

SERI INDUSTRIAL

BUY

Sector: Industrials

Price: Eu3.27 - Target: Eu7.00

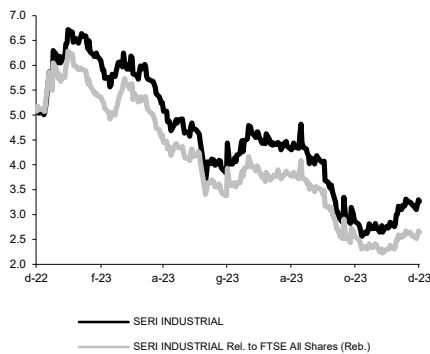
New CTO Should Improve Execution

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 9.80 to 7.00		
	2023E	2024E	2025E
Chg in Adj EPS	n.m.	n.m.	-43.5%

SERI INDUSTRIAL - 12M Performance



Stock Data

 Reuters code: SERK.MI
 Bloomberg code: SERI IM

Performance	1M	3M	12M
Absolute	19.8%	-19.8%	-35.6%
Relative	15.7%	-25.6%	-59.6%
12M (H/L)	6.72/2.56		
3M Average Volume (th):	228.09		

Shareholder Data

No. of Ord shares (mn):	54
Total no. of shares (mn):	54
Mkt Cap Ord (Eu mn):	177
Total Mkt Cap (Eu mn):	177
Mkt Float - Ord (Eu mn):	64
Mkt Float (in %):	36.2%
Main Shareholder:	
Civitillo Family	56.4%

Balance Sheet Data

Book Value (Eu mn):	130
BVPS (Eu):	2.41
P/BV:	1.4
Net Financial Position (Eu mn):	-33
Enterprise Value (Eu mn):	210

■ **1H23 results: as-is business burdened by drop in reference prices and higher electricity costs.** SERI reported 1H23 revenues of €95.9mn, -6% YoY (vs. exp. €96.1mn), with Plastic Materials and Lead-Acid Batteries both showing stable volumes, but lower average selling prices due to the decline of reference quotes. Adj. EBITDA was €7.2mn (vs €7.5mn exp.), down -21% YoY, giving a 7.5% margin, down 1.4pp, as the company sold products manufactured in previous periods at higher input prices and as the French subsidiaries registered higher electricity prices. Adj. EBIT was €-6.1mn, also burdened by €6.3mn in D&A related to the Teverola 1 & 2 plants, which, as known, are yet to start production. Net debt was €130.1mn vs. €104.3mn as at YE22, mainly due to a rise in inventories. As of 3Q23, net debt declined to €60.5mn after the advance payment received for Teverola 2 of €83.4mn.

■ **T1 update: problems with mass production delay commercial launch.** After the start-up at end-2022, the Teverola 1 lithium battery plant incurred a significant rise in production scrap and machine downtime once production increased. New CTO Mr. Ligeois, who joined SERI last June (former Industrial Engineer of SAFT and Northvolt), is implementing new production standards that should solve manufacturing problems and enable mass production. The situation led to a further delay in the commercial launch of batteries, previously envisaged from 3Q23. We are thus shifting our forecast by one year, assuming revenues of €7/55/133mn in 2023/24/25 (vs prev. €61/140/148mn) and reflecting in 2023 the spot sale of the products obtained during ramp-up, and from 2024 onward the progressive increase in output.

■ **T2 update: CTO reconfiguring plant; advance on grant received in August.** On the Teverola 2 gigafactory project, the new CTO and his team are redefining all the process parameters of the plant. Last August, SERI received an advance payment for Teverola 2 from the Ministry for Enterprise amounting to €83.4mn, or 20% of the total grant. The assessment with a pool of banks for activation of a revolving credit line is still ongoing. While these developments are welcomed, we believe overall progress is slower than we expected, prompting us to postpone the start of the investment phase to 2024 (start of CapEx shifted from '23). We therefore delay the commercial ramp-up of T2 to 2027 (vs mid-2026 prev.). We note that T2 is included in our valuation through a dedicated DCF at €2.1 per share (€5.0 prev.) due to slower progress and the application of a 50% execution risk based on the recent track record. Key elements moving our valuation are: successful execution at T1, timely progress on CapEx, agreements with customers (off-take agreements) and suppliers, strength of demand, NWC financing, and technology.

■ **Change in estimate.** We are making meaningful cuts to our forecast as we shift our previous assumptions by one year and add a dose of caution to the as-is business given the weaker macro and recent volatility.

■ **BUY; TP to €7.0 from €9.8.** There have been clear missteps in execution of the lithium battery projects that are the key value driver of the SERI equity story. The results of that are the further postponement of the commercial launch of the T1 plant and the slower-than-expected CapEx deployment at T2, leading to the negative share price performance. Nevertheless, the arrival of the new CTO and the receipt of advance payments on T2 boost our confidence on the delivery of SERI's business plan, albeit with delays to the original plan. Consequently, and in light of the tangible upside to our TP despite the revision due to lower estimates, we confirm our rating on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	177	204	203	257	341
EBITDA Adj (Eu mn)	21	17	16	28	48
Net Profit Adj (Eu mn)	0	-3	-14	-2	13
EPS New Adj (Eu)	0.010	-0.069	-0.253	-0.031	0.237
EPS Old Adj (Eu)	0.010	-0.069	-0.012	0.316	0.419
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	21.8	25.9	12.8	8.9	6.0
EV/EBIT Adj	nm	nm	nm	nm	12.0
P/E Adj	nm	nm	nm	nm	13.8
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	4.8	6.0	2.0	2.6	2.3

SERI INDUSTRIAL – Key Figures						
Profit & Loss (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	134	177	204	203	257	341
EBITDA	2	20	18	16	28	48
EBIT	-11	-2	-4	-11	3	24
Financial Income (charges)	-4	-4	-6	-8	-5	-7
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	-15	-6	-10	-19	-2	18
Taxes	11	3	6	5	1	-5
Tax rate	69.8%	53.9%	55.3%	27.0%	27.0%	27.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	-4	-3	-4	-14	-2	13
EBITDA Adj	5	21	17	16	28	48
EBIT Adj	-6	-1	-5	-11	3	24
Net Profit Adj	-8	0	-3	-14	-2	13
Per Share Data (Eu)	2020A	2021A	2022A	2023E	2024E	2025E
Total Shares Outstanding (mn) - Average	47	48	49	54	54	54
Total Shares Outstanding (mn) - Year End	47	48	49	54	54	54
EPS f.d	-0.092	-0.057	-0.091	-0.253	-0.031	0.237
EPS Adj f.d	-0.163	0.010	-0.069	-0.253	-0.031	0.237
BVPS f.d	2.410	2.505	2.925	2.406	2.376	2.612
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV						
Dividend Payout Ratio (%)						
Cash Flow (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Gross Cash Flow	9	20	17	13	24	37
Change in NWC	-8	-7	-15	76	73	63
Capital Expenditure	-23	-25	-31	-18	-138	-139
Other Cash Items	-5	2	-3	0	0	0
Free Cash Flow (FCF)	-23	-13	-29	71	-41	-39
Acquisitions, Divestments & Other Items	1	0	0	0	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	0	8	26	0	0	0
Change in Net Financial Position	-27	-2	-6	71	-41	-39
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	184	192	202	193	305	420
Net Working Capital	56	59	75	-1	-74	-137
Long term Liabilities	29	33	29	29	29	29
Net Capital Employed	210	219	248	163	202	254
Net Cash (Debt)	-96	-98	-104	-33	-74	-113
Group Equity	114	121	144	130	128	141
Minorities	0	0	0	0	0	0
Net Equity	114	121	143	130	128	141
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	141	350	344	177	177	177
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-96	-98	-104	-33	-74	-113
Enterprise Value	237	448	448	210	251	290
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	3.7%	11.6%	8.5%	8.1%	10.9%	14.2%
EBIT Adj Margin	nm	nm	nm	nm	1.0%	7.1%
Gearing - Debt/Equity	84.2%	81.1%	72.7%	25.4%	57.8%	80.4%
Interest Cover on EBIT	nm	nm	nm	nm	0.5	3.7
Net Debt/EBITDA Adj	19.5	4.8	6.0	2.0	2.6	2.3
ROACE*	-5.7%	-1.0%	-1.8%	-5.2%	1.5%	10.5%
ROE*	-6.7%	0.4%	-2.6%	-10.0%	-1.3%	9.5%
EV/CE	1.2	2.1	1.9	1.0	1.4	1.3
EV/Sales	1.8	2.5	2.2	1.0	1.0	0.8
EV/EBITDA Adj	nm	21.8	25.9	12.8	8.9	6.0
EV/EBIT Adj	nm	nm	nm	nm	nm	12.0
Free Cash Flow Yield	-12.7%	-7.3%	-16.3%	40.4%	-23.3%	-22.3%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	-14.4%	32.2%	15.2%	-0.6%	26.8%	32.6%
EBITDA Adj	-77.7%	316.3%	-15.7%	-5.0%	70.9%	72.2%
EBIT Adj	nm	nm	nm	nm	nm	803.5%
Net Profit Adj	nm	nm	nm	nm	nm	nm
EPS Adj	nm	nm	nm	nm	nm	nm
DPS						

*Excluding extraordinary items

Source: Intermonte SIM estimates

1H23 results

1H23 results: as-is business burdened by drop in reference prices and higher electricity costs. SERI reported 1H23 revenues of €95.9mn, -6% YoY (vs. exp. €96.1mn), with the Plastic Materials and Lead-Acid Batteries both showing stable volumes, but lower average selling prices due to the decline of reference quotes. Adj. EBITDA was €7.2mn (vs €7.5mn exp.), down -21% YoY, giving a 7.5% margin, down vs 8.9% in 1H22 as the company sold products manufactured in previous periods at higher input prices and as the French subsidiaries registered higher electricity prices. Adj. EBIT was €-6.1mn, also burdened by €6.3mn in D&A related to the Teverola 1 & 2 plants, which, as known, are yet to commence production. Net debt was €130.1mn vs. €104.3mn as at YE22, mainly due to an increase in inventories.

Results breakdown by division, income statement and NFP

	1H22A	1H23A	YoY	1H23E	A/E %
El. Acc. (lead-acid)	39.5	37.2	-6%	35.5	5%
Plastics materials	62.8	59.6	-5%	61.4	-3%
Corporate, Other & Elim.	-0.8	-0.9	13%	-0.8	0%
Group revenue	101.5	95.9	-6%	96.1	0%
El. Acc. (lead-acid)	5.0	3.4	-32%	4.0	-15%
Plastics materials	4.5	3.9	-14%	4.0	-4%
Corporate, Other & Elim.	-0.4	-0.1	-69%	-0.5	-76%
Adj. EBITDA	9.1	7.2	-21%	7.5	-5%
El. Acc. (lead-acid)	12.6%	9.2%		11.3%	
Plastics materials	7.1%	6.5%		6.5%	
Corporate, Other & Elim.	46.2%	12.6%		62.3%	
Adj. EBITDA	8.9%	7.5%		7.8%	
	1H22A	1H23A	YoY	1H23E	A/E %
Revenues	101.5	95.9	-6%	96.1	0%
- Operating costs	-92.6	-89.0		-88.6	
+ Non-recurring	0.2	0.3		0.0	
Adj. EBITDA	9.1	7.2	-21%	7.5	-5%
Adj. EBITDA margin %	8.9%	7.5%		7.8%	
- D&A (only recurring)	-10.8	-13.3		-10.7	
Adj. EBIT	-1.7	-6.1	n.m.	-3.2	n.m.
Adj. EBIT margin %	-1.7%	-6.4%		-3.3%	
- Non-recurring (incl. D&A)	-0.2	-0.6		0.0	
-/+ Net fin. exp./inc.	-2.4	-3.0		-4.4	
Pre-tax income	-4.3	-9.7	n.m.	-7.6	n.m.
Tax rate %	-19.9%	27.4%		27.0%	
- Tax income	-0.9	2.7		2.1	
Net income	-5.2	-7.0	n.m.	-5.6	n.m.
Net debt/(cash)	119.9	130.1		114.0	
Net debt/EBITDA	5.6x	8.5x		7.2x	

Source: Company data & Intermonte SIM Estimates

Update on T1 & 2

T1 update: problems with mass production delay commercial launch. After the start-up at the end of 2022, the Teverola 1 lithium battery plant incurred a significant increase in production scrap and machine downtime once production was increased. New CTO Mr. Ligeois, who joined SERI last June (former Industrial Engineer of SAFT and Northvolt), is implementing new production standards that should solve manufacturing problems and enable mass production. The situation led to a further delay in the commercial launch of batteries, which was previously envisaged from 3Q23. We are thus shifting our forecast by one year, assuming revenues of €7/55/133mn in 2023/24/25 (vs prev. €61/140/148mn) and reflecting in 2023 the spot sale of the products obtained during the ramp-up, and from 2024 onwards the progressive increase of production.

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Teverola 2

	2023	2024	2025	2026	2027	2028	2029	2030	2031	TV
Capacity (GWh)	0.0	0.0	0.0	0.0	7.5	7.9	8.2	8.4	8.6	
YoY growth	+0%	+0%	+0%	+0%	+0%	+5%	+4%	+3%	+2%	
Saturation %	0%	0%	0%	0%	25%	63%	100%	100%	100%	
ASP (€/MWh)	0	0	0	0	220	209	202	199	199	
YoY growth	+0%	+0%	+0%	+0%	+0%	-5%	-3%	-2%	+0%	
Revenue	0	0	0	0	413	1,029	1,655	1,676	1,709	
YoY growth	+0%	+0%	+0%	+0%	+0%	+149%	+61%	+1%	+2%	
- Total prod. and op. costs	0	0	0	0	-388	-916	-1,390	-1,408	-1,436	
Adj. EBITDA	0	0	0	0	25	113	265	268	274	
Adj. EBITDA margin %	0.0%	0.0%	0.0%	0.0%	6.0%	11.0%	16.0%	16.0%	16.0%	
- D&A	0	-24	-48	-72	-87	-88	-90	-92	-93	
Adj. EBIT	0	-24	-48	-72	-62	25	175	177	181	
Adj. EBIT margin %	0.0%	0.0%	0.0%	0.0%	-15.0%	2.4%	10.6%	10.5%	10.6%	
- Taxes on EBIT	0	0	0	0	0	-7	-47	-48	-49	
Tax rate %	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	
NOPAT	0	-24	-48	-72	-62	18	128	129	132	
+ Tax credits	0	119	119	119	0	0	0	0	0	
+ D&A	0	24	48	72	87	88	90	92	93	
-/+ (Inc.)/Dec. In NWC	0	0	0	0	-85	-127	-129	-4	-7	
- Capex	0	-119	-119	-119	-75	-96	-97	-97	-98	
Capex/Sales %	0.0%	0.0%	0.0%	0.0%	18.2%	9.3%	5.8%	5.8%	5.7%	
= FCF	0	0	0	0	-135	-116	-8	119	120	835
x Discount factor	1.2	1.0	0.9	0.7	0.6	0.5	0.5	0.4	0.3	
= PV (FCF)	0	0	0	0	-85	-62	-4	47	41	284

Source: Company data & Intermonte SIM Estimates

Change in estimates

Change in estimates

	New			Old			Δ %		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenues	203.0	257.4	341.4	273.6	360.1	373.6	-26%	-29%	-9%
YoY growth	-0.6%	+26.8%	+32.6%	+34.0%	+31.6%	+3.8%			
Adj. EBITDA	16.4	28.1	48.3	28.9	53.3	59.8	-43%	-47%	-19%
YoY growth	-5.0%	+70.9%	+72.2%	+67.3%	+84.3%	+12.2%			
Adj. EBITDA margin %	8.1%	10.9%	14.2%	10.6%	14.8%	16.0%			
Adj. EBIT	-10.7	2.7	24.1	7.9	32.7	39.4	-235%	-92%	-39%
YoY growth	+134.9%	-125.0%	+803.5%	-273.9%	+314.5%	+20.4%			
Adj. EBIT margin %	-5.3%	1.0%	7.1%	2.9%	9.1%	10.5%			
Adj. EPS	-0.25	-0.03	0.24	-0.01	0.32	0.42	+1966%	-110%	-43%
YoY growth	+267.6%	-87.8%	-869.7%	-82.2%	-2683.2%	+32.6%			
Net debt/(cash)	33.0	74.1	113.4	114.9	119.3	99.9	-71%	-38%	+13%
Net debt/EBITDA	2.0x	2.6x	2.3x	4.0x	2.2x	1.7x			

Source: Intermonte SIM

Change in estimates by division

	New			Old			Δ %		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
El. Acc. (lead-acid)	80.2	82.7	84.6	87.1	89.2	91.3	-8%	-7%	-7%
Plastics materials	117.4	121.7	125.0	127.4	132.1	135.7	-8%	-8%	-8%
Corporate, Other & Elim.	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	+0%	+0%	+0%
Business as-is	196.0	202.8	208.1	213.0	219.7	225.5	-8%	-8%	-8%
Teverola 1	6.9	54.6	133.3	60.6	140.3	148.1	-89%	-61%	-10%
Group revenue	203.0	257.4	341.4	273.6	360.1	373.6	-26%	-29%	-9%
El. Acc. (lead-acid)	8.0	9.9	10.2	10.5	12.5	12.8	-23%	-21%	-21%
Plastics materials	9.4	11.0	12.5	13.4	16.5	18.3	-30%	-34%	-32%
Corporate, Other & Elim.	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	+0%	+0%	+0%
Business as-is	16.4	19.9	21.7	22.8	28.0	30.1	-28%	-29%	-28%
Teverola 1	0.0	8.2	26.7	6.1	25.3	29.6	-100%	-68%	-10%
Adj. EBITDA	16.4	28.1	48.3	28.9	53.3	59.8	-43%	-47%	-19%

Source: Intermonte SIM

Valuation

Valuation summary

	€ mn	€ p.s.
SUM PV(FCF)	58	1.1
PV TV	205	3.8
EV AS-IS + T1; WACC @ 8.4%; TG @ 2%	264	4.9
EV T2; WACC @ 16.6%; TG @ 2%	221	4.09
Enterprise Value	484	9.0
-/+ Net debt/(cash) @ YE22	104	1.9
Equity value	380	
Shares outstanding	54.0	
Fair value per share (€)	7.0	
Discount	0.0	
Target price (€)	7.0	
Actual share price (€)	3.6	
Upside/(Downside)	97%	

Source: Intermonte SIM

Financials

SERI – Income statement, balance sheet, cash flow statement and key financial ratios

Income statement	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Revenues	133.5	156.5	134.0	177.1	204.1	203.0	257.4	341.4
YoY growth	+0%	+17%	-14%	+32%	+15%	-1%	+27%	+33%
- Operating costs	-114.5	-137.1	-131.7	-157.0	-186.4	-186.5	-229.3	-293.1
+ Non-recurring	-3.8	2.7	2.6	0.4	-0.5	0.0	0.0	0.0
Adj. EBITDA	15.3	22.1	4.9	20.5	17.3	16.4	28.1	48.3
YoY growth	+0%	+44%	-78%	+316%	-16%	-5%	+71%	+72%
Adj. EBITDA margin %	11.4%	14.1%	3.7%	11.6%	8.5%	8.1%	10.9%	14.2%
- D&A (only recurring)	-13.1	-11.6	-11.2	-21.7	-21.8	-27.1	-25.4	-24.3
Adj. EBIT	2.2	10.4	-6.2	-1.2	-4.5	-10.7	2.7	24.1
YoY growth	+0%	+370%	-160%	-80%	+272%	+135%	-125%	+803%
Adj. EBIT margin %	1.7%	6.7%	-4.7%	-0.7%	-2.2%	-5.3%	1.0%	7.1%
- Non-recurring (incl. D&A)	2.7	-3.7	-5.2	-0.9	0.5	0.0	0.0	0.0
-/+ Net fin. exp./inc.	-3.6	-3.4	-3.7	-3.8	-5.9	-8.0	-4.9	-6.6
Pre-tax income	1.4	3.3	-15.2	-6.0	-9.9	-18.7	-2.3	17.5
Tax rate %	-294.8%	43.4%	69.8%	53.9%	55.3%	27.0%	27.0%	27.0%
- Tax income	4.0	-1.4	10.6	3.2	5.5	5.0	0.6	-4.7
Net income	5.4	1.9	-4.6	-2.8	-4.4	-13.6	-1.7	12.8
YoY growth	+0%	-65%	-348%	-40%	+61%	+207%	-88%	-870%
Net income margin %	4.0%	1.2%	-3.4%	-1.6%	-2.2%	-6.7%	-0.6%	3.7%
- Minorities	(0.0)	(0.3)	0.2	0.0	0.0	0.0	0.0	0.0
Net income to shareholders	5.3	1.5	-4.4	-2.8	-4.4	-13.6	-1.7	12.8
Adj. EPS	-0.05	0.11	-0.16	0.01	-0.07	-0.25	-0.03	0.24
YoY growth	+0%	-317%	-253%	-106%	-818%	+268%	-88%	-870%
Condensed balance sheet	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Trade net working capital	57.0	53.9	49.8	52.7	61.5	69.2	87.6	116.5
Other current assets/(liab.)	-8.6	-14.4	5.8	6.6	13.3	-70.1	-161.7	-253.2
Working capital	48.4	39.5	55.6	59.3	74.8	-0.9	-74.1	-136.7
Net fixed assets	127.5	163.6	183.8	192.3	202.0	192.7	305.3	420.0
Long-term liabilities	-4.9	-14.0	-29.5	-32.7	-28.9	-28.9	-28.9	-28.9
Total fixed asset	122.6	149.7	154.3	159.6	173.1	163.8	276.4	391.1
Invested capital	171.1	189.2	209.9	219.0	247.8	162.9	202.3	254.3
Net debt/(cash)	50.9	69.0	96.0	98.0	104.3	33.0	74.1	113.4
Equity	118.5	118.4	113.6	120.5	143.5	129.9	128.2	141.0
Minorities	1.6	1.8	0.4	0.4	0.0	0.0	0.0	0.0
Total sources	171.1	189.2	209.9	219.0	247.9	162.9	202.3	254.4
Cash flow statement	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Net Income	5.4	1.9	-4.6	-2.8	-4.4	-13.6	-1.7	12.8
D&A	14.1	-19.4	13.8	22.3	21.8	27.1	25.4	24.3
Change in WC & Others	-10.6	42.4	-8.4	-7.3	-15.4	75.7	73.2	62.6
Cash flow from operations	8.8	24.9	0.8	12.2	1.9	89.1	97.0	99.7
Capex	-39.5	-38.7	-23.3	-25.0	-30.7	-17.8	-138.0	-139.0
FCF	-30.6	-13.8	-22.5	-12.8	-28.7	71.3	-41.1	-39.3
Acquisitions	-2.8	-7.9	0.6	0.0	0.0	0.0	0.0	0.0
Div., buyb. & eq. fin.	16.5	-1.6	0.0	8.5	25.9	0.0	0.0	0.0
Others (incl. IFRS 16)	-5.1	5.2	-5.1	2.3	-3.5	0.0	0.0	0.0
Change in NFP	-22.0	-18.1	-26.9	-2.0	-6.3	71.3	-41.1	-39.3
Ratios	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
NWC/Sales %	36.3%	25.2%	41.5%	33.5%	36.6%	-0.4%	-28.8%	-40.1%
Capex/Sales %	29.6%	24.7%	17.4%	14.1%	15.0%	8.8%	53.6%	40.7%
Net debt/EBITDA	3.3x	3.1x	19.5x	4.8x	6.0x	2.0x	2.6x	2.3x
ROCE %	1.3%	5.5%	-3.0%	-0.6%	-1.8%	-6.5%	1.3%	9.5%
ROE %	-1.9%	4.3%	-6.8%	0.4%	-2.3%	-10.5%	-1.3%	9.1%

Source: Company data & Intermonte SIM Estimates

Market multiples and performance

SERI – Market multiples

Company name	HQ	PX (Lc. C.)	Mkt C. (€ mn)	EV/EBITDA			EV/EBIT			PE		
				2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
SERI @ our TP	IT	7.0	177	25.0x	16.1x	10.2x	n.m.	169.5x	20.4x	n.m.	n.m.	29.6x
SERI @ our est.	IT	3.3	177	12.8x	8.9x	6.0x	n.m.	94.0x	12.0x	n.m.	n.m.	13.8x
SERI @ cons. est.	IT	3.3	177	12.8x	8.8x	6.4x	n.m.	40.0x	12.9x	n.m.	n.m.	14.2x
VARTA	DE	20.7	883	34.1x	12.8x	9.4x	n.m.	n.m.	35.6x	n.m.	n.m.	178.5x
EnerSys	US	92.8	3,748	9.3x	8.5x		11.5x	10.3x		12.3x	11.4x	
Exide Industries	IN	3.2	2,727	13.1x	11.2x	10.3x	17.7x	14.8x	13.6x	22.8x	19.4x	17.3x
GS Yuasa	JP	12.6	1,242	4.9x	3.8x	4.2x	7.8x	6.0x	6.4x	9.9x	8.7x	7.4x
Ganfeng Lithium Group	CN	3.2	9,298	8.7x	7.5x	5.2x	9.6x	8.8x	6.2x	6.9x	7.7x	6.0x
Umicore	BE	24.7	6,093	7.5x	7.8x	7.8x	10.7x	11.7x	12.0x	13.9x	14.3x	13.6x
Contemp Amperex	CN	19.7	86,489	9.2x	7.1x	5.5x	12.5x	9.6x	7.3x	15.5x	12.5x	10.0x
LG Chem	KR	345.1	26,098	7.2x	5.8x	4.6x	17.3x	11.2x	7.5x	20.2x	11.8x	7.6x
Samsung SDI	KR	314.4	21,896	9.4x	7.8x	6.4x	18.2x	14.9x	11.4x	15.5x	13.5x	10.9x
SK Innovation	KR	96.1	9,757	7.0x	5.7x	4.6x	13.2x	10.0x	7.3x	16.4x	7.7x	5.2x
Average				11.0x	7.8x	6.4x	13.2x	10.8x	11.9x	14.8x	11.9x	28.5x

Source: FactSet

SERI – Share price performance (total return)

	-1m	-3m	-6m	YTD	-1y	-2y	-3y	Oct-20
SERI	+19.8%	-19.8%	-26.4%	-37.6%	-35.6%	-65.4%	-24.7%	-5.5%
VARTA	-4.9%	+15.7%	+12.3%	-8.1%	-13.6%	-80.2%	-81.0%	-81.0%
EnerSys	+15.7%	+6.9%	-1.2%	+39.2%	+38.7%	+37.5%	+27.2%	+42.7%
Exide Industries	+2.8%	+13.8%	+28.5%	+64.1%	+58.0%	+91.3%	+66.6%	+87.8%
GS Yuasa	-11.1%	-26.8%	-29.9%	-5.0%	+0.6%	-15.6%	-24.3%	+11.7%
Ganfeng Lithium Group	-2.5%	-21.1%	-47.6%	-52.6%	-56.0%	-66.2%	-55.6%	-9.8%
CATL	+6.3%	+9.1%	-4.8%	-26.4%	-28.3%	-27.6%	-32.7%	-31.8%
Contemp Amperex	-14.5%	-25.3%	-31.4%	-28.9%	-31.3%	-53.6%	-13.8%	+19.3%
LG Chem	-1.2%	-5.7%	-31.5%	-17.5%	-18.8%	-20.1%	-36.3%	-22.7%
Samsung SDI	-3.2%	-16.2%	-35.1%	-23.7%	-28.7%	-29.9%	-19.9%	+3.0%
SK Innovation	-3.0%	-13.3%	-23.0%	-9.2%	-12.6%	-32.2%	-22.0%	-1.5%
MARKET (FTSE MIB)	+3.8%	+5.5%	+9.7%	+27.7%	+25.6%	+13.6%	+41.4%	+53.5%
PEERS	-1.6%	-6.3%	-16.4%	-6.8%	-9.2%	-19.7%	-19.2%	+1.8%
SERI vs MARKET	+15.9%	-25.2%	-36.0%	-65.3%	-61.2%	-78.9%	-66.1%	-59.0%
SERI vs PEERS	+21.3%	-13.5%	-10.0%	-30.8%	-26.4%	-45.7%	-5.5%	-7.3%

Source: FactSet

SERI in brief

Company description

Founded in 1999, SERI is a circular economy player operating in the electric accumulator value chain. The company has two main divisions: Plastic Materials (59% of revenue), involving recycling and production of plastic products and compounds for lead-acid batteries, the automotive business, and several industrial sectors; Electric Accumulators (41% of revenue), production and recycling of lead and lithium batteries for starter, traction, and storage applications.

Management

CEO: V. Civitillo

Chairman: Roberto Maviglia

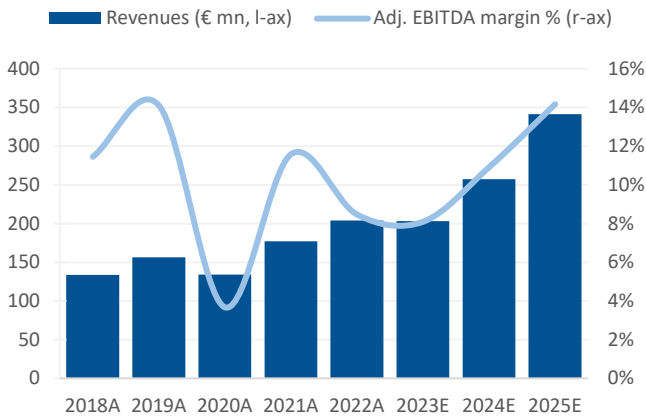
Next BoD renewal: Spring 2025

BoD independent members: 4/10

Shareholders

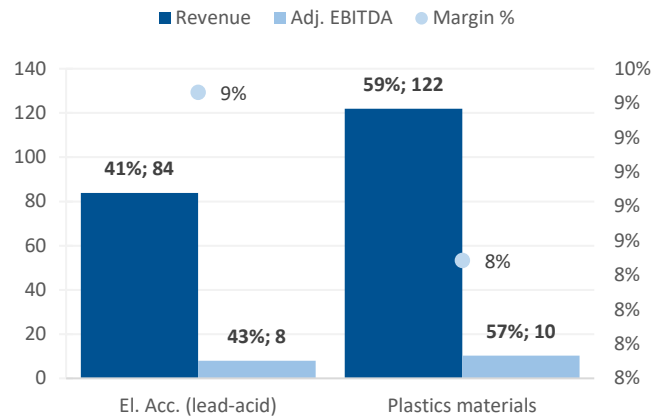
SE.R.I. Spa & Civitillo V.		56.4%
Neuberger Berman	7.4%	
Market/other		36.2%

Revenue and EBITDA margin % (€ mn)



Source: company data and Intermonte SIM estimates

Revenue and EBITDA breakdown by division (2022A)



Source: company data

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	SERI INDUSTRIAL		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	7.00	Previous Target (Eu):	9.80
Current Price (Eu):	3.27	Previous Price (Eu):	5.86
Date of report:	22/12/2023	Date of last report:	30/03/2023

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 30 September 2023 Intermonte's Research Department covered 114 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	24.79 %
OUTPERFORM:	52.14 %
NEUTRAL:	21.36 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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