

SERI INDUSTRIAL

BUY

SECTOR: Industrials

Price (Eu):

5.14

Target Price (Eu):

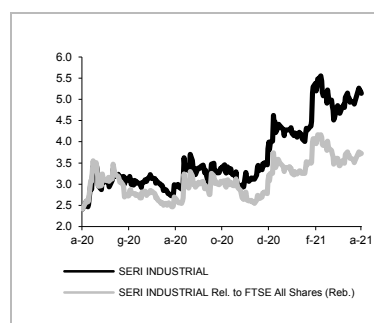
7.50

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Teverola 1 Plant Opens! "As-is" Business Should Normalise in 2021

- 2H20 results weighed by Covid-19.** While 2H20 revenues were in line with expectations and guidance (€76mn, -2% YoY, vs. €77mn exp.), earnings were lower than forecast, with EBITDA of €4.3mn, a 5.6% margin (vs. €14.8mn expected) mainly due to the impact of Covid-19 on production of both Plastic Materials and Lead-Acid batteries. The 2020 net loss was €4.4mn (vs. €2.2mn exp.) on lower operating results, partly offset by positive tax income. On this topic, we highlight SERI has €53mn of tax benefits. Net debt was €96mn (vs. €79mn exp.) following lower earnings and higher CapEx to support the ramp-up of the Teverola 1 project.
- 2021 guidance on the "as-is" business: expecting normalisation.** Beside the lithium battery business, SERI is also active in the recycling and production of plastic products and compounds (**Plastic Materials**, 55% of revenue), and the production and recycling of lead-acid batteries (**Electric Accumulators**, 40% of revenue). While both businesses were hit by Covid-19, management expects a normalisation in 2021, envisaging delivery of similar results to those originally expected for 2020 pre-pandemic. Our estimates are slightly more cautious given the pandemic situation and supply chain volatility. We forecast sales of €137mn, +9% YoY, and EBITDA of €19.5mn (13.1% margin) vs. €143mn and €22.1mn in 2019 respectively.
- Teverola 1: plant opened; 50% saturation in 2021.** In line with previous communications, SERI opened its T1 plant dedicated to the manufacture and sale of customised lithium batteries (soft pouch LFP cells). With commercial discussions underway, SERI expects to fill 50% of the ~0.3GWh plant capacity in 2021, with full saturation envisaged from 2022 onwards. Although the company's ASP target is below our expectations (~€400/KWh vs ~€460/KWh prev.), the saturation curve compares favourably (now 50%/90% in 2021/22 vs. 42%/83% previously) leaving the project's overall potential just slightly below our initial assumptions. Nevertheless, we welcome the development, which we believe is a key turning point for the equity story.
- Teverola 2: capacity upgraded; production to start in 2024; green light awaiting Ministerial approval.** Based on positive talks with suppliers, the capacity of the T2 plant (still involved in lithium batteries) has been upgraded to 7-8GWh vs 2.5-3GWh previously, with an ASP of ~€180-220/KWh (revenue of €1.2-1.8bn when the plant is fully up and running). With production envisaged to ramp up in 1H24, SERI is awaiting Ministerial approval to commence works, which would benefit from part of the ~€0.5bn in grants available under the IPCEI programme. We still are not including the T2 project in our forecasts pending improved visibility on the ramp-up.
- JV with Unilever for recycled plastic products.** On 22nd March, SERI announced an agreement with Unilever to set up a JV dedicated to recycled plastic products. While complete financial details aren't available to assess the potential of the project, we believe it reinforces SERI's position as a circular economy player.
- Change in estimates.** We are cutting our estimates by 8% on average, reflecting slightly lower expectations for the T1 project and on the "as-is" business for the reasons outlined above.
- BUY: target from €5.8 to €7.5.** While operating as a unique group with a vertical, horizontal and circular approach to the battery market, we view SERI as a dual-faceted equity story that is approaching a key positive inflection point contingent on the success of the Teverola 1 lithium project. Indeed, SERI shares offer exposure to a mature business mainly exposed to the lead-acid battery market (also through plastic materials) and a skyrocketing lithium business. While confirming our BUY rating, we are raising our TP from €5.8 to €7.5 due to a lower ERP (5.5% from 6.0% given more visibility on the T1 project) and the inclusion of the tax benefit in our valuation, partly offset by lower estimates. We still assume a 10% liquidity discount, not including the T2 project and Unilever JV until there is more visibility.

SERI INDUSTRIAL - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 5.80 to 7.50

Ch. in Adj. EPS est:	2021E	2022E
	-9.9%	-8.2%

STOCK DATA

Reuters code: SERK.MI
Bloomberg code: SERI IM

Performance	1m	3m	12m
Absolute	6.0%	22.4%	113.3%
Relative	3.0%	15.0%	74.5%
12 months H/L:	5.55/2.47		

SHAREHOLDER DATA

No. of Ord. shares (mn):	47
Total No. of shares (mn):	47
Mkt Cap Ord (Eu mn):	243
Total Mkt Cap (Eu mn):	243
Mkt Float - ord (Eu mn):	91
Mkt Float (in %):	37.4%
Main shareholder:	
Civitillo Family	62.6%

BALANCE SHEET DATA

	2021
Book value (Eu mn):	122
BVPS (Eu):	2.61
P/BV:	2.0
Net Financial Position (Eu mn):	-95
Enterprise value (Eu mn):	338

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Key Figures	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	157	134	209	264	281
Ebitda (Eu mn)	19	2	31	45	50
Net profit (Eu mn)	2	-4	8	18	21
EPS - New Adj.(Eu)	0.107	-0.163	0.170	0.375	0.434
EPS - Old Adj.(Eu)	0.107	-0.007	0.189	0.409	0.448
DPS (Eu)	0.000	0.000	0.000	0.000	0.000

Ratios & Multiples	2019A	2020A	2021E	2022E	2023E
P/E Adj.	48.0	nm	30.2	13.7	11.8
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda Adj.	14.1	nm	10.8	7.2	6.0
ROCE	3.7%	-5.7%	7.1%	12.9%	14.4%

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SERI INDUSTRIAL - KEY FIGURES

		2019A	2020A	2021E	2022E	2023E
	Fiscal year end	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
PROFIT & LOSS (Eu mn)	Sales	157	134	209	264	281
	EBITDA	19	2	31	45	50
	EBIT	7	(11)	15	28	32
	Financial income (charges)	(3)	(4)	(4)	(4)	(4)
	Associates & Others					
	Pre-tax profit (Loss)	3	(15)	11	24	28
	Taxes	(1)	11	(3)	(7)	(8)
	Tax rate (%)	43.4%	69.8%	27.0%	27.0%	27.0%
	Minorities & discontinue activities	(0)	0	0	0	0
	Net profit	2	-4	8	18	21
	Total extraordinary items	(4)	3	0	0	0
	Ebitda excl. extraordinary items	22	5	31	45	50
	Ebit excl. extraordinary items	10	(6)	15	28	32
Net profit restated	5	(8)	8	18	21	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	47	47	47	47	47
	EPS stated fd	0.033	-0.092	0.170	0.375	0.434
	EPS restated fd	0.107	-0.163	0.170	0.375	0.434
	BVPS fd	2.540	2.443	2.613	2.988	3.423
	Dividend per share (ord)	0.000	0.000	0.000	0.000	0.000
	Dividend per share (sav)					
	Dividend pay out ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	(18)	9	24	34	39
	Change in NWC	42	(5)	(16)	(10)	3
	Capital expenditure	(39)	(23)	(7)	(10)	(17)
	Other cash items	5	(9)	0	0	0
	Free cash flow (FCF)	(14)	(19)	1	14	24
	Acquisitions, divestments & others	(8)	1	0	0	0
	Dividend	0	0	0	0	0
	Equity financing/Buy-back	(2)	0	0	0	0
Change in Net Financial Position	(18)	(27)	1	14	24	
BALANCE SHEET (Eu mn)	Total fixed assets	164	173	164	157	156
	Net working capital	39	32	48	58	55
	Long term liabilities	14	(7)	(7)	(7)	(7)
	Net capital employed	189	212	218	222	218
	Net financial position	(69)	(96)	(95)	(81)	(56)
	Group equity	120	116	124	141	162
	Minorities	2	2	2	2	2
Net equity	118	114	122	140	160	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	243	243	243	243	243
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(69)	(96)	(95)	(81)	(56)
	Enterprise value	312	339	338	324	299
RATIOS(%)	EBITDA margin*	14.1%	3.7%	14.9%	17.0%	17.7%
	EBIT margin*	6.7%	nm	7.3%	10.8%	11.3%
	Gearing - Debt/equity	57.4%	83.0%	76.6%	57.0%	34.8%
	Interest cover on EBIT	2.0	nm	3.6	6.9	8.9
	Debt/Ebitda	3.56	41.47	3.04	1.80	1.13
	ROCE*	3.7%	-5.7%	7.1%	12.9%	14.4%
	ROE*	1.3%	-3.8%	6.8%	13.6%	13.7%
	EV/CE	1.7	1.7	1.6	1.5	1.4
	EV/Sales	2.0	2.5	1.6	1.2	1.1
	EV/Ebit	30.0	nm	22.2	11.4	9.4
Free Cash Flow Yield	-5.7%	-7.8%	0.5%	5.8%	10.0%	
GROWTH RATES (%)	Sales	17.3%	-14.4%	55.7%	26.4%	6.7%
	EBITDA*	44.4%	-77.7%	532.6%	44.1%	10.6%
	EBIT*	370.1%	nm	nm	87.2%	11.5%
	Net profit	-71.2%	nm	nm	120.7%	15.8%
	EPS restated	nm	nm	nm	120.7%	15.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

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2020 results

While 2H20 revenues were in line with expectations and guidance (€76mn, -2% YoY, vs. €77mn exp.), earnings were lower than forecast, with EBITDA of €4.3mn, a 5.6% margin (vs. €14.8mn expected) mainly due to the impact of Covid-19 on production of both Plastic Materials and Lead-Acid batteries. This has been due to a reduction in production, which lead to lower absorption of fixed production costs, and the sale of products made in 2019 with higher raw mat costs than in 9M20 (sale prices to clients were indexed to the cost of plastics and lead on the London exchange). The 2020 net loss was €4.4mn (vs. €2.2mn exp.) on lower operating results, partly offset by positive tax income. On this topic, we highlight SERI has €53mn of tax benefits. Net debt was €96mn (vs. €79mn exp.) following lower earnings and higher CapEx to support the ramp-up of the Teverola 1 project.

Revenue and adj. EBITDA breakdown by division

	2018A	1H19A	2H19A	2019A	1H20A	2H20A	2020A	2021E	2H20E	A/E %	2020E	A/E %
Electric Accumulators (lead-acid)	58.2	25.5	29.3	54.7	24.0	29.2	53.1	53.9	29.7	-2%	53.7	-1%
Plastics materials	59.6	48.4	41.3	89.6	30.8	42.9	73.7	84.0	40.9	5%	71.7	3%
Corporate, Other & Elim.	(0.1)	(0.7)	(0.4)	(1.2)	(0.6)	(0.6)	(1.2)	(1.2)	(0.5)	7%	(1.2)	3%
Business as-is	117.7	73.1	70.1	143.2	54.1	71.5	125.6	136.7	70.1	2%	124.2	1%
Lithium batteries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	60.0	0.0		0.0	
Net sales	117.7	73.1	70.1	143.2	54.1	71.5	125.6	196.7	70.1	2%	124.2	1%
Other income & Int. Work.	15.8	5.9	7.5	13.3	3.9	4.5	8.4	11.9	7.4		11.3	-25%
Group revenue	133.5	79.0	77.6	156.5	58.0	76.0	134.0	208.6	77.5	-2%	135.4	-1%
Electric Accumulators (lead-acid)				-5.9%	-6.0%	-0.3%	-2.9%	+1.5%	+1.5%		-2.0%	
Plastics materials				+50.4%	-36.3%	+3.9%	-17.8%	+14.0%	-0.8%		-20.0%	
Corporate, Other & Elim.				+1339.0%	-13.2%	+31.6%	+3.4%	+0.0%	+22.4%		-0.0%	
Business as-is				+21.7%	-26.0%	+2.0%	-12.3%	+8.8%	-0.0%		-13.3%	
Lithium batteries				+0.0%	+0.0%	+0.0%	+0.0%	+0.0%	+0.0%		+0.0%	
Net sales				+21.7%	-26.0%	+2.0%	-12.3%	+56.6%	-0.0%		-13.3%	
Other income & Int. Work.				-15.6%	-33.9%	-39.4%	-37.0%	+41.3%	-1.0%		-15.4%	
Group revenue				+17.3%	-26.6%	-2.0%	-14.4%	+55.7%	-0.1%		-13.5%	

	2018A	1H19A	2H19A	2019A	1H20A	2H20A	2020A	2021E	2H20E	A/E %	2020E	A/E %
Electric Accumulators (lead-acid)	6.6	4.2	10.9	15.2	0.2	0.6	0.9	10.2	9.3	-93%	9.5	-91%
Plastics materials	9.2	4.1	3.8	7.9	1.1	3.6	4.7	9.9	5.5	-34%	6.6	-28%
Corporate, Other & Elim.	(0.5)	(0.4)	(0.6)	(1.0)	(0.7)	0.0	(0.6)	(0.6)	(0.0)	-162%	(0.7)	-11%
Business as-is	15.3	7.9	14.2	22.1	0.6	4.3	4.9	19.5	14.8	-71%	15.4	-68%
Lithium batteries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.7	0.0		0.0	
Adj. EBITDA	15.3	7.9	14.2	22.1	0.6	4.3	4.9	31.2	14.8	-71%	15.4	-68%
Electric Accumulators (lead-acid)	9.4%	14.4%	33.7%	24.5%	0.8%	2.0%	1.5%	17.0%	28.5%		16.0%	
Plastics materials	14.8%	8.2%	8.4%	8.3%	3.3%	8.0%	6.0%	11.0%	12.4%		8.5%	
Corporate, Other & Elim.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	47.3%	n.m.		n.m.	
Business as-is	11.4%	10.0%	18.3%	14.1%	1.1%	5.6%	3.7%	13.1%	19.0%		11.4%	
Lithium batteries	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.5%	0.0%		0.0%	
Adj. EBITDA	11.4%	10.0%	18.3%	14.1%	1.1%	5.6%	3.7%	14.9%	19.0%		11.4%	

Source: Intermonte SIM estimate (E), company data (A)

Income statement and NFP

	2018A	1H19A	2H19A	2019A	1H20A	2H20A	2020A	2021E	2H20E	A/E %	2020E	A/E %
Revenues	133.5	79.0	77.6	156.5	58.0	76.0	134.0	208.6	77.5	-2%	135.4	-1%
YoY growth	+0.0%	+0.0%	+21.4%	+17.3%	-26.6%	-2.0%	-14.4%	+55.7%	+33.6%		-13.5%	
- Operating costs	(114.5)	(71.1)	(66.0)	(137.1)	(57.8)	(73.9)	(131.7)	(177.4)	(62.7)		(120.6)	
+ Non-recurring	(3.8)	0.0	2.7	2.7	0.5	2.1	2.6	0.0	0.0		0.5	
Adj. EBITDA	15.3	7.9	14.2	22.1	0.6	4.3	4.9	31.2	14.8	-71%	15.4	-68%
YoY growth	+0.0%	+0.0%	-7.1%	+44.4%	-91.8%	-69.8%	-77.7%	+532.6%	-226.4%		-30.2%	
Adj. EBITDA margin %	11.4%	10.0%	18.3%	14.1%	1.1%	5.6%	3.7%	14.9%	19.0%		11.4%	
- D&A	(13.1)	(5.8)	(5.9)	(11.6)	(5.2)	(6.0)	(11.2)	(16.0)	(8.2)		(13.3)	
Adj. EBIT	2.2	2.1	8.3	10.4	(4.5)	(1.7)	(6.2)	15.2	6.6	n.m.	2.1	n.m.
YoY growth	+0.0%	+0.0%	+275.6%	+370.1%	-315.3%	-120.8%	-159.9%	-343.6%	-100.0%		-80.0%	
Adj. EBIT margin %	1.7%	2.7%	10.7%	6.7%	-7.8%	-2.3%	-4.7%	7.3%	8.5%		1.5%	
- Non-recurring (incl. D&A)	2.7	(0.7)	(3.0)	(3.7)	(1.3)	(3.9)	(5.2)	0.0	(0.1)		(1.5)	
-/+ Net fin. exp./inc.	(3.6)	(1.6)	(1.8)	(3.4)	(1.5)	(2.2)	(3.7)	(4.2)	(2.1)		(3.6)	
Pre-tax income	1.4	(0.2)	3.5	3.3	(7.4)	(7.8)	(15.2)	11.0	4.3	n.m.	(3.0)	n.m.
Tax rate %	-294.8%	-491.8%	8.0%	43.4%	-3.9%	139.1%	69.8%	27.0%	-25.6%		27.0%	
- Tax income	4.0	(1.1)	(0.3)	(1.4)	(0.3)	10.9	10.6	(3.0)	1.1		0.8	
Net income	5.4	(1.4)	3.2	1.9	(7.6)	3.1	(4.6)	8.0	5.4	n.m.	(2.2)	n.m.
YoY growth	+0.0%	+0.0%	-39.8%	-65.4%	+457.1%	-5.2%	-347.6%	-275.2%	-158.8%		-219.3%	
Net income margin %	4.0%	-1.7%	4.2%	1.2%	-13.2%	4.0%	-3.4%	3.9%	7.0%		-1.6%	
Adj. net income	(2.2)	(1.4)	6.4	5.1	(7.65)	(0.1)	(7.7)	8.0	7.3	n.m.	(0.3)	n.m.
YoY growth	+0.0%	+0.0%	-390.2%	-328.2%	+457.1%	-101.2%	-252.7%	-204.1%	-200.0%		-106.6%	
Net income margin %	-1.7%	-1.7%	8.3%	3.2%	-13.2%	-0.1%	-0.2%	4.2%	9.4%		-0.2%	
Net debt/(cash)	50.9	40.4	69.0	69.0	72.1	96.0	96.0	94.7	78.7		78.7	
Net debt/EBITDA	3.3 x	1.7 x	4.9 x	3.1 x	4.9 x	22.4 x	19.5 x	3.0 x	3.1 x		3.1 x	

Source: Intermonte SIM estimate (E), company data (A)

Teverola 1: plant opened; 50% saturation in 2021

Teverola 1 is the first phase of the broader lithium project. Launched in 2017 and originally expected to be completed at the end of 2019, a series of bureaucratic and organisational issues has delayed the opening of the T1 plant, which has finally taken place in 1Q21.

Below is a quick recap of the key features of the project:

- **Low capacity but targeting niche applications.** The plant's initial capacity will be 0.3GWh. Given its size, the plant will be relatively small compared to the other Gigafactories that are expected to come onstream throughout the world, as SERI is targeting specific applications such as motive power (i.e. forklifts), energy storage systems, public transport, naval and defence. Average selling price is expected at ~€400/KWh (vs our previous €460/KWh);
- **Saturation expected to occur rapidly.** As commercial discussions with customers are underway, the capacity is expected to be used at 50% in 2021 and to reach saturation from 2022 onwards;
- **Investment of ~€62mn, with ample public sector support.** The project foresaw a total investment of ~€62mn (vs €55mn expected) in both PP&E and intangibles. The investment has received ample support from the Government which awarded ~€20mn and ~€17mn through subsidised public sector loans and grants (Invitalia);
- **Technology: LFP soft pouch.** The plant will focus on the production of soft pouch cells (form factor) based on lithium-iron-phosphate technology that promises high life spans, safety, and low costs through enhanced power and energy density (due in part to the lack of other raw materials such as nickel). This technology has been developed internally by the Turin research centre, with SERI's key differentiator being a water-based solution.

Electrical Accumulation Lithium Battery Business assumptions

EA LITHIUM BATT.	2020A	2021E	2022E	2023E
Theoretical Capacity (MWh)	0	300	300	300
Capacity sold (MWh)	0	150	270	309
YoY growth %	+0.0%	+0.0%	+80.0%	+14.4%
Utilization %	0.0%	50.0%	90.0%	103.0%
Price (€/MWh)	0	400	395	390
YoY growth %	+0.0%	+0.0%	-1.3%	-1.3%
Revenues	0.0	60.0	106.7	120.5
YoY growth	+0.0%	+0.0%	+77.8%	+13.0%
- Operating costs	0.0	(48.3)	(83.2)	(92.8)
Adj. EBITDA	0.0	11.7	23.5	27.7
YoY growth	+0.0%	+0.0%	+100.5%	+18.1%
Adj. EBITDA margin %	0.0%	19.5%	22.0%	23.0%

Source: company data (A), Intermonte SIM estimate (E)

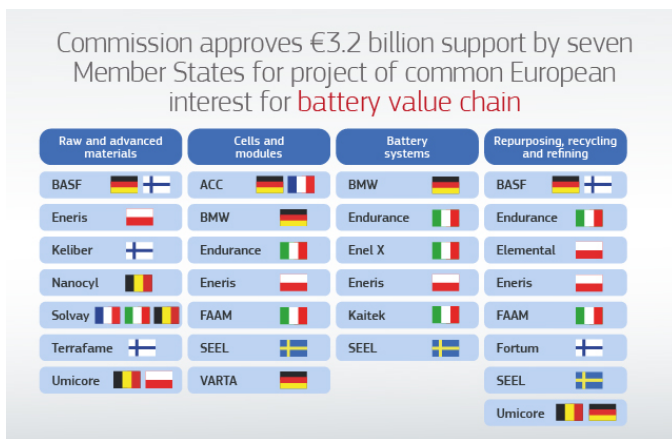
Teverola 2: plant capacity significantly upgraded; start of production in 2024; green light awaiting ministerial decree

€505mn investment entirely subsidised by EU grants under the IPCEI program. On 19th December 2019 the European Commission, as part of its IPCEI (Important Projects of Common European Interest) programme, approved a total of €3.2bn in grants in favour of 17 companies operating in various European countries with the aim to foster energy transition projects in order to reduce CO₂ emissions. In that context, Italy was awarded €570mn, of which €505mn has been assigned to SERI. Under the FAAM brand, the “Teverola 2” plant will focus on cells and modules and the repurposing, recycling and refining phases.

Capacity upgraded to 7-8GWh vs 2.5-3GWh previously, targeting mass-market applications. Based on positive talks with suppliers, capacity of the T2 plant has been upgraded to 7-8GWh vs 2.5-3GWh previously. Given the much larger capacity than the Teverola 1 project, SERI will aim to target mass-market applications such as the automotive market and storage with an ASP of ~€180/220/KWh (revenue of €1.2/1.8bn at regime).

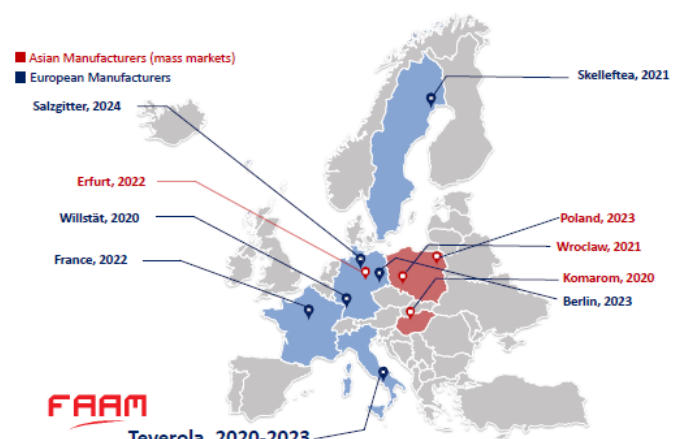
Timeline: production fully operational by 1H24. The project is expected to receive the green light by the end of April thanks to the approval of a Ministerial decree that will regulate the terms and conditions for use of the IPCEI funds. Completion of CapEx investments is then expected to take a further 24 months. With the plant ready by 1H23, production is therefore foreseen to be fully operational in 1H24, considering a ramp-up phase of roughly 6 months.

IPCEI projects



Source: company presentation

EU Gigafactory landscape



Source: company presentation

JV with Unilever for Recycled Plastic Products

On 22nd March, Seri announced the signing of an agreement with Unilever that envisages the following:

- **The establishment of a 50/50 Joint Venture** between Seri Plast, a company fully owned by SERI, and Unilever;
- The JV will be devoted to **production of plastic material from the recovery of post-consumer packaging**;
- **Unilever has signed a commitment to buy products from the JV**;
- **Production will be carried out at the Pozzilli plant**, which is located in the province of Isernia and is currently owned by Unilever;
- **The expected production capacity of the plant is said to be 130k tons**;
- **The investment programme is currently estimated at €75mn**;
- **The possibility for Seri Plast to increase its stake in the JV**.

From a qualitative point of view, the agreement further highlights SERI's strong positioning as a circular economy player, not only in the battery value chain, but also in plastics. SERI boasts a leading position and strong know-how in the field of plastic recycling and production of plastic products and compounds for lead-acid batteries, the automotive business, and several industrial sectors (58% of 2020 revenue).

From a financial point of view, the agreement is still in the development phase, with details still to be determined and announced to the market. In particular, we refer to the financial commitment of SERI, as the group will have a 50% stake in the JV, while the JV has an investment plan of €75mn for the conversion of the Pozzilli plant, which is currently owned by Unilever; SERI had €96mn net debt as at the end of 2020. Given that the plan envisages the industrial conversion and re-hiring of the workers currently employed at the site, we would not exclude SERI receiving financial support from the government (an announcement meeting was held at the Ministry of Economic Development, "MISE"). Moreover, we highlight that the plant capacity is said to be 130k tons, and assuming a rate of ~€1k/t, the plant would offer significant annual revenue potential to the tune of ~€130mn.

Change in estimates

2021 guidance on the “as-is” business: expecting normalisation. Beside the lithium battery business, SERI is also active in the recycling and production of plastic products and compounds (Plastic Materials, 58% of revenue), and the production and recycling of lead-acid batteries (Electric Accumulators, 43% of revenue). While both businesses were hit by Covid-19, management expects a normalisation in 2021, envisaging delivery of similar results to those originally expected for 2020 pre-pandemic. Our estimates are slightly more cautious given the pandemic situation and supply chain volatility. We forecast sales of €137mn, +9% YoY, and EBITDA of €19.5mn (13.1% margin) vs. €143m and €22.1mn in 2019 respectively.

Change in estimates. We are cutting our estimates by 8% on average, reflecting slightly lower expectations for the T1 project and on the “as-is” business for the reasons outlined above.

Change in estimates

	New			Old			Δ %		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Revenues	208.6	263.6	281.3	212.8	272.1	293.7	-2%	-3%	-4%
YoY growth	+55.7%	+26.4%	+6.7%	+57.1%	+27.8%	+7.9%			
Adj. EBITDA	31.2	44.9	49.7	32.6	47.6	51.8	-5%	-6%	-4%
YoY growth	+532.6%	+44.1%	+10.6%	+112.0%	+45.9%	+8.8%			
Adj. EBITDA margin %	14.9%	17.0%	17.7%	15.3%	17.5%	17.6%			
Adj. EBIT	15.2	28.4	31.7	16.4	30.5	32.4	-7%	-7%	-2%
YoY growth	-343.6%	+87.2%	+11.5%	+685.8%	+86.3%	+6.4%			
Adj. EBIT margin %	7.3%	10.8%	11.3%	7.7%	11.2%	11.0%			
Adj. EPS	0.17	0.38	0.43	0.19	0.41	0.45	-10%	-8%	-3%
YoY growth	-204.1%	+120.7%	+15.8%	n.m.	+116.6%	+9.5%			
Net debt/(cash)	94.7	80.6	56.4	75.8	64.7	41.0	25%	25%	37%
Net debt/EBITDA	3.0 x	1.8 x	1.1 x	2.3 x	1.4 x	0.8 x			

Source: Intermonte SIM estimate

Valuation

DCF summary and sensitivity (€ mn)

DCF; WACC @ 6.8%; TG @ 2%		Terminal growth rate				
		1.0%	1.5%	2.0%	2.5%	3.0%
SUM PV(FCF)	178.4					
PV TV	342.2					
Enterprise Value	520.7					
-/+ Net debt/(cash) @ YE20	96.0					
Equity value	424.7					
Cash-in from warrant conversion	49.9					
Equity value + Cash-in from Warr. conv.	474.6					
Shares outstanding	47.3					
Shares from issued warr. Conv.	9.9					
Fair value per share (€)	8.3					
Discount	10%					
Target price (€)	7.5					
Actual share price (€)	5.1					
Upside/(Downside)	45.9%					

	WACC	Terminal growth rate				
		1.0%	1.5%	2.0%	2.5%	3.0%
5.8%		7.9	8.6	9.5	10.6	12.2
6.3%		7.1	7.7	8.4	9.2	10.4
6.8%		6.5	6.9	7.5	8.1	8.9
7.3%		5.9	6.3	6.7	7.2	7.8
7.8%		5.5	5.8	6.1	6.5	7.0

Source: Intermonte SIM estimate

Financials

Income statement

Income statement	2018A	2019A	2020A	2021E	2022E	2023E
Revenues	133.5	156.5	134.0	208.6	263.6	281.3
YoY growth	+0.0%	+17.3%	-14.4%	+55.7%	+26.4%	+6.7%
- Operating costs	(114.5)	(137.1)	(131.7)	(177.4)	(218.7)	(231.6)
+ Non-recurring	(3.8)	2.7	2.6	0.0	0.0	0.0
Adj. EBITDA	15.3	22.1	4.9	31.2	44.9	49.7
YoY growth	+0.0%	+44.4%	-77.7%	+532.6%	+44.1%	+10.6%
Adj. EBITDA margin %	11.4%	14.1%	3.7%	14.9%	17.0%	17.7%
- D&A	(13.1)	(11.6)	(11.2)	(16.0)	(16.5)	(18.0)
Adj. EBIT	2.2	10.4	(6.2)	15.2	28.4	31.7
YoY growth	+0.0%	+370.1%	-159.9%	-343.6%	+87.2%	+11.5%
Adj. EBIT margin %	1.7%	6.7%	-4.7%	7.3%	10.8%	11.3%
- Non-recurring (incl. D&A)	2.7	(3.7)	(5.2)	0.0	0.0	0.0
-/+ Net fin. exp./inc.	(3.6)	(3.4)	(3.7)	(4.2)	(4.1)	(3.6)
Pre-tax income	1.4	3.3	(15.2)	11.0	24.3	28.1
Tax rate %	-294.8%	43.4%	69.8%	27.0%	27.0%	27.0%
- Tax income	4.0	(1.4)	10.6	(3.0)	(6.6)	(7.6)
Net income	5.4	1.9	(4.6)	8.0	17.7	20.5
YoY growth	+0.0%	-65.4%	-347.6%	-275.2%	+120.7%	+15.8%
Net income margin %	4.0%	1.2%	-3.4%	3.9%	6.7%	7.3%
- Minorities	(0.0)	(0.3)	0.2	0.0	0.0	0.0
Net income to shareholders	5.3	1.5	(4.4)	8.0	17.7	20.5

Source: Intermonte SIM estimate (E), company data (A)

Balance sheet

Condensed balance sheet	2018A	2019A	2020A	2021E	2022E	2023E
Trade net working capital	57.0	53.9	50.0	65.7	75.8	73.2
Other current assets/(liabilities)	(8.6)	(14.4)	(18.0)	(18.0)	(18.0)	(18.0)
Working capital	48.4	39.5	31.9	47.7	57.8	55.2
Net fixed assets	127.5	163.6	172.7	163.8	157.3	156.2
Long-term liabilities	(4.9)	(14.0)	6.8	6.8	6.8	6.8
Total fixed asset	122.6	149.7	179.6	170.6	164.2	163.1
Invested capital	171.1	189.2	211.5	218.3	222.0	218.2
Net debt/(cash)	50.9	69.0	96.0	94.7	80.6	56.4
Equity	118.5	118.4	114.0	122.1	139.8	160.4
Minorities	1.6	1.8	1.5	1.5	1.5	1.5
Total sources	171.1	189.2	211.5	218.3	222.0	218.2

Source: Intermonte SIM estimate (E), company data (A)

Cash flow statement

Cash flow statement	2018A	2019A	2020A	2021E	2022E	2023E
NFP beginning of the period	(28.9)	(50.9)	(69.0)	(96.0)	(94.7)	(80.6)
Net Income	5.4	1.9	(4.6)	8.0	17.7	20.5
D&A	14.1	(19.4)	13.8	16.0	16.5	18.0
Change in working capital & C	(10.6)	42.4	(4.7)	(15.7)	(10.1)	2.6
Cash flow from operations	8.8	24.9	4.5	8.3	24.1	41.1
Capex	(39.5)	(38.7)	(23.5)	(7.0)	(10.0)	(16.9)
FCF	(30.6)	(13.8)	(19.0)	1.3	14.1	24.2
Acquisitions	(2.8)	(7.9)	0.6	0.0	0.0	0.0
Dividends, buybacks and equ	16.5	(1.6)	0.0	0.0	0.0	0.0
Others (incl. IFRS 16)	(5.1)	5.2	(8.6)	(0.0)	0.0	0.0
Change in NFP	(22.0)	(18.1)	(26.9)	1.3	14.1	24.2
NFP end of the period	(50.9)	(69.0)	(96.0)	(94.7)	(80.6)	(56.4)

Source: Intermonte SIM estimate (E), company data (A)

Ratios

Ratios	2018A	2019A	2020A	2021E	2022E	2023E
NWC/Sales %	36.3%	25.2%	23.8%	22.9%	21.9%	19.6%
Capex/Sales %	29.6%	24.7%	17.5%	3.4%	3.8%	6.0%
Net debt/EBITDA	3.3 x	3.1 x	19.5 x	3.0 x	1.8 x	1.1 x
D/E %	43.0%	58.3%	84.2%	77.6%	57.7%	35.1%
ROCE %	1.3%	5.5%	-2.9%	7.0%	12.8%	14.5%
ROE %	-1.9%	4.3%	-6.8%	6.6%	12.7%	12.8%

Source: Intermonte SIM estimate (E), company data (A)

SERI INDUSTRIAL Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
SERI INDUSTRIAL	5.14	EUR	243	6.0%	22.4%	51.2%	20.4%	113.3%	249.7%
AKASOL	119.40	EUR	724	-0.2%	-0.2%	117.1%	22.9%	259.6%	199.6%
ENERSYS	93.94	USD	4,010	1.5%	5.3%	28.4%	13.1%	70.0%	38.5%
GS YUASA	3040.00	JPY	245,043	1.0%	-6.0%	57.9%	2.6%	109.5%	29.9%
LECLANCHE	1.00	CHF	298	2.5%	-11.1%	74.7%	-11.1%	47.8%	-47.3%
VARTA	118.95	EUR	4,808	5.5%	-6.3%	4.6%	0.6%	71.5%	189.4%
VOLTABOX	4.40	EUR	70	-6.8%	9.0%	44.7%	16.7%	6.0%	-69.7%
Mean performance				1.3%	1.9%	54.1%	9.3%	96.8%	84.3%
Italy FTSE Mib	24,429.4	EUR	0	2.6%	7.2%	24.7%	9.9%	38.6%	12.7%

Source: FactSet

SERI INDUSTRIAL Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales		EV/Ebitda		EV/Ebit		P/E		Div Yield	
				2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
SERI INDUSTRIAL	5.14	EUR	243	1.6	1.2	10.8	7.2	22.2	11.4	30.2	13.7	0.0%	0.0%
AKASOL	119.40	EUR	724	6.2	3.7	79.2	35.6	265.1	59.4	474.6	74.9	0.0%	0.0%
ENERSYS	93.94	USD	4,010							17.0	14.3	0.7%	0.7%
GS YUASA	3040.00	JPY	245,043	0.7	0.7	7.1	6.5	12.6	11.0	17.8	16.3	1.7%	1.9%
LECLANCHE	1.00	CHF	298										
VARTA	118.95	EUR	4,808	4.9	4.1	16.4	13.0	23.1	17.3	31.2	24.6	0.7%	0.9%
VOLTABOX	4.40	EUR	70										
Median				4.9	3.7	16.4	13.0	23.1	17.3	24.5	20.5	0.7%	0.8%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

SERI INDUSTRIAL - Estimates Comparison with Consensus

(Eu mn)	2021			2022		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	208.6	217.3	-4.0%	263.6	274.0	-3.8%
Ebitda	31.2	33.7	-7.6%	44.9	51.1	-12.1%
Net Profit	8.0	12.3	-34.6%	17.7	27.7	-35.9%
EPS	0.170	0.260	-34.6%	0.375	0.580	-35.3%
Net Debt	(94.7)	(76.4)	24.0%	(80.6)	(59.8)	34.8%

Source: Intermonte SIM estimates and Factset consensus estimates

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	SERI INDUSTRIAL		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	7.50	Previous Target (Eu):	5.80
Current Price (Eu):	5.14	Previous Price (Eu):	3.40
Date of report:	12/04/2021	Date of last report:	12/10/2020

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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 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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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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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 March 2021 IntermonTE's Research Department covered 124 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	16,26 %
OUTPERFORM:	51,22 %
NEUTRAL:	28,45 %
UNDERPERFORM	04,07 %
SELL:	00,00 %

The distribution of stock ratings for companies which have received corporate finance services from IntermonTE in the last 12 months (52 in total) is as follows:

BUY:	25,00 %
OUTPERFORM:	57,69 %
NEUTRAL:	17,31 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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

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Emittente	%	Long/Short
AEDES NEW	3,7	LONG
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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