

SERI INDUSTRIAL

BUY

Sector: Industrials

Price: Eu5.86 – Target: Eu9.80

Cost Inflation Weighs on As-Is Business; T1 Production Increasing

Gianluca Bertuzzo +39-02-77115.429

gianluca.bertuzzo@intermonte.it

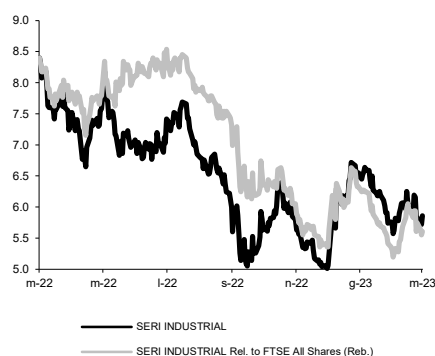
Stock Rating

Rating: Unchanged

Target Price (Eu): Unchanged

	2023E	2024E	2025E
Chg in Adj EPS	n.m.	-25.0%	-5.2%

SERI INDUSTRIAL - 12M Performance



Stock Data

Reuters code: SERK.MI

Bloomberg code: SERI IM

Performance	1M	3M	12M
Absolute	2.4%	15.8%	-30.2%
Relative	5.3%	5.0%	-34.8%
12M (H/L)	8.32/5.01		
3M Average Volume (th):	141.07		

Shareholder Data

No. of Ord shares (mn): 54

Total no. of shares (mn): 54

Mkt Cap Ord (Eu mn): 316

Total Mkt Cap (Eu mn): 316

Mkt Float - Ord (Eu mn): 115

Mkt Float (in %): 36.2%

Main Shareholder:

Civitillo Family 56.4%

Balance Sheet Data

Book Value (Eu mn): 143

BVPS (Eu): 2.65

P/BV: 2.2

Net Financial Position (Eu mn): -115

Enterprise Value (Eu mn): 431

■ **2H22 below exp. due to cost inflation.** While revenues were in line with forecast (€103mn, +10% YoY), EBITDA was below expectations amid higher cost inflation on the “as-is” business (€8.2mn vs €11.8mn exp., 8.0% margin, -5.2pp YoY). Higher electricity and raw material prices at the pipes business (~24% of total) that were not passed on to clients weighed for €4.9mn (4.8pp impact). The company has now agreed with its main customers the automatic pass through of energy costs (raw mat already included). Adj. EBIT was €-2.8mn, also affected by D&A related to the Teverola 1&2 projects, which have yet to commence production; net of this, adj. EBIT was €3.0mn, a 3.0% margin. Net debt was €104mn vs €98mn as at YE21 due to the rise in NWC and CapEx, mainly to support T1, partly offset by the warrant conversion cash-in (~€26mn, ~5.1mn shares).

■ **T1 update: production gradually increasing.** In the last two months of 2022, SERI completed start-up of the Teverola 1 lithium cell and battery plant, which is currently operating at ~30% of monthly capacity of ~28MWh (~330MWh/year); this is expected to gradually reach max capacity through 3Q23. Around 90% of the pipeline is for storage (50/40% industrial/domestic) and 10% for other applications mainly industrial traction. Thanks to strong demand, average selling prices are said to be 37.5% above the business plan assumptions (~€400/KWh). While we welcome these indications, we are cutting our 2023 forecast because of lower volumes as management delayed the ramp-up due to the upgrading and improvement of production processes required for product innovation. All in all, we assume ~115MWh produced (35% of theoretical annual max capacity, vs 75% prev.), partly offset by the higher ASP (€525 vs €460/KWh prev.) but leaving subsequent years essentially unchanged.

■ **T2 update: supply agreement being drawn up.** The investment phase for the Teverola 2 lithium battery plant began in 2022 (€3.8mn spent). The disbursement of grants (CapEx/OpEx ~€360/140mn) will come within 4 months of the application filed at the end of 1H each year. The choice of suppliers and technologies is said to be at an advanced stage with the target of spending ~€150mn this year (skewed to 2H). Overall, we note some progress, though at a slower pace than in the initial plan. For this reason, we have shifted plant ramp-up from mid-2025 to the last part of 2026. We note that T2 is included in our valuation through a dedicated DCF worth €5.0 per share (€5.2 prev. due to slower CapEx deployment). We remind that our DCF assumes a 16.6% WACC given its transformational magnitude, but as soon as visibility improves there are ample margins to improve our valuation. Key milestones we identified 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.** As explained above, we are cutting our estimates for 2023, essentially due to the delayed ramp-up of the T1 plant. For 2024, we broadly confirm our operating estimates, but reduce our EPS by 25% on higher interest rates due to the financing of T2 before the effective disbursement of grants and a higher share count post warrant conversion. From this report we include the CapEx for T2 in our explicit estimates but highlight that the effect on the NFP is neutral before financing costs.

■ **BUY and TP confirmed.** SERI’s 2H22 results felt the impact of stronger-than-expected cost inflation on the as-is business. However, we highlight the equity story hinges on success of the T1 & 2 lithium battery projects. With the T1 plant finally starting deliveries and T2-related CapEx deployment commenced, we confirm our positive view on the stock, which we believe is positioned to benefit from the green transition. TP confirmed at €9.8 as the effect of lower short-term estimates is offset by rolling over the valuation by one year and the expiration of warrants without being exercised.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	177	204	274	360	374
EBITDA Adj (Eu mn)	21	17	29	53	60
Net Profit Adj (Eu mn)	0	-3	-1	17	23
EPS New Adj (Eu)	0.010	-0.069	-0.012	0.316	0.419
EPS Old Adj (Eu)	0.010	-0.093	0.236	0.421	0.442
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	21.8	25.9	14.9	8.2	7.0
EV/EBIT Adj	nm	nm	nm	13.3	10.6
P/E Adj	nm	nm	nm	18.6	14.0
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	4.8	6.0	4.0	2.2	1.7

SERI INDUSTRIAL – Key Figures

Profit & Loss (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	134	177	204	274	360	374
EBITDA	2	20	18	29	53	60
EBIT	-11	-2	-4	8	33	39
Financial Income (charges)	-4	-4	-6	-9	-9	-8
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	-15	-6	-10	-1	23	31
Taxes	11	3	6	0	-6	-8
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	-1	17	23
EBITDA Adj	5	21	17	29	53	60
EBIT Adj	-6	-1	-5	8	33	39
Net Profit Adj	-8	0	-3	-1	17	23
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	-0.012	0.316	0.419
EPS Adj f.d	-0.163	0.010	-0.069	-0.012	0.316	0.419
BVPS f.d	2.410	2.505	2.925	2.647	2.962	3.381
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	20	38	43
Change in NWC	-8	-7	-18	130	120	53
Capital Expenditure	-23	-25	-31	-161	-162	-77
Other Cash Items	-5	2	-1	0	0	0
Free Cash Flow (FCF)	-23	-13	-31	-11	-4	19
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	-11	-4	19
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	184	192	194	334	475	532
Net Working Capital	56	59	77	-53	-173	-226
Long term Liabilities	29	33	23	23	23	23
Net Capital Employed	210	219	248	258	279	282
Net Cash (Debt)	-96	-98	-104	-115	-119	-100
Group Equity	114	121	144	143	160	182
Minorities	0	0	0	0	0	0
Net Equity	114	121	144	143	160	182
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	141	350	344	316	316	316
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-96	-98	-104	-115	-119	-100
Enterprise Value	237	448	448	431	436	416
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	3.7%	11.6%	8.5%	10.6%	14.8%	16.0%
EBIT Adj Margin	nm	nm	nm	2.9%	9.1%	10.5%
Gearing - Debt/Equity	84.2%	81.1%	72.7%	80.4%	74.6%	54.7%
Interest Cover on EBIT	nm	nm	nm	0.9	3.5	4.7
Net Debt/EBITDA Adj	19.5	4.8	6.0	4.0	2.2	1.7
ROACE*	-5.7%	-1.0%	-1.8%	3.1%	12.2%	14.0%
ROE*	-6.7%	0.4%	-2.6%	-0.5%	11.3%	13.2%
EV/CE	1.2	2.1	1.9	1.7	1.6	1.5
EV/Sales	1.8	2.5	2.2	1.6	1.2	1.1
EV/EBITDA Adj	nm	21.8	25.9	14.9	8.2	7.0
EV/EBIT Adj	nm	nm	nm	nm	13.3	10.6
Free Cash Flow Yield	-7.1%	-4.1%	-9.8%	-3.3%	-1.4%	6.1%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	-14.4%	32.2%	15.2%	34.0%	31.6%	3.8%
EBITDA Adj	-77.7%	316.3%	-15.7%	67.3%	84.3%	12.2%
EBIT Adj	nm	nm	nm	nm	314.5%	20.4%
Net Profit Adj	nm	nm	nm	nm	nm	32.6%
EPS Adj	nm	nm	nm	nm	nm	32.6%
DPS						

*Excluding extraordinary items

Source: Intermonte SIM estimates

2H22/FY22 results

SERI – Results breakdown by division, income statement and NFP

	1H21A	2H21A	2021A	1H22A	2H22A	2022A	2023E	2H22E	A/E %	2022E	A/E %
El. Acc. (lead-acid)	32.5	42.0	74.6	39.5	44.3	83.8	87.1	42.4	+5%	81.9	+2%
Plastics materials	52.0	52.7	104.7	62.8	59.1	121.9	127.4	62.7	-6%	125.5	-3%
Corporate, Other & Elim.	-0.7	-1.4	-2.1	-0.8	-0.8	-1.6	-1.6	-1.3		-2.1	-25%
Business as-is	83.8	93.3	177.1	101.5	102.6	204.1	213.0	103.8	-1%	205.3	-1%
Teverola 1	0.0	0.0	0.0	0.0	0.0	0.0	60.6	4.6		4.6	
Group revenue	83.8	93.3	177.1	101.5	102.6	204.1	273.6	108.3	-5%	209.8	-3%
El. Acc. (lead-acid)	+27%	+34%	+31%	+21%	+5%	+12%	+4%	+1%		+10%	
Plastics materials	+57%	+16%	+34%	+21%	+12%	+16%	+5%	+19%		+20%	
Corporate, Other & Elim.	-3%	+131%	+59%	+20%	-47%	-25%	+0%	-9%		+0%	
Business as-is	+45%	+23%	+32%	+21%	+10%	+15%	+4%	+11%		+16%	
Lithium batteries	+0%	+0%	+0%	+0%	+0%	+0%	n.m.	+0%		+0%	
Group revenue	+45%	+23%	+32%	+21%	+10%	+15%	+34%	+16%		+18%	
El. Acc. (lead-acid)	2.4	6.8	9.2	5.0	2.9	7.9	10.5	6.6	-55%	11.6	-32%
Plastics materials	6.1	5.5	11.6	4.5	5.9	10.3	13.4	5.7	+4%	10.1	+2%
Corporate, Other & Elim.	-0.3	0.0	-0.3	-0.4	-0.6	-1.0	-1.0	-0.4	+35%	-0.8	+19%
Business as-is	8.2	12.3	20.5	9.1	8.2	17.3	22.8	11.8	-31%	20.9	-17%
Teverola 1	0.0	0.0	0.0	0.0	0.0	0.0	6.1	0.0		0.0	
Adj. EBITDA	8.2	12.3	20.5	9.1	8.2	17.3	28.9	11.8	-31%	20.9	-17%
El. Acc. (lead-acid)	7.5%	16.1%	12.3%	12.6%	6.6%	9.5%	12.0%	15.6%		14.2%	
Plastics materials	11.7%	10.5%	11.1%	7.1%	9.9%	8.5%	10.5%	9.0%		8.1%	
Corporate, Other & Elim.	47.2%	-0.4%	15.1%	46.2%	79.7%	62.3%	62.3%	34.6%		39.1%	
Business as-is	9.8%	13.2%	11.6%	8.9%	8.0%	8.5%	10.7%	11.4%		10.2%	
Teverola 1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%		0.0%	
Adj. EBITDA	9.8%	13.2%	11.6%	8.9%	8.0%	8.5%	10.6%	10.9%		10.0%	
	1H21A	2H21A	2021A	1H22A	2H22A	2022A	2023E	2H22E	A/E %	2022E	A/E %
Revenues	83.8	93.3	177.1	101.5	102.6	204.1	273.6	108.3	-5%	209.8	-3%
YoY growth	+45%	+23%	+32%	+21%	+10%	+15%	+34%	+16%		+18%	
- Operating costs	-75.4	-81.6	-157.0	-92.6	-93.8	-186.4	-244.7	-96.5		-189.2	
+ Non-recurring	-0.2	0.6	0.4	0.2	-0.7	-0.5	0.0	0.0		0.2	
Adj. EBITDA	8.2	12.3	20.5	9.1	8.2	17.3	28.9	11.8	-31%	20.9	-17%
YoY growth	n.m.	+187%	+316%	+11%	-33%	-16%	+67%	-4%		+2%	
Adj. EBITDA margin %	9.8%	13.2%	11.6%	8.9%	8.0%	8.5%	10.6%	10.9%		10.0%	
- D&A (only recurring)	-9.2	-12.5	-21.7	-10.8	-11.0	-21.8	-21.0	-11.5		-22.3	
Adj. EBIT	-1.0	-0.2	-1.2	-1.7	-2.8	-4.5	7.9	0.4	n.m.	-1.4	n.m.
YoY growth	-78%	-87%	-80%	+72%	n.m.	+272%	-274%	-261%		+12%	
Adj. EBIT margin %	-1.2%	-0.2%	-0.7%	-1.7%	-2.8%	-2.2%	2.9%	0.3%		-0.6%	
- Non-recurring (incl. D&A)	-0.4	-0.5	-0.9	-0.2	0.7	0.5	0.0	0.0		-0.2	
-/+ Net fin. exp./inc.	-1.8	-2.1	-3.8	-2.4	-3.5	-5.9	-8.8	-2.3		-4.7	
Pre-tax income	-3.1	-2.8	-6.0	-4.3	-5.6	-9.9	-0.9	-1.9	n.m.	-6.3	n.m.
Tax rate %	-31.9%	n.m.	53.9%	-19.9%	n.m.	55.3%	27.0%	n.m.		27.0%	
- Tax income	-1.0	4.2	3.2	-0.9	6.4	5.5	0.2	2.6		1.7	
Net income	-4.1	1.4	-2.8	-5.2	0.8	-4.4	-0.7	0.6	n.m.	-4.6	n.m.
YoY growth	-46%	-55%	-40%	+26%	-46%	+61%	-85%	-55%		+66%	
Net income margin %	-4.9%	1.5%	-1.6%	-5.1%	0.7%	-2.2%	-0.2%	0.6%		-2.2%	
Adj. net income	-3.8	4.2	0.5	-5.2	1.8	-3.4	-0.7	0.6	n.m.	-4.6	n.m.
YoY growth	-50%	n.m.	-106%	+37%	-57%	n.m.	-80%	-85%		n.m.	
Net income margin %	-4.5%	4.6%	4.2%	-5.1%	1.8%	7.1%	7.2%	0.6%		7.1%	
Net debt/(cash)	104.2	98.0	98.0	119.9	104.3	104.3	114.8	113.6		113.6	
Net debt/EBITDA	8.4x	8.0x	4.8x	5.6x	12.7x	6.0x	4.0x	9.6x		5.4x	

Source: Company data & Intermonte SIM Estimates

Teverola 1 & 2 projects

T1 update: production gradually increasing. In the last two months of 2022, SERI completed start-up of the Teverola 1 lithium cell and battery plant, which is currently operating at ~30% of monthly capacity of ~28MWh (~330MWh/year); this is expected to gradually reach max capacity through 3Q23. Around 90% of the pipeline is for storage (50/40% industrial/domestic) and 10% for other applications mainly industrial traction. Thanks to strong demand, average selling prices are said to be 37.5% above the business plan assumptions (~€400/KWh). While we welcome these indications, we are cutting our 2023 forecast because of lower volumes as management delayed the ramp-up due to the upgrading and improvement of production processes required for product innovation. All in all, we assume ~115MWh produced (35% of theoretical annual max capacity, vs 75% prev.), partly offset by the higher ASP (€525 vs €460/KWh prev.) but leaving subsequent years essentially unchanged.

T2 update: supply agreement being drawn up. The investment phase for the Teverola 2 lithium battery plant began in 2022 (€3.8mn spent). The disbursement of grants (CapEx/OpEx ~€360/140mn) will come within 4 months of the application filed at the end of 1H each year. The choice of suppliers and technologies is said to be at an advanced stage with the target of spending ~€150mn this year (skewed to 2H). Overall, we note some progress, though at a slower pace than in the initial plan. For this reason, we have shifted plant ramp-up from mid-2025 to the last part of 2026. We note that T2 is included in our valuation through a dedicated DCF worth €5.0 per share (€5.2 prev. due to slower CapEx deployment). We remind that our DCF assumes a 16.6% WACC given its transformational magnitude, but as soon as visibility improves there are ample margins to improve our valuation. Key milestones we identified are: successful execution at T1, timely progress on CapEx, agreements with customers (off-take agreements) and suppliers, strength of demand, NWC financing and technology.

Teverola projects 1 & 2

TEVEROLA 1	TEVEROLA 2
330 MWh installed capacity	8,5 GWh capacity to be started up by end-2024
Teverola is set to become the first gigafactory in Italy and South Europe	
Capacity: 330 MWh Technology: LFP soft pouch (50Ah), high energy density applications with integrated BMS 70 M€ of realized Capex Applications: Motive Power, ESS, Public transport, Naval and Defense	Project timesheet: 2021 – 2027 Industrial Deployment: 2021–2024 R&D: 2021–2027 Capacity: 8/8,5 GWh Technology: Gen 3b and 4 (solid state) 505 M€ of investments (Capex for 358.55 M€ and Opex for 147.29 M€, funded by grants) 50 ton/day of battery treatment in the recycling pilot line Applications: Motive Power, Storage, Automotive, Public Transport, Naval and Defense
Present	Future

Source: company presentation

Teverola 2 time line and next steps

IMPORTANT PROJECTS OF COMMON EUROPEAN INTEREST

- December 2019: Authorization Decision from the European Commission
- April 2021: Inter-ministerial Decree defining the general criteria for the operation of the IPCEI Fund
- July 2021: Activation Decree enabling the IPCEI Fund in support of the IPCEI Batteries 1
- October 2021: Submission of the application for the grant
- March 2022: **Concession decree in favour of FIB amounting € 417,046,521.84 (communicated to be increased)**

Battery production plans in Europe: 23 gigafactories planned

A Mediterranean Gigafactory

Teverola will become the **first technological cluster** to produce lithium batteries in Italy and among the first in Europe, with an **estimated production of about 8,5 GWh/year**

Building ready – no issue in the construction

Next steps

- Disbursement of grants to be made within the first semester of each year – first request may be arranged as a 20% advancement of the total amounts
- Activation of a specific revolving credit facility to be opened by a pool of banks – to advance the amounts of the grant
- Signing of the contract with the suppliers of equipment & machinery – talks are currently underway

Source: company presentation

Teverola IPCEI financing

Key Highlights

FAAM project has been approved for the production of beyond the state-of-the-art li-ion cells and recycling of end-life li-ion batteries

Commission approves €3.2 billion support by seven Member States for project of common European interest for battery value chain

Raw and advanced materials	Cells and modules	Battery systems	Recycling, recycling and refining
BASF	ACC	BMW	BASF
Enersys	BMW	Endurance	Endurance
Keliber	Endurance	Enel X	Elemental
Nanocyl	Enersys	Enersys	Enersys
Solvay	FAAM	Kaikuk	FAAM
Tetraforce	SEEL	SEEL	Fortium
Umicore	VIARTA		SEEL
			Umicore

GIGAFATORIES

- Member States: Belgium, Finland, France, Germany, Italy, Poland and Sweden
- Integrated project comprising 4 workstreams, covering the battery value chain
- 17 undertakings (some active in more than one Member State) will receive State aid
- Cumulated maximum State aid: EUR 3.2 billion

A EUROPEAN BATTERY VALUE CHAIN

Source: company presentation

Teverola Lithium Battery Manufacturing Process

Lithium battery manufacturing process in Teverola

Materials

- Lithium-Iron-Phosphate
- Graphite
- Water
- Aluminum (collector)
- Copper (collector)

Electrode production

Slurry

Coating

Sitting

Notching

Cell assembly

Lamination

Stacking of electrodes

Cell formation

Formation

Modules assembly

Charge and discharge of modules

Battery packs and BMS

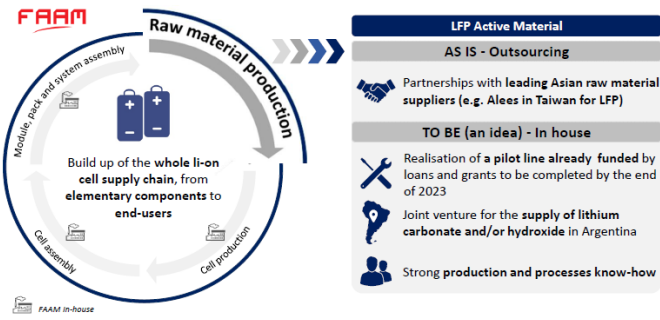
Batteries

Electrodes production is based on a green and innovative water-based solution process

Source: company presentation

Cell Technology Development (1/2)

Active Material LFP



LFP Active Material
AS IS - Outsourcing
Partnerships with leading Asian raw material suppliers (e.g. Ales in Taiwan for LFP)
TO BE (an idea) - In house
Realisation of a pilot line already funded by loans and grants to be completed by the end of 2023
Joint venture for the supply of lithium carbonate and/or hydroxide in Argentina
Strong production and processes know-how

Any benefit from the lower cost of material is not included in the BP

Source: company presentation

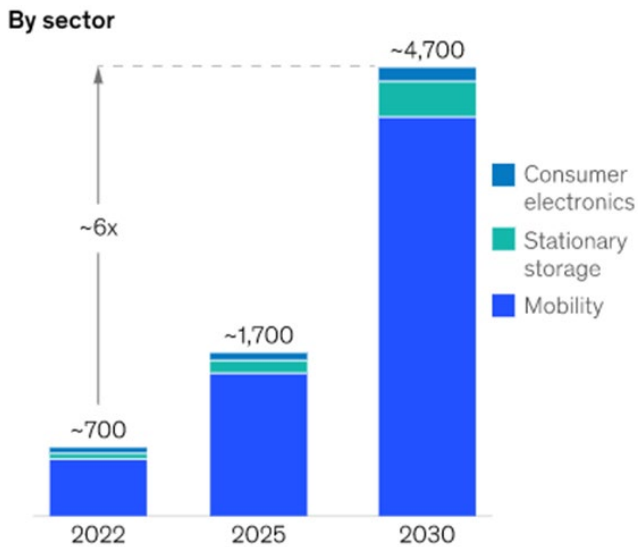
Cell Technology Development (2/2)

Teverola 1	Features of the plant	Cell Shape	Key highlights
	0.3 GWh Water based solutions From cell to module to pack	Soft Pouch	LFP chemistry Own BMS
Teverola 2	Features of the plant	Cell Shape and cap.	Key highlights
	8/8,5 GWh/year Compliant with Water based/organic solutions Target with car makers – directly from cell to pack could be an option	50% Soft Pouch 50% Cylindrical 4680 Pilot recycling plant included	High energy LFP/LMFP – C/Si (Li) chemistry Own BMS

High Flexibility for customized applications

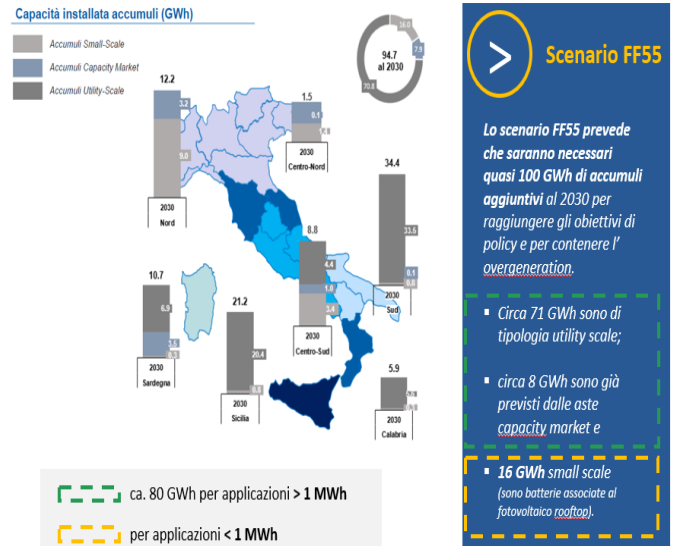
Source: company presentation

Global Lithium Battery market (GWh)



Source: McKinsey

Italy Market Opportunity



Source: Terna, Webinar Technology Watch, Ottobre 2022

Scenario FF55

Lo scenario FF55 prevede che saranno necessari quasi 100 GWh di accumuli aggiuntivi al 2030 per raggiungere gli obiettivi di policy e per contenere l'overgeneration.

- Circa 71 GWh sono di tipologia utility scale;
- circa 8 GWh sono già previsti dalle aste capacity market e
- 16 GWh small scale (sono batterie associate al fotovoltaico rooftop).

Change in estimates

Change in estimates

	New			Old			Δ %		
	2022A	2023E	2024E	2022E	2023E	2024E	2022A	2023E	2024E
Revenues	204.1	273.6	360.1	209.8	322.2	358.2	-3%	-15%	1%
YoY growth	+15.2%	+34.0%	+31.6%	+18.5%	+53.5%	+11.2%			
Adj. EBITDA	17.3	28.9	53.3	20.9	43.4	55.8	-17%	-33%	-5%
YoY growth	-15.7%	+67.3%	+84.3%	+1.9%	+108.0%	+28.4%			
Adj. EBITDA margin %	8.5%	10.6%	14.8%	10.0%	13.5%	15.6%			
Adj. EBIT	-4.5	7.9	32.7	-1.4	21.2	33.5	n.m.	-63%	-2%
YoY growth	+272.4%	-273.9%	+314.5%	+11.7%	-1656.1%	+58.2%			
Adj. EBIT margin %	-2.2%	2.9%	9.1%	-0.6%	6.6%	9.4%			
Adj. EPS	-0.07	-0.01	0.32	-0.09	0.24	0.42	n.m.	n.m.	-25%
YoY growth	-817.9%	-82.3%	-2689.6%	-1072.8%	-354.0%	+78.1%			
Net debt/(cash)	104.3	114.8	119.2	113.6	111.8	98.2	-8%	3%	21%
Net debt/EBITDA	6.0 x	4.0 x	2.2 x	5.4 x	2.6 x	1.8 x			

Source: Intermonte SIM

Valuation

Valuation summary

SUM PV(FCF)	113	2.1
PV TV	249	4.6
EV AS-IS + T1; WACC @ 8.4%; TG @ 2%	363	6.7
EV T2; WACC @ 16.6%; TG @ 2%	268	5.0
Enterprise Value	631	11.7
-/+ Net debt/(cash) @ YE22	104	1.9
Equity value	526.4	
Shares outstanding	54.0	
Fair value per share (€)	9.8	
Discount	0.0	
Target price (€)	9.8	
Actual share price (€)	5.9	
Upside/(Downside)	67%	

Source: Intermonte SIM

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	273.6	360.1	373.6
YoY growth	+0%	+17%	-14%	+32%	+15%	+34%	+32%	+4%
- Operating costs	-114.5	-137.1	-131.7	-157.0	-186.4	-244.7	-306.8	-313.9
+ 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	28.9	53.3	59.8
YoY growth	+0%	+44%	-78%	+316%	-16%	+67%	+84%	+12%
Adj. EBITDA margin %	11.4%	14.1%	3.7%	11.6%	8.5%	10.6%	14.8%	16.0%
- D&A (only recurring)	-13.1	-11.6	-11.2	-21.7	-21.8	-21.0	-20.6	-20.4
Adj. EBIT	2.2	10.4	-6.2	-1.2	-4.5	7.9	32.7	39.4
YoY growth	+0%	+370%	-160%	-80%	+272%	-274%	+315%	+20%
Adj. EBIT margin %	1.7%	6.7%	-4.7%	-0.7%	-2.2%	2.9%	9.1%	10.5%
- 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	-8.8	-9.4	-8.4
Pre-tax income	1.4	3.3	-15.2	-6.0	-9.9	-0.9	23.3	30.9
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	0.2	-6.3	-8.4
Net income	5.4	1.9	-4.6	-2.8	-4.4	-0.7	17.0	22.6
YoY growth	+0%	-65%	-348%	-40%	+61%	-85%	-2690%	+33%
Net income margin %	4.0%	1.2%	-3.4%	-1.6%	-2.2%	-0.2%	4.7%	6.0%
- 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	-0.7	17.0	22.6
Adj. EPS	-0.05	0.11	-0.16	0.01	-0.07	-0.01	0.32	0.42
YoY growth	+0%	-317%	-253%	-106%	-818%	-82%	-2690%	+33%
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	74.6	97.9	101.9
Other current assets/(liab.)	-8.6	-14.4	5.8	6.6	15.4	-127.8	-271.0	-328.3
Working capital	48.4	39.5	55.6	59.3	76.9	-53.2	-173.1	-226.4
Net fixed assets	127.5	163.6	183.8	192.3	193.7	333.7	475.0	531.6
Long-term liabilities	-4.9	-14.0	-29.5	-32.7	-22.8	-22.8	-22.8	-22.8
Total fixed asset	122.6	149.7	154.3	159.6	170.9	310.9	452.2	508.8
Invested capital	171.1	189.2	209.9	219.0	247.8	257.7	279.1	282.4
Net debt/(cash)	50.9	69.0	96.0	98.0	104.3	114.8	119.2	99.9
Equity	118.5	118.4	113.6	120.5	143.5	142.9	159.9	182.5
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	247.8	257.7	279.1	282.4
Cash flow statement	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Net Income	5.4	1.9	-4.6	-2.8	-4.4	-0.7	17.0	22.6
D&A	14.1	-19.4	13.8	22.3	21.8	21.0	20.6	20.4
Change in WC & Others	-10.6	42.4	-8.4	-7.3	-17.6	130.1	119.9	53.3
Cash flow from operations	8.8	24.9	0.8	12.2	-0.2	150.5	157.5	96.3
Capex	-39.5	-38.7	-23.3	-25.0	-30.7	-161.0	-161.9	-76.9
FCF	-30.6	-13.8	-22.5	-12.8	-30.9	-10.5	-4.4	19.4
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	-1.3	0.0	0.0	0.0
Change in NFP	-22.0	-18.1	-26.9	-2.0	-6.3	-10.5	-4.4	19.4
Ratios	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
NWC/Sales %	36.3%	25.2%	41.5%	33.5%	37.7%	-19.4%	-48.1%	-60.6%
Capex/Sales %	29.6%	24.7%	17.4%	14.1%	15.0%	58.8%	45.0%	20.6%
Net debt/EBITDA	3.3x	3.1x	19.5x	4.8x	6.0x	4.0x	2.2x	1.7x
ROCE %	1.3%	5.5%	-3.0%	-0.6%	-1.8%	3.1%	11.7%	13.9%
ROE %	-1.9%	4.3%	-6.8%	0.4%	-2.3%	-0.5%	10.7%	12.4%

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		
				2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E
SERI @ our TP	IT	9.8	316	36.6x	22.4x	12.1x	n.m.	82.1x	19.7x	n.m.	-803.8x	31.0x
SERI @ our est.	IT	5.9	316	24.3x	15.1x	8.1x	n.m.	55.2x	13.2x	n.m.	-480.6x	18.6x
SERI @ cons. est.	IT	5.9	316	24.3x	8.1x	2.8x	n.m.	14.7x	3.4x	n.m.	16.7x	3.2x
VARTA	DE	23.6	1,004	24.1x	14.2x	9.6x	n.m.	n.m.	37.0x	n.m.	n.m.	47.0x
EnerSys	US	78.4	3,204	11.2x	9.2x		15.3x	11.9x		17.3x	13.9x	11.5x
Exide Industries	IN	2.0	1,686	8.9x	7.5x	6.5x	12.3x	10.1x	8.6x	16.3x	13.9x	12.3x
GS Yuasa	JP	16.3	1,315	5.6x	5.1x	4.7x	9.4x	7.9x	7.2x	15.3x	11.6x	10.7x
Ganfeng Lithium Group	CN	5.7	16,810	4.0x	3.7x	3.5x	3.9x	3.6x	3.3x	4.2x	4.4x	4.5x
Umicore	BE	30.1	7,412	7.3x	8.2x	8.6x	9.7x	11.7x	12.9x	12.2x	14.5x	15.2x
Contemp Amperex	CN	53.6	131,021	20.3x	13.9x	10.6x	26.3x	18.2x	13.8x	31.7x	22.8x	17.4x
LG Chem	KR	499.7	36,919	9.4x	8.6x	7.0x	20.2x	18.5x	12.9x	26.6x	22.2x	14.7x
Samsung SDI	KR	520.9	36,198	15.0x	13.4x	10.9x	27.0x	23.7x	18.5x	24.3x	23.7x	19.5x
SK Innovation	KR	116.6	10,871	5.0x	6.2x	5.7x	7.3x	11.1x	10.4x	8.3x	10.1x	8.5x
Average				11.1x	9.0x	7.5x	14.6x	13.0x	13.8x	17.3x	15.3x	16.1x

Source: FactSet

SERI – Share price performance (total return)

	-1m	-3m	-6m	YTD	-1y	-2y	-3y	Oct-20
SERI	+2.4%	+15.8%	+4.6%	+11.8%	-30.2%	+18.6%	+191.5%	+69.4%
VARTA	-16.4%	+2.8%	-19.4%	+4.5%	-72.9%	-80.2%	-61.4%	-78.4%
EnerSys	-6.1%	+14.4%	+43.5%	+15.3%	+12.4%	-3.9%	+84.0%	+18.2%
Exide Industries	+0.9%	-0.1%	+14.6%	-1.8%	+16.9%	-1.8%	+38.1%	+12.4%
GS Yuasa	-4.6%	+11.5%	+1.0%	+10.5%	-0.8%	-19.3%	+59.3%	+29.9%
Ganfeng Lithium Group	-11.7%	-17.4%	-8.0%	-17.2%	-37.2%	-29.0%	+183.3%	+57.7%
CATL	-4.7%	-12.9%	+2.1%	-12.4%	-21.1%	-30.7%	-1.2%	-18.8%
Contemp Amperex	-0.9%	+1.6%	-4.5%	+1.7%	-17.7%	+28.7%	+238.3%	+70.8%
LG Chem	+3.7%	+17.5%	+31.0%	+17.5%	+37.0%	-8.6%	+143.6%	+10.0%
Samsung SDI	+5.6%	+24.4%	+30.1%	+24.4%	+35.8%	+13.3%	+197.8%	+67.9%
SK Innovation	+9.6%	+6.8%	+16.5%	+6.8%	-18.8%	-16.1%	+96.1%	+15.8%
MARKET (FTSE MIB)	-2.7%	+11.2%	+31.4%	+12.8%	+5.7%	+9.5%	+58.9%	+35.6%
PEERS	-2.5%	+4.9%	+10.7%	+4.9%	-6.6%	-14.8%	+97.8%	+18.5%
SERI vs MARKET	+5.1%	+4.7%	-26.7%	-1.0%	-35.9%	+9.1%	+132.6%	+33.8%
SERI vs PEERS	+4.9%	+11.0%	-6.0%	+6.9%	-23.6%	+33.4%	+93.8%	+50.8%

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), 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

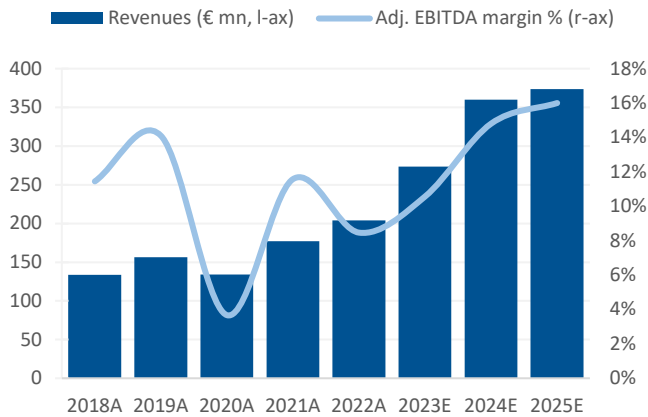
Next BoD renewal: Spring 2025

BoD independent members: 4/10

Shareholders

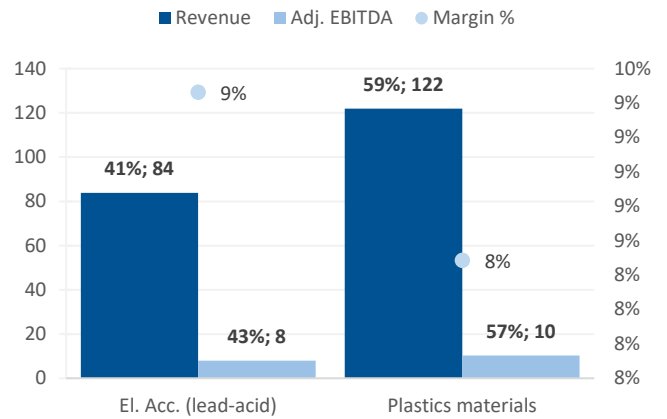
SE.R.I. Spa & Civitillo V.	56.41%
Neuberger Berman	7.35%
Market/other	36.24%

Revenue and EBITDA margin % (€ mn)



Source: company data and Intermonte SIM estimates

Revenue breakdown by geography (2022A)



Source: company data

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	SERI INDUSTRIAL		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	9.80	Previous Target (Eu):	9.80
Current Price (Eu):	5.86	Previous Price (Eu):	6.00
Date of report:	30/03/2023	Date of last report:	29/09/2022

DISCLAIMER (for more details go to [DISCLAIMER](#))
IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certifies that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

GUIDE TO FUNDAMENTAL RESEARCH

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 industrial 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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 December 2022 Intermonte's Research Department covered 121 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	20.66 %
OUTPERFORM:	48.76 %
NEUTRAL:	28.10 %
UNDERPERFORM	02.48 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 in total) is as follows:

BUY:	39.22 %
OUTPERFORM:	49.02 %
NEUTRAL:	11.76 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte SIM is acting as Global Coordinator in the proposed Unidata's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte is also acting as Listing Agent in the proposed Unidata's Transliting. Intermonte will receive fees from the company for its activity as Global Coordinator and Listing Agent.

Within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: Civitanavi Systems, GPI.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Maire Tecnimont, Tinexa, Unidata and WIIT.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Anima Holding, Aquafil, Avio, Azimut Holding, Banca Ifis, Banca Sistema, Cellularelle, Civitanavi Systems, Cyberoo, Cy4gate, DeA Capital, Datrix, EL.En, Eles, Elica, Emak, Esprinet, Expert AI, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, GPI, Greenthesis (formerly Ambientthesis), Gruppo Fos, GVS, IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Next Re SiliQ, Omer, Pharmanutra, Reevo, Relatech, Reply, Revv Insurance, Sababa Security, Saes Getters, Salcef, Sciucker Frames, Seco, Servizi Italia, Sesa, Sesi Industrial, Simec, Tamburi, Tinexa, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMBI, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifire S.P.A., B&C Speakers, Cleanbnb, Comer Industries, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxee, Edliziacobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Finanza.Tech, First Capital, Fope, FOS, Franchi Umberto Marmi, Giglio Group, Go Internet, GPI, Iervolino & Lady Bacardi Entertainment, Intercos, Intred, Iscc Fintech, Lindbergh, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Nhoa, Notorious Pictures, Orsero Group, Osai Automation System, Racing Force Group, Relatech, Reti, Salcef Group, Sciucker Frames, Sebino, Solid World Group, Spindox Digital Soul, Supplymecapital, Tamburi, Tesmec, The Italian Sea Group, Tinexa, Tps Group, Trendveice, Tribuo, Ulisse Biomed, Vantea Smart, WIIT.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short

© Copyright 2023 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available