.6
Others/Uses of funds	-5.8	0.7	-0.2	-1.1	-1.3	-1.6
Change in working capital	-7.7	-0.6	-19.2	-20.5	-46.0	-24.8
Operating cash flow	-3.6	19.4	-2.0	-0.2	-5.1	17.1
Capital expenditure	-23.4	-25.2	-26.9	-105.6	-111.6	-176.8
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	-27.0	-5.7	-28.9	-105.8	-116.7	-159.8
Dividends	0	0	0	0	0	0
Equity changes & Non-op items	0	3.7	22.6	100.0	105.0	170.0
Net cash flow	-27.0	-2.0	-6.3	-5.8	-11.7	10.2
Balance sheet (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net capital employed	209.9	210.5	212.3	216.3	246.4	255.0
of which associates	0	0	0	0	0	0
Net debt/-cash	96.0	98.0	104.3	110.1	121.8	111.5
Minorities	0.4	0.4	0.0	0.0	0.0	0.0
Net equity	113.6	120.6	143.5	120.1	138.5	157.4
Minorities value	0	0	0	0	0	0
Enterprise value	237.2	453.7	482.3	354.1	365.8	355.6
Stock market ratios (x)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	Neg.	NM	Neg.	Neg.	13.2	12.9
P/CFPS	Neg.	26.2	Neg.	580.0	121.9	9.6
P/BVPS	1.2	3.2	3.5	2.3	2.0	1.7
Payout (%)	0	0	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0	0
FCF yield (%)	-5.3	3.7	-1.7	-2.4	-4.8	4.2
EV/sales	1.8	2.6	2.4	1.4	1.0	0.97
EV/EBITDA	76.1	22.6	27.2	13.4	6.7	6.2
EV/EBIT	Neg.	NM	NM	NM	11.9	11.0
EV/CE	1.1	2.2	2.3	1.6	1.5	1.4
D/EBITDA	30.8	4.9	5.9	4.2	2.2	2.0
D/EBIT	Neg.	Neg.	Neg.	33.5	4.0	3.4
Profitability & financial ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA margin	2.3	11.4	8.7	10.7	15.4	15.6
EBIT margin	-7.9	-0.5	-2.0	1.3	8.7	8.9
Tax rate	69.6	68.3	55.3	28.0	29.0	29.0
Net income margin	-3.0	-0.9	-2.2	-0.7	5.2	5.2
ROCE	-5.1	-0.4	-1.9	1.5	12.5	12.7
ROE	-3.5	-1.3	-3.4	-1.4	14.2	12.8
Interest cover	2.8	0.2	0.7	-0.6	-6.4	-5.6
Debt/equity ratio	84.2	81.0	72.7	91.6	87.9	70.8
Growth (%)		2021A	2022A	2023E	2024E	2025E
Sales		32.2	15.2	21.8	42.6	3.4
EBITDA		NM	-11.8	49.3	NM	4.4
EBIT		91.7	NM	NM	NM	5.4
Pre-tax income		66.7	NM	74.3	NM	2.5
Net income		62.4	NM	58.5	NM	2.5
Adj. net income		NM	NM	45.4	NM	2.5

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

ESG Matrix

Seri Industrial - ESG Matrix

Main KPIs	2020	2021	2022	Target	Trend
Emissions					
CO2 (scope 1) tons	1,844	3,961	3,462	//	-
CO2 (scope 2 market-based) tons	19,614	23,682	22,078	//	-
CO2 (scope 2 location-based) tons	14,952	17,137	16,114	//	-
Circular Economy					
% of plastic material recycled (Seri Plast)	17.0	42.0	44.0	//	+
% of plastic material reused (lead)	12.0	71.0	81.0	//	+
Total recovered waste/total waste	92.6	89.3	79.9	//	-
Total hazardous waste/total waste	66.8	65.3	55.6	//	-
Renewables Ratio					
% electricity from renewable	2.1	1.7	1.8	//	+
Water withdrawals (m3)	58,055	82,512	72,863	//	-
Energy Consumption (MWh)	51,682	61,632	56,352	//	-
S					
Women in leadership roles (%)	0.0	0.0	0.0	//	=
Training hrs per capita (No.)	0.7	2.3	2.8	//	+
Turnover ratio (%)	12.7	11.6	16.8	//	+
Lost time injury frequency index (1)	20.3	17.3	10.2	//	-
Ethical code	Yes	Yes	Yes	//	=
Notes (Social):	(1) number of lost time injuries/hours worked x 1,000,000				
G					
Independent directors' rate (%)	57.1	57.1	40.0	//	-
Women in BoD (%)	28.6	28.6	40.0	//	+
Anti-corruption	No	No	Yes	//	+
Management Remuneration Policy linked to ESG goals*	No	No	Yes	//	+
ESG Report	Yes	Yes	Yes	//	
Remun. Of BOD members (% of EBITDA) (2)	42.4	7.1	7.1	//	=
Shareholders'/Consulting Agreement	No	No	No	//	
Loyalty Shares	Yes	Yes	Yes	//	
Notes (Governance):	*Stock option plan linked to ESG goals (2) in 2020 EBITDA was hit by Covid-related issues				

Note: the indicators +/- refer to how the company, in ISP view, is progressing towards its targets and/or vs. its historic trend; //: no explicit targets; Source: Company data and Intesa Sanpaolo Research elaboration

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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 eligible for listing have revenues below 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 of around EUR 1Bn.

Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

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

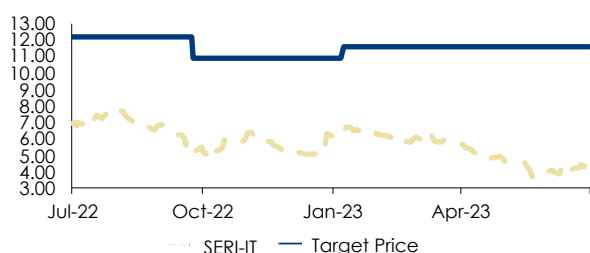
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, whose key is reported below:

Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 10% higher than the market price.
HOLD	If the target price is in a range 10% below or 10% above the market price.
SELL	If the target price is 10% lower than the market price.
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis to determine an investment rating or target price. The previous investment rating and target price, if any, are no longer in effect for this stock.
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 12M 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.
Note	Intesa Sanpaolo assigns ratings to stocks on a 12M horizon based on a number of fundamental drivers including, among others, updates to earnings and/or valuation models; short-term price movements alone do not imply a reassessment of the rating by the analyst.

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

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months>. Intesa Sanpaolo changed its long-term 12M horizon rating key on 3 April 2023; please refer to the ISP Equity Rating Reconciliation Table for further details at the following link: <https://group.intesasanpaolo.com/it/research/equity-credit-research>.

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

Date	Rating	TP (EUR)	Mkt Price (EUR)
18-Jan-23	BUY	11.6	6.4
04-Oct-22	BUY	10.9	5.9

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at July 2023)**

Number of companies considered: 126	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	77	23	0
of which Intesa Sanpaolo's Clients (%)**	71	52	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

Company-specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (hereafter the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, Management and Control Model" pursuant to Legislative Decree 8 June 2001 no. 231 (available at the Intesa Sanpaolo website, <https://group.intesasanpaolo.com/en/governance/leg-decree-231-2001>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group, which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or

indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest.

- One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Seri Industrial in the next three months
- Intesa Sanpaolo acts as Corporate Broker relative to securities issued by Seri Industrial

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