

Company Note

Seri Industrial

1H22 Results

Traditional businesses performed well in the first half of the year, with a significant sales growth and a marginal erosion of the EBITDA margin which was pensalised by soaring energy prices. Overall, 1H22 results were above our expectations. On the negative side, we highlight the long duration of the certification process for Li-Ion batteries which should start to generate revenues only towards the end of the year.

1H22 results

Seri Industrial reported a good set of results in 1H22, above our expectations, with a strong sales acceleration in the second quarter (+24.5%), particularly for lead-acid batteries, with a slight erosion of the EBITDA margin, which however was 21% above our estimates, mostly due to a higher energy bill (EUR 4.5M impact). SERI Plast reached a 7.0% margin, below our expectations and FIB 12.3%, well above our forecasts. The bottom line was hit by higher D&A costs and financial charges, resulting in a negative net result of EUR 5.2M (EUR 4.3M on adjusted basis).

Outlook and estimates

We revised our estimates incorporating Teverola 1 for only six weeks of 4Q22, as the company is still completing the certification of its batteries. This reduction impacted our sales and EBITDA estimates for FY22 even if we factored in some margin recovery for traditional activities, thanks to higher selling prices, but also the impact of higher energy costs. As a result, we now estimate the adj. EBITDA margin to reach 11.3% vs. 14.0% expected before. As for 2023-24E, we simply fine-tuned our forecasts slightly reducing the EBITDA margin forecasts to take into account higher inflation. We consider the bright prospects of Seri Industrial as remaining intact as all the relevant markets (automotive and packaging plastic, lead-acid batteries, Li-Ion batteries and plastic recycling) should continue to grow in the coming years.

Valuation

Our new target price of EUR 10.9/sh reflects our new estimates and the periodical increase of the risk-free rate to 3% (from 2.5%) and implies a material upside at current levels. **BUY confirmed.**

4 October 2022: 7:54 CET

Date and time of production

**BUY**

**Target Price: EUR 10.9**  
(from EUR 12.2)

Italy/Industrials  
Results

MTA

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



Seri Industrial - Key Data

Price date (market close)	30/09/2022
Target price (EUR)	10.9
Target upside (%)	86.01
Market price (EUR)	5.86
Market cap (EUR M)	289.53
52Wk range (EUR)	10.7/5.6

Price performance %	1M	3M	12M
Absolute	-13.4	-14.6	-21.3
Rel. to FTSE IT All Sh	-9.1	-11.4	-1.3

Y/E Dec (EUR M)	FY21A	FY22E	FY23E
Revenues	177.1	228.0	354.1
EBITDA	20.11	23.60	51.59
EBIT	-0.88	1.10	28.46
Net income	-1.53	-2.85	18.45
EPS (EUR)	0.01	-0.03	0.38
Net debt/-cash	98.02	103.0	121.9
Adj P/E (x)	NM	Neg.	15.3
EV/EBITDA (x)	22.6	16.7	8.0
EV/EBIT (x)	NM	NM	14.5
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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# Contents

<b>1H22 Results</b>	<b>3</b>
<b>Earnings Outlook</b>	<b>5</b>
<b>Valuation</b>	<b>7</b>
DCF model	7
Relative valuation	8
Teverola 2 valuation	9
<b>ESG Matrix</b>	<b>11</b>
<b>Company Snapshot</b>	<b>13</b>

## 1H22 Results

SERI Industrial reported a good set of results in 1H22 with a strong sales acceleration in the second quarter, particularly for plastics, and a limited EBITDA margin erosion due to a higher energy bill. However, the bottom line was hit by higher D&A costs and financial charges, translating into a negative net result of EUR 5.2M (EUR 4.3M on adjusted basis).

- **Sales up 20.2%, above expectations:** Seri Industrial reported higher than expected revenues with a growth of >24% in 2Q22 compared with +17.8% in 1Q22. Consolidated revenues reached EUR 101.5M in the first half including EUR 3.9M of internal work and other sales of EUR 11.7M, with improvements in both volumes and selling prices. In detail, in 1H22 SERI Plast (plastic materials) sales reached EUR 62.8M with a growth of 19.4%, broadly in line with our expectations while FIB (lead-acid batteries) grew by 21.4% to EUR 39.5M surpassing our estimates by 18%. Italy represented 60% of sales (54% in 1H21), Europe 30% (38% in 1H21), Asia 5% and the rest of the world 5%;

### SERI Industrial – 2Q22 revenues breakdown

EUR M	2Q21A	FY21A	2Q22A	2Q yoy
Plastics	28.8	104.7	34.7	20.4
Electric batteries	18.9	74.6	23.6	24.6
Others & corporate & elision	6.1	-2.1	8.7	43.3
<b>Total sales</b>	<b>53.8</b>	<b>177.1</b>	<b>67.0</b>	<b>24.5</b>

A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

- **EBITDA margin adj. at 8.9%**, compared with our 7.9% expectation and 9.7% in 1H21. SERI Plast reached a 7.0% margin, below our expectations and FIB 12.3%, well above our forecasts. The slight margin slowdown vs. 1H21 is explained by higher service costs (26.4% of sales vs. 20.3% in 1H21) mostly due to energy which impacted for EUR 4.5M (partially offset by grants for EUR 1.5M received under the Sostegni-Ter Decree for energy-intensive companies), in part compensated by the lower weighting of labour costs (17.1% vs. 19.3%). Energy costs were equal to 8.1% of sales vs. 3.8% in 1H21;
- **Negative EBIT, but above expectations:** After EUR 10.8M of D&A costs (of which EUR 5.4M related to Teverola 1 and 2 and EUR 1.2M for the right of use concerning the lease of Teverola 1 and 2), EBIT was negative for EUR 1.9M, much better than expected;
- **Net result negative for EUR 5.2M.** After EUR 2.4M of financial charges and taxes for EUR 0.9M, the bottom line was negative for EUR 5.2M vs. EUR 4.1M in 1H22. Adjusted net result was negative for EUR 4.3M (main adjustments refer to non-recurring costs, deferred taxes on revaluation of assets, partially offset by EUR 0.2M of insurance reimbursement);
- **Net debt at EUR 119.9M, in line.** Net debt increased to EUR 119.9M compared with EUR 98M at Dec-21 (EUR 91.6M refers to the battery business and EUR 38.4M to the plastic business) mostly due to NWC absorption for EUR 17.5M (mostly higher inventories for Teverola 1 and higher raw material costs) and capex for EUR 9M. We highlight that net debt includes the impact of IFRS16 stemming from Teverola 1 and 2 for EUR 22.7M. On an adjusted basis, net debt was EUR 97.2M vs. EUR 75.0M at Dec-21;

### Solid results in 1H22

### Sales: strong acceleration in 2Q22

### EBITDA margin above expectations, but below 1H21 due to higher energy bill

### Negative net result

### Net debt in line

- Update of the business plan:** In June, Seri Industrial updated its 2021-25 business plan, which now includes 2026 and the impact of P2P or the JV with Unilever for the recovery of used plastic packaging. Revenue targets for 2025 and 2026 are equal to EUR 2.2Bn in both years, with an increase of EUR 200M compared with the old business plan related to P2P. No other details or targets were disclosed. The company also said that the demand for the financing of P2P was presented on 1 June (total capex of EUR 109.2M with a subsidised financing of EUR 43.7M and non-repayable contributions for EUR 38.4M). The new business plan is aligned with previous forecasts with the only addition of P2P with anticipated sales above our expectations (we estimate around EUR 130M in 2026) possibly due to the recent price hike of plastic material;
- Warrant conversion:** Since the beginning of the year, following the conversion periods of Mar-22, June-22 and Sept-22 of the UNO SERI 2017-22 warrants (10 warrants for each share with a strike price at EUR 5.03), the company increased its share number by 171.295 shares (now at 49.1M), or +1.5% of the share number before the conversions. The cash-in was EUR 0.9M. Residual warrants are now 81.4M, implying a potential cash-in of EUR 41.0M this year. We recall that the last conversion period will be in the last ten days of December 2022.

**2021-25 business plan now includes P2P**

**Potential cash-in of EUR 41M due to warrant conversion**

#### SERI Industrial – 1H22 results

EUR M	1H21A	2021A	1H22E	1H22A	1H A/E %	1H yoy %
<b>Revenues</b>	<b>84.4</b>	<b>157.7</b>	<b>94.5</b>	<b>101.5</b>	<b>7.4</b>	<b>20.2</b>
o/w Plastics	52.6	104.7	61.0	62.8	3.0	19.4
o/w Lead acid batteries	32.5	74.6	33.5	39.5	17.9	21.4
EBITDA	8.4	20.1	7.0	8.9	26.5	5.5
Margin (%)	9.9	12.8	7.4	8.7		
<b>EBITDA Adj.</b>	<b>8.2</b>	<b>20.5</b>	<b>7.5</b>	<b>9.1</b>	<b>20.9</b>	<b>10.7</b>
<b>Margin (%)</b>	<b>9.7</b>	<b>13.0</b>	<b>7.9</b>	<b>8.9</b>		
EBIT	-1.4	-0.9	-4.1	-1.9	-52.9	40.4
Margin (%)	-1.6	-0.6	-4.3	-1.9		
Pre tax	-3.1	-4.7	-6.5	-4.3	-33.3	38.2
<b>Net Result attr.</b>	<b>-4.1</b>	<b>-1.5</b>	<b>-7.0</b>	<b>-5.2</b>	<b>-25.8</b>	<b>25.6</b>
Net Debt/(Cash)	104.2	98.0	117.0	119.9	2.4	15.0

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

## Earnings Outlook

As usual, the company did not supply any guidance for 2022. However, the positive 1H22 results give support to our sales growth expectations in the traditional businesses. On Teverola 1, the company highlighted that the ramp-up of commercial activities should start in 4Q22 with a further delay vs. our expectation. On Teverola 2 Gigafactory, the talks with suppliers are proceeding and Seri Industrial is talking with banks to finalise the revolving credit line to cover the initial investment.

Following 1H22 results, we revised our 2022-24E estimates, particularly for FY22 which now incorporates sales from Teverola 1 only for 40MWh this year (vs. 180MWh expected before), which, at a price of EUR 400/KWh, could generate EUR 16M sales compared with EUR 72M in our previous estimates. The 330MWh/annum capacity should be nearly reached in 2023E. We simply fine-tuned our expectations for the traditional businesses, increasing our sales forecasts for the lead-acid battery division.

**No specific guidance for 2022**

**We reduced our expectation for Teverola 1 in FY22E**

### Seri industrial – Revenues breakdown

EUR M	2021A	2022E	2023E	2024E
Plastics	104.7	117.3	126.6	134.2
Lead-acid batteries	74.6	87.2	95.9	100.7
Teverola 1	0.0	16.0	124.2	124.1
Teverola 2	0.0	0.0	0.0	600.0
JV Unilever	0.0	0.0	0.0	74.0
Others, WIP, corporate & elision	-2.1	7.5	7.3	8.4
<b>Total sales</b>	<b>177.1</b>	<b>228.0</b>	<b>354.1</b>	<b>1041.5</b>
<b>% on consolidated sales</b>				
Plastics	59.1	51.4	35.8	12.9
Lead-acid batteries	42.1	38.3	27.1	9.7
Teverola 1	0.0	7.0	35.1	11.9
Teverola 2	0.0	0.0	0.0	57.6
JV Unilever	0.0	0.0	0.0	7.1

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

Clearly, lower than expected revenues from Teverola 1 imply an erosion of the consolidated EBITDA margin as Li-Ion batteries are expected to generate an EBITDA margin above the traditional businesses (we expect around 25% at regime). As a result, we now estimate the adj. EBITDA margin to reach 11.3% vs. 14.0% expected before. Our estimates imply a sales growth of 36.5% in the second half of the year with an EBITDA margin at 11.6%.

**Seri industrial – 2H22 estimates**

EUR M	2H21A	2H22E	2H yoy %
Revenues	92.7	126.5	36.5
o/w Plastics	52.1	54.5	4.5
o/w Lead acid batteries	42.0	47.7	13.6
o/w Teverola 1	0.0	16.0	NM
EBITDA	11.7	14.7	25.7
Margin (%)	12.6	11.6	
<b>EBITDA Adj.</b>	<b>12.3</b>	<b>14.7</b>	<b>19.8</b>
<b>Margin (%)</b>	<b>13.3</b>	<b>11.6</b>	
EBIT	0.5	3.0	511.7
Margin (%)	0.5	2.4	
Pre-tax	-1.6	0.4	NM
Net Result attr.	2.6	2.3	-9.9

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

In the long term, all the relevant markets for Seri Industrial are expected to grow: plastic compound at a CAGR of 6.5% up to 2027 (according to "Global Plastic Compounding Market Outlook 2022", Valuates Reports January 2022) and of 11% for automotive compound, recycled plastic at a CAGR of 8.5% up to 2030 ("Recycled Plastic Market Report", Prescient & Strategic Intelligence, March 2022), lead acid batteries at a CAGR of 2.4% up to 2030 ("The Rechargeable Battery Market and Main Trends 2020-2030 – Threats, challenges and opportunities", Avicenne Energy, June 2022) and Li-Ion batteries by 29.2% up to 2030 (in GWh) with ESS (energy storage system) application growing at a CAGR of 19% in Europe up to 2035 ("Batteries Made in Europe" Goldman Sachs, June 2022). In addition, the current shortage of Li-Ion batteries, which is expected to continue in the next few years, should sustain Li-Ion battery prices.

**Positive long-term prospects for all the relevant markets**

On 2023E and 2024E, we simply fine-tuned our estimates, slightly reducing our EBITDA margin forecasts to take into account the higher inflation. The impact on EPS is -8.4% in 2023E and -1.8% in 2024E.

**Seri industrial – Estimates revision (2022E-24E)**

EUR M	2022E			2023E			2024E		
	Old	New	New/Old %	Old	New	New/Old %	Old	New	New/Old %
Sales	260.2	208.0	-20.1	330.0	332.1	0.6	1,015.6	1,017.3	0.2
Value of production	270.2	228.0	-15.6	341.0	354.1	3.8	1,027.7	1,041.5	1.3
Adj. EBITDA	36.4	23.6	-35.1	54.0	51.6	-4.5	173.7	171.1	-1.5
% margin	14.0	11.3		16.4	15.5		17.1	16.8	
Adj. EBIT	13.9	1.1	-92.1	30.9	28.5	-7.8	144.4	141.8	-1.8
% margin	5.3	0.5		9.4	8.6		14.2	13.9	
Net result	6.6	-2.8	-143.2	20.2	18.5	-8.6	100.8	99.0	-1.8
EPS (EUR)	0.13	-0.06	-143.2	0.41	0.38	-8.6	2.05	2.02	-1.8
Adj. EPS (EUR)	0.14	-0.03	-123.2	0.42	0.39	-8.4	2.06	2.03	-1.8
Net Debt/(Cash)	106.7	103.0	-3.5	111.5	121.9	9.3	176.0	188.1	6.9

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

## Valuation

Based on our new estimates and the periodical increase in our risk-free rate now at 3.0% (from 2.5%), **we set a new target price of EUR 10.9/sh.** (from EUR 12.2/sh.). We recall that our target price is based on a fully diluted number of shares as the warrants are in-the-money (EUR 5.03 strike price). The potential upside is >85%. We highlight that prudentially we do not consider the JV with Unilever in our target price.

### Seri Industrial – Summary valuation

	Net valuation EUR M	Per share EUR	12/05/2022 EUR M	% change
DCF ("as-is activities")	308	5.4	357	-13.8
Peers	318	5.6	393	-19.1
<b>Average</b>	<b>313</b>	<b>5.5</b>	<b>375</b>	<b>-16.6</b>
Teverola 2 at 50%	384	6.7	408	-6.0
<b>Total</b>	<b>696</b>	<b>12.2</b>	<b>783</b>	<b>-11.1</b>
Cash-in from warrants	39	0.7	41	-4.2
<b>Total fair value</b>	<b>736</b>	<b>12.9</b>	<b>824</b>	<b>-10.7</b>
Discount 15%	-110	-1.9	-124	-10.7
<b>Fair value after discount</b>	<b>625</b>	<b>10.9</b>	<b>700</b>	<b>-10.7</b>
No. of shares (M, fully diluted)	57.2		57.2	0.0
<b>Target price (EUR/share)</b>	<b>10.9</b>		<b>12.2</b>	<b>-10.7</b>
Current price (EUR/share)	5.86		6.90	-15.1
Upside (%)	86.1		77.5	

Source: Intesa Sanpaolo Research estimates

Our target price implies 2022-23 multiples that are above peers but much lower if compared to 2024, which starts to reflect the impact of Teverola 2 on financial statements.

### Seri Industrial – Implicit multiples at our EUR 10.9/sh target price

x	2022E	2023E	2024E
P/E	NM	30.5	24.5
EV/EBITDA	29.1	13.7	4.5
EV/EBIT	NM	24.9	5.5
EV/Sales	3.0	2.0	0.7
P/BV	4.9	4.2	2.4
EV/ Capital employed	3.2	2.8	1.9

E: estimates; NM: not meaningful; 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 5.4/sh, reflecting our new estimates and the increase in our risk-free rate to 3.0% replacing the previous 2.5% due to the rising trend in BTP-10 yields which has accelerated in recent months, following the sharp rise in consumer prices, the outbreak of the Russia-Ukraine war, and the widening of the BTP-Bund spread. The WACC now stands at 7.3% (from 6.9%) adopting a Beta of 1 and a sustainable D/E assumption of 30%. We assume an EBIT margin at 12.9% at terminal value and a 2.0% terminal growth rate.

**Higher risk-free reduced our DCF valuation**

**Seri Industrial – DCF model (2022-27E) excluding Teverola 2 and P2P**

EUR M	2021A	2022E	2023E	2024E	2025E	2026E	2027E	Terminal
Revenues	158	208	332	315	325	341	365	376
yoy growth %	25.6	31.9	59.6	-5.0	3.0	5.0	7.0	3.0
EBIT	-1	1	28	36	40	45	51	48
EBIT margin %	-0.6	0.5	8.6	11.4	12.4	13.1	13.9	12.9
D&A costs	-21.0	-22.5	-23.1	-23.8	-24.5	-25.3	-26.0	-26.8
EBITDA	20	24	52	60	65	70	77	75
EBITDA margin %	12.8	11.3	15.5	19.0	20.0	20.5	21.0	20.0
Labour cost	-29	-31	-39	-37	-38	-40	-43	-44
% on sales	-18.3	-15.0	-11.7	-11.7	-11.7	-11.7	-11.7	-11.7
Working capital	33	47	77	72	74	77	81	83
% on Sales	21.2	22.7	23.2	23.0	22.7	22.5	22.3	22.1
Tax on EBIT	1	1	9	11	12	14	15	15
Tax rate	-78.2	119.5	32.1	31.0	30.8	30.6	30.4	30.7
<b>DCF</b>		<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>Terminal</b>
NOPLAT		-0.2	19.3	24.9	28.0	31.0	35.2	33.6
Capex		-5.2	-8.3	-7.9	-8.1	-8.5	-9.1	-9.4
D&A		21.5	21.9	21.9	21.9	21.9	21.9	9.4
Change in Working capital		-13.8	-29.8	-29.8	-1.4	-2.9	-4.6	-6.2
Cash flow to the firm		2.3	3.1	9.1	40.4	41.5	43.5	27.4
Time adjustment		1.5	2.5	3.5	4.5	5.5	6.5	7.5
Discount factor		0.9	0.8	0.8	0.7	0.7	0.6	0.6
<b>Discounted cash flow to firm</b>		<b>2.0</b>	<b>2.6</b>	<b>7.2</b>	<b>29.5</b>	<b>28.2</b>	<b>27.6</b>	<b>16.2</b>

E: estimates; Source: Intesa Sanpaolo Research estimates

Our DCF valuation implies 7.5x EV/EBITDA at terminal value.

**Relative valuation**

Our peers' sample has shown a negative performance YTD (-28%) but has outperformed Seri Industrial which was down 40%. We highlight that the company is trading at a 24% discount on 2022-2024E on the average EV/EBITDA.

**SERI Industrial – Peer group multiples**

x	Market Cap EUR M	EV/EBITDA			EV/EBIT			P/E		
		2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
CATL	140,834	24.5	15.9	12.0	32.3	20.5	15.5	39.6	25.4	18.1
EnerSys	2,414	9.6	8.2	7.2	13.6	10.7		12.3	9.5	7.9
Ganfeng Lithium	20,121	5.4	5.2	5.2	5.4	5.1	4.8	5.2	5.1	5.1
GEM Co.	5,476	14.0	10.3	8.3	21.9	15.7	12.0	22.0	15.6	12.0
SolarEdge Tech.	13,145	28.5	18.0	14.1	40.6	22.7	16.9	42.2	25.8	20.2
Varta AG	1,186	9.0	8.2	6.9	20.7	19.2	14.8	22.6	20.9	16.1
Umicore	7,424	7.2	7.6	7.4	9.7	10.9	10.9	12.6	14.3	14.4
<b>Average</b>		<b>14.0</b>	<b>10.5</b>	<b>8.7</b>	<b>20.6</b>	<b>15.0</b>	<b>12.5</b>	<b>22.4</b>	<b>16.7</b>	<b>13.4</b>
SERI Industrial*		16.7	8.0	2.8	NM	14.5	3.4	NM	15.3	2.9
Premium/(Disc.)	%	19.1	-23.7	-68.0		-3.2	-72.8		-8.1	-78.3

Priced at market close on 30/09/2022; NM: not meaningful; Source: FactSet and \*Intesa Sanpaolo Research

The average of EV/EBITDA, EV/EBIT and P/E in 2022-24E delivers a fair value, on a fully diluted basis, of EUR 5.6/sh. We highlight that we did not consider EV/EBIT and P/E for 2022 given that Seri Industrial would have an EBIT at breakeven and a negative net result based on our estimates.

**Relative valuation at EUR 5.6/sh**



**SERI Industrial – Peer based valuation**

	2022E	2023E	2024E
EV/EBITDA – Peers (x)	<b>14.0</b>	<b>10.5</b>	<b>8.7</b>
Adj. EBITDA (ex Teverola 2)	23.8	51.6	56.3
<b>Implied EV</b>	333.8	541.3	492.6
Debt/-Cash	103.0	121.9	188.1
Pension liabilities + factoring	10.6	11.2	20.4
<b>A - Equity value</b>	<b>220.2</b>	<b>408.2</b>	<b>284.0</b>
EV/EBIT – Peers (x)	<b>20.6</b>	<b>15.0</b>	<b>12.5</b>
Adj. EBIT (ex Teverola 2)		28.5	33.5
<b>Implied EV</b>		426.3	417.6
Debt/-Cash		121.9	188.1
Pension liabilities + factoring		11.2	20.4
<b>B - Equity value</b>		<b>293.2</b>	<b>209.1</b>
P/E – Peers (x)	<b>22.4</b>	<b>16.7</b>	<b>13.4</b>
Adj. net profit (ex Teverola 2)		19.0	24.0
<b>C - Equity Value</b>		<b>315.7</b>	<b>320.5</b>
<b>Average of A, B and C</b>	<b>220.2</b>	<b>339.0</b>	<b>271.2</b>
Cash-in from warrants	41	41	41
<b>Seri Industrial - Fair value f.d.</b>	<b>261.2</b>	<b>380.0</b>	<b>312.2</b>
No. of shares (M; fully-diluted)	57.2	57.2	57.2
<b>Fair value - p.s. &amp; f.d. (EUR)</b>	<b>4.6</b>	<b>6.6</b>	<b>5.5</b>

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

**Teverola 2 valuation**

Our valuation for Teverola 2 is based on a DCF. As explained before, we increased the risk-free rate to 3% (from 2.5%) thus raising the WACC to 10.8% (from 10.4%). We obtained a fair value of this business of EUR 767M. This valuation is conservative in our view, as we used a beta at 1.5 and a terminal growth rate of 0.0%. To this fair value we applied a 50% discount, considering that the execution risk that should decrease as the project progresses.

**Teverola 2 can be valued at EUR 767M based on DCF**

**Seri Industrial – DCF of Teverola 2**

EUR M	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal
Revenues	600.0	1416.2	1418.6	1482.9	1453.3	1424.2	1438.2	1481.3
YoY growth %		136.0	0.2	4.5	-2.0	-2.0	1.0	0.0
EBIT	66.0	169.9	184.4	222.4	290.7	299.1	287.6	222.2
EBIT margin %	11.0	12.0	13.0	15.0	20.0	21.0	20.0	15.0
Tax on EBIT	-19.8	-51.0	-55.3	-66.7	-87.2	-89.7	-86.3	-66.7
Tax rate %	30	30	30	30	30	30	30	30
<b>DCF</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>Terminal</b>
NOPLAT	46.2	119.0	129.1	155.7	203.5	209.4	201.3	155.5
Capex	-12.0	-28.3	-28.4	-29.7	-29.1	-28.5	-28.8	-29.6
D&A	30.0	70.8	70.9	74.1	72.7	57.0	43.1	29.6
Change in Working capital	-120.0	-163.2	-0.5	-12.9	5.9	5.8	-2.8	-8.6
Cash flow to the firm	-55.8	-1.8	171.2	187.3	253.0	243.7	212.9	146.9
Time adjustment	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0
Discount factor	0.7	0.6	0.5	0.5	0.4	0.4	0.4	0.3
<b>Discounted cash flow to firm</b>	<b>-37.0</b>	<b>-1.1</b>	<b>92.4</b>	<b>91.2</b>	<b>111.1</b>	<b>96.6</b>	<b>76.2</b>	<b>47.4</b>

E: estimates; Source: Intesa Sanpaolo Research

**SERI Industrial – DCF valuation of Teverola 2**

PV of future cash flows	429.4
PV of Terminal value	437.7
Enterprise value	<b>867.1</b>
Net debt/(Cash)	100.0
<b>Equity Value</b>	<b>767.1</b>
No of shares (M)	57.2
<b>Equity Value /sh (EUR)</b>	<b>13.4</b>

Source: Company data and Intesa Sanpaolo Research

**SERI Industrial – WACC of Teverola 2 (%)**

Risk-free rate	3.00
Equity risk premium	6.50
Beta (x)	1.50
Cost of equity	12.3
Net Cost of debt	3.2
Leverage	20.0
<b>WACC</b>	<b>10.8</b>

Source: Company data and Intesa Sanpaolo Research

## ESG Matrix

### Seri Industrial - ESG Matrix

Main KPIs		2019	2020	2021	Target	Trend
E	<b>Emissions</b>					
	CO2 (scope 1 ) tons	2,259	1,844	3,961	//	-
	CO2 (scope 2 market-based ) tons	21,557	19,614	23,682	//	-
	CO2 (scope 2 location-based ) tons	16,814	14,952	17,137	//	-
	<b>Circular Economy</b>					
	% of plastic material recycled (Seri Plast)	18.0	17.0	42.0	//	+
	% of plastic material reused (lead)	22.0	12.0	71.0	//	+
	Total recovered waste/total waste	90.6	92.6	89.3	//	=
	Total hazardous waste/total waste	65.3	66.8	57.7	//	+
	<b>Renewables Ratio</b>					
% electricity from renewable	2.0	2.1	1.7	//	-	
Water withdrawals (m3)	74,145	58,055	82,512	//	-	
Energy Consumption (MWh)	56,183	51,682	61,632	//	+	
S	Women in leadership roles* (%)	0.0	0.0	0.0	//	=
	Training hrs per capita (No.)	3.8	0.7	2.3	//	+
	Turnover ratio (%)	6.7	12.3	11.7	//	+
	Lost time injury frequency index (1)	12.9	20.3	17.3	//	+
	Ethical code	Yes	Yes	Yes	//	=
	Notes (Social):	(1) number of lost time injuries/hours worked x 1,000,000				
G	Independent directors' rate (%)	42.9	42.9	42.9	//	=
	Women in BoD (%)	28.6	28.6	40.0	//	=
	Anti-corruption	No	No	No	//	
	Management Remuneration Policy linked to ESG goals	No	No	No	//	
	ESG Report	Yes	Yes	Yes	//	
	Remun. Of BOD members (% of EBITDA)	7.1	42.4	7.1	//	-
	Shareholders'/Consulting Agreement	No	No	No	//	
	Loyalty Shares	Yes	Yes	Yes	//	
Notes (Governance):	* from May-22 independent director' rate and women in the Bod have increased to 40%. **The company manages anticorruption through its ethical code. Stock option plan linked to ESGgoals					

Note: the indicators +/- refer to how the company is progressing towards its targets and/or vs. its historic trend; Source: Company data

## Seri Industrial – Key Data

Rating	Target price (EUR/sh)		Mkt price (EUR/sh)			Sector
BUY	Ord 10.9		Ord 5.86			Industrials
<b>Values per share (EUR)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
No. ordinary shares (M)	47.30	47.29	48.90	49.41	49.41	49.41
Total no. of shares (M)	47.30	47.29	48.90	49.41	49.41	49.41
Market cap (EUR M)	83.24	140.80	354.38	289.53	289.53	289.53
Adj. EPS	0.11	-0.14	0.01	-0.03	0.38	2.01
CFPS	0.44	-0.12	0.28	0.10	0.27	-0.36
BVPS	2.5	2.4	2.3	2.2	2.6	4.6
Dividend ord	0	0	0	0	0	0
<b>Income statement (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Revenues	156.5	134.0	177.1	228.0	354.1	1,041.5
EBITDA	19.38	3.12	20.11	23.60	51.59	171.1
EBIT	6.71	-10.65	-0.88	1.10	28.46	141.8
Pre-tax income	3.32	-14.10	-4.70	-3.90	25.63	139.5
Net income	1.54	-4.07	-1.53	-2.85	18.45	99.03
Adj. net income	5.02	-6.65	0.46	-1.65	18.95	99.53
<b>Cash flow (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Net income before minorities	1.8	-4.3	-1.5	-2.8	18.5	99.0
Depreciation and provisions	12.7	13.8	21.0	22.5	23.1	29.3
Others/Uses of funds	-3.0	-5.8	0.7	-1.0	-1.2	-1.4
Change in working capital	9.4	-7.7	-0.6	-13.8	-29.8	-163.4
Operating cash flow	20.3	-3.6	19.4	4.8	10.6	-36.5
Capital expenditure	-58.5	-23.4	-25.2	-12.2	-28.3	-28.4
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	-38.2	-27.0	-5.7	-7.4	-17.7	-65.0
Dividends	0	0	0	0	0	0
Equity changes & Non-op items	10.8	0	3.7	2.4	-1.2	-1.2
Net cash flow	-27.4	-27.0	-2.0	-4.9	-19.0	-66.2
<b>Balance sheet (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Net capital employed	189.2	209.9	210.5	212.6	250.0	415.2
of which associates	0	0	0	0	0	0
Net debt/-cash	69.0	96.0	98.0	103.0	121.9	188.1
Minorities	1.8	0.4	0.4	0.4	0.4	0.4
Net equity	118.4	113.6	120.6	117.7	136.2	235.2
Minorities value	0	0	0	0	0	0
Enterprise value	153.5	237.2	453.7	393.6	412.4	478.2
<b>Stock market ratios (x)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Adj. P/E	16.6	Neg.	NM	Neg.	15.3	2.9
P/CFPS	4.0	Neg.	26.2	60.5	21.5	Neg.
P/BVPS	0.69	1.2	3.2	2.6	2.3	1.3
Payout (%)	0	0	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0	0
FCF yield (%)	11.7	-5.3	3.7	-0.1	0.8	-21.4
EV/sales	0.98	1.8	2.6	1.7	1.2	0.46
EV/EBITDA	7.9	76.1	22.6	16.7	8.0	2.8
EV/EBIT	22.9	Neg.	NM	NM	14.5	3.4
EV/CE	0.81	1.1	2.2	1.9	1.6	1.2
D/EBITDA	3.6	30.8	4.9	4.4	2.4	1.1
D/EBIT	10.3	Neg.	Neg.	93.9	4.3	1.3
<b>Profitability &amp; financial ratios (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
EBITDA margin	12.4	2.3	11.4	10.3	14.6	16.4
EBIT margin	4.3	-7.9	-0.5	0.5	8.0	13.6
Tax rate	44.1	69.6	68.3	27.0	28.0	29.0
Net income margin	1.0	-3.0	-0.9	-1.2	5.2	9.5
ROCE	3.5	-5.1	-0.4	0.5	11.4	34.2
ROE	1.3	-3.5	-1.3	-2.4	14.5	53.3
Interest cover	-2.0	2.8	0.2	-0.2	-10.0	-60.6
Debt/equity ratio	57.4	84.2	81.0	87.2	89.3	79.8
<b>Growth (%)</b>		<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Sales		-14.4	32.2	28.7	55.3	NM
EBITDA		-83.9	NM	17.3	NM	NM
EBIT		NM	91.7	NM	NM	NM
Pre-tax income		NM	66.7	17.0	NM	NM
Net income		NM	62.4	-86.1	NM	NM

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)	5.86	Free float (%)	32.1
No. of shares	49.41	Major shr	Civitillo V.
52Wk range (EUR)	10.7/5.6	(%)	59.9
Reuters	SERK.MI	Bloomberg	SERI IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	-13.4	-1M	-9.1
-3M	-14.6	-3M	-11.4
-12M	-21.3	-12M	-1.3

### Key Risks

#### Company specific risks:

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

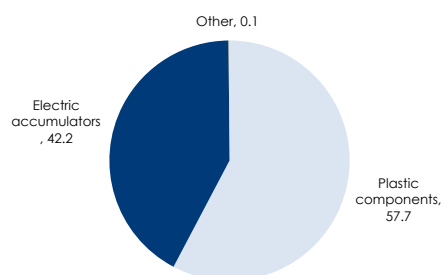
#### Sector generic risks:

- 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)

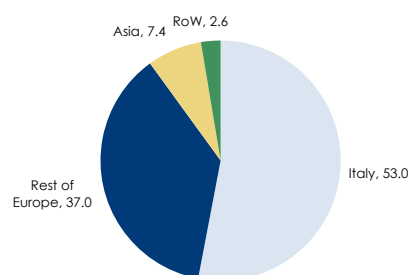
### Estimates vs. consensus

EUR M (Y/E Dec)	2021A	2022E	2023E	2024E
Sales	177.1	228.0	354.1	1,041.5
EBITDA	20.11	23.60	51.59	171.1
EBIT	-0.88	1.10	28.46	141.8
Pre-tax income	-4.70	-3.90	25.63	139.5
Net income	-1.53	-2.85	18.45	99.03
EPS	0.01	-0.03	0.38	2.01

### Sales breakdown by division (%)



### Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 30/09/2022)

## 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 below EUR 1Bn.

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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:

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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)

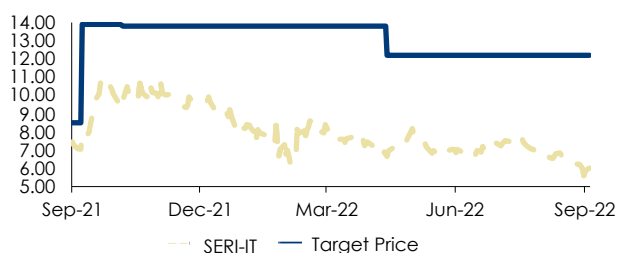
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**Equity Rating Key (long-term horizon: 12M)**

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
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
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. 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 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-May-22	BUY	12.2	6.7
05-Nov-21	BUY	13.8	9.8
07-Oct-21	BUY	13.9	8.1

**Equity rating allocations (long-term horizon: 12M)****Intesa Sanpaolo Research Rating Distribution (at July 2022)**

Number of companies considered: 127	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	58	25	17	0	0
of which Intesa Sanpaolo's Clients (%)**	84	44	57	0	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

**Valuation methodology (short-term horizon: 3M)**

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.



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

<b>Short-term rating</b>	<b>Definition</b>
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

**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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