

# SERI INDUSTRIAL

**BUY**

Sector: Industrials

Price: Eu3.27 - Target: Eu7.00

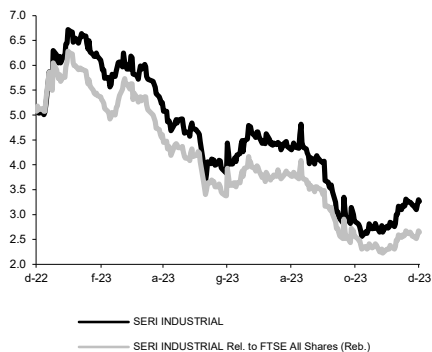
## New CTO Should Improve Execution

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### Stock Rating

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

### SERI INDUSTRIAL - 12M Performance



### Stock Data

 Reuters code: SERK.MI  
 Bloomberg code: SERI IM

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

### Shareholder Data

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

### Balance Sheet Data

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

- 1H23 results: as-is business burdened by drop in reference prices and higher electricity costs.** SERI reported 1H23 revenues of €95.9mn, -6% YoY (vs. exp. €96.1mn), with Plastic Materials and Lead-Acid Batteries both showing stable volumes, but lower average selling prices due to the decline of reference quotes. Adj. EBITDA was €7.2mn (vs €7.5mn exp.), down -21% YoY, giving a 7.5% margin, down 1.4pp, as the company sold products manufactured in previous periods at higher input prices and as the French subsidiaries registered higher electricity prices. Adj. EBIT was €-6.1mn, also burdened by €6.3mn in D&A related to the Teverola 1 & 2 plants, which, as known, are yet to start production. Net debt was €130.1mn vs. €104.3mn as at YE22, mainly due to a rise in inventories. As of 3Q23, net debt declined to €60.5mn after the advance payment received for Teverola 2 of €83.4mn.
- T1 update: problems with mass production delay commercial launch.** After the start-up at end-2022, the Teverola 1 lithium battery plant incurred a significant rise in production scrap and machine downtime once production increased. New CTO Mr. Ligeois, who joined SERI last June (former Industrial Engineer of SAFT and Northvolt), is implementing new production standards that should solve manufacturing problems and enable mass production. The situation led to a further delay in the commercial launch of batteries, previously envisaged from 3Q23. We are thus shifting our forecast by one year, assuming revenues of €7/55/133mn in 2023/24/25 (vs prev. €61/140/148mn) and reflecting in 2023 the spot sale of the products obtained during ramp-up, and from 2024 onward the progressive increase in output.
- T2 update: CTO reconfiguring plant; advance on grant received in August.** On the Teverola 2 gigafactory project, the new CTO and his team are redefining all the process parameters of the plant. Last August, SERI received an advance payment for Teverola 2 from the Ministry for Enterprise amounting to €83.4mn, or 20% of the total grant. The assessment with a pool of banks for activation of a revolving credit line is still ongoing. While these developments are welcomed, we believe overall progress is slower than we expected, prompting us to postpone the start of the investment phase to 2024 (start of CapEx shifted from '23). We therefore delay the commercial ramp-up of T2 to 2027 (vs mid-2026 prev.). We note that T2 is included in our valuation through a dedicated DCF at €2.1 per share (€5.0 prev.) due to slower progress and the application of a 50% execution risk based on the recent track record. Key elements moving our valuation are: successful execution at T1, timely progress on CapEx, agreements with customers (off-take agreements) and suppliers, strength of demand, NWC financing, and technology.
- Change in estimate.** We are making meaningful cuts to our forecast as we shift our previous assumptions by one year and add a dose of caution to the as-is business given the weaker macro and recent volatility.
- BUY; TP to €7.0 from €9.8.** There have been clear missteps in execution of the lithium battery projects that are the key value driver of the SERI equity story. The results of that are the further postponement of the commercial launch of the T1 plant and the slower-than-expected CapEx deployment at T2, leading to the negative share price performance. Nevertheless, the arrival of the new CTO and the receipt of advance payments on T2 boost our confidence on the delivery of SERI's business plan, albeit with delays to the original plan. Consequently, and in light of the tangible upside to our TP despite the revision due to lower estimates, we confirm our rating on the stock.

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

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

\*Excluding extraordinary items

Source: Intermonte SIM estimates

## 1H23 results

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

### Results breakdown by division, income statement and NFP

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

Source: Company data & Intermonte SIM Estimates

## Update on T1 & 2

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

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

### Teverola 2

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

Source: Company data & Intermonte SIM Estimates

## Change in estimates

### Change in estimates

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

Source: Intermonte SIM

### Change in estimates by division

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

Source: Intermonte SIM

## Valuation

### Valuation summary

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

Source: Intermonte SIM

## Financials

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

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

Source: Company data & Intermonte SIM Estimates

## Market multiples and performance

### SERI – Market multiples

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

Source: FactSet

### SERI – Share price performance (total return)

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

Source: FactSet



## SERI in brief

### Company description

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

### Management

**CEO:** V. Civitillo

**Chairman:** Roberto Maviglia

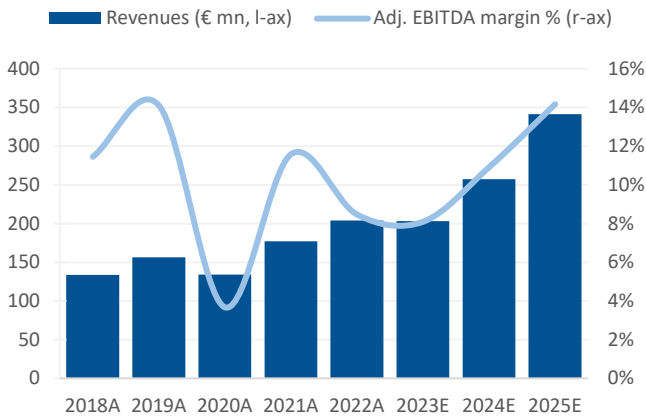
**Next BoD renewal:** Spring 2025

**BoD independent members:** 4/10

### Shareholders

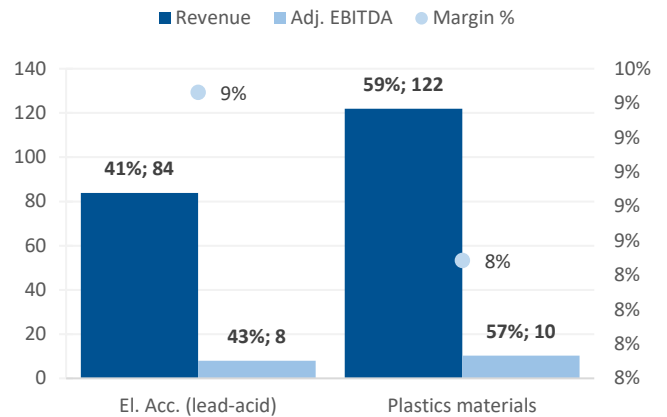
SE.R.I. Spa & Civitillo V.		56.4%
Neuberger Berman	7.4%	
Market/other		36.2%

### Revenue and EBITDA margin % (€ mn)



Source: company data and Intermonte SIM estimates

### Revenue and EBITDA breakdown by division (2022A)



Source: company data

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