

Seri Industrial

The Supportive Newsflow Takes Time to Translate into Profits

In our view the company is pursuing projects of great importance: li-on battery production for storage applications (ESS) for utilities and the commercial/industrial sector, excluding the automotive passenger car sector, as well as the relaunch and reconversion of one of the best-known Italian bus producers to the sustainable mobility. We believe the li-on battery and sustainable mobility sectors could be pillars for the future and Seri is at a good start. However, we recognise that the company's efforts will probably pay back in a few years. Seri continues to focus on LFP cells, the battery system production and has partnerships with important players. However, the equity story has become complex with new businesses turned around and some others facing challenges. Given the importance of the company's projects, we wait and see, while having very low visibility on numbers and estimates.

9M24 slightly better than expected, Menarini consolidated and very small TEV.1 sales

Sales from customers were EUR 76.5M in 1H24 (down 7.5% yoy), with revenues from Plastics down by 13.4% yoy due to lower average selling prices (linked to raw material prices) and revenues from Batteries up by 24% including EUR 3.8M TEV. 1 revenue. Group EBITDA was EUR 9.4M (with a 10% margin on sales). In Plastics, revenues decreased to a lesser extent in 3Q24 yoy, while Batteries' revenues increased despite lower sale prices. The contribution from lithium batteries (TEV. 1) was EUR 4.5M in 9M24, with EUR 0.7M in 3Q24. The Sustainable Mobility business line (Menarini, consolidated since 11 July) posted sales at EUR 17.7M. The net debt (including IFRS 16 impact) was EUR 117.8M at the end of September.

A new agreement with Fincantieri and a potential involvement with Eni

Seri signed a framework supply agreement for around EUR 100M with Fincantieri Group for the supply of battery modules designed to be installed on next-generation submarines. Jointly with Eni, Seri has also announced an agreement for the potential development of the industrial chain for lithium-iron-phosphate electrochemical batteries for storage applications (ESS) and industrial and commercial electric mobility.

New estimates, waiting for the company's new guidance

We set a new target price of EUR 4.2 (from EUR 7.6) after revising our estimates, based on a DCF model (WACC 9%, g=2%) of the AS-IS + TEV. 1 + Menarini activities (EUR 4) to which we add 10% of TEV. 2 value (EUR 1.6) and obtain a EUR 5.6 fair value; we then apply a 25% execution risk discount. We reduced the contribution of TEV. 2 to Seri valuation given the expected postponement of TEV.2 operations in our assumptions. We highlight that prudentially we do not consider the JV with Unilever (P2P) in our target price. While waiting for the company to update its financial goals, we move our recommendation to HOLD, given: 1) low visibility on our estimates, 2) postponement of some projects' phase-in in our assumptions, and 3) a much more complex equity story than before.

Seri Industrial – Key data

Y/E Dec (EUR M)	2022A	2023A	2024E	2025E	2026E
Revenues	204.1	200.1	228.3	365.1	409.5
EBITDA	17.73	17.56	6.14	22.12	46.33
EBIT	-4.09	-11.20	-25.86	-12.88	11.33
Net income	-4.44	-12.42	-24.04	-14.89	2.30
Adj. EPS (EUR)	-0.06	-0.12	-0.45	-0.28	0.04
Net debt/-cash	104.3	66.83	130.3	211.3	265.9
Adj P/E (x)	Neg.	Neg.	Neg.	Neg.	65.1
EV/EBITDA (x)	27.2	17.7	45.6	16.3	9.0
EV/EBIT (x)	NM	Neg.	Neg.	Neg.	36.7
Div ord yield (%)	0	0	0	0	0
FCF Yield (%)	-8.8	20.2	-50.4	-93.6	-129.9

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 16/12/2024

18 December 2024: 9:34 CET
Date and time of production

HOLD

(from BUY)

Target Price: EUR 4.2
(from EUR 7.6)

Italy/Industrials
Company Update

EXM

Seri Industrial - Key Data

Price date (market close)	16/12/2024
Target price (€)	4.2
Target upside (%)	51.35
Market price (€)	2.78
Market cap (EUR M)	149.79
52Wk range (€)	4.58/2.28

EPS – DPS changes

(€)	2024E	2025E	2024	2025
EPS ▼	EPS ▼	chg%	chg%	
Curr.	-0.445	-0.276	#####	-243.09
Prev.	-0.021	0.193	-	-
DPS	DPS =	chg%	chg%	
Prev.	-	0.000	-	-

Price Perf. (RIC: SERK.MI BB: SERI IM)



Source: FactSet and Intesa Sanpaolo Research estimates

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1H24 Slightly Better but Small TEV.1 Contribution

Sales from customers were EUR 76.5M in 1H24 (down 7.5% vs. EUR 82.7M in 1H23). Other revenues were EUR 8.6M and work in progress amounted to EUR 9M. Revenues from Plastics decreased by 13.4% yoy due to lower average selling prices (linked to raw material prices), lower volumes in the Boxes and Lids business segment for batteries due to some orders' postponement, a slight increase in sales volumes in the Pipes&Fittings business segment. The PP compound business segment posted lower revenues yoy due to prices. The EBITDA margin of this division held up at 6.3% (vs. 6.8% of 1H23). **Revenues from Batteries increased by 24% and included EUR 3.8M TEV. 1 revenue**; Lead-acid batteries' volumes rose while average selling prices decreased. The EBITDA margin of the Batteries division was 15.6% (vs. 9.7% in 1H23) thanks to a market repositioning of lead-acid batteries;

Group EBITDA was EUR 9.4M (with a 10% margin on sales). Group EBIT was negative for EUR 5.1M after EUR 14.5M D&A, with EUR 8.4M related to TEV. 1 and TEV.2 investments. The net loss amounted to EUR 6.1M;

Net debt amounted to EUR 84.2M (EUR 54M ex-IFRS 16 impact vs. EUR 33.8M ex IFRS impact at YE23) after EUR 20.2M investments, with EUR 9.3M for TEV. 2 project.

Seri Industrial – 1H24 results

EUR M	1H23A	1H23 restated	1H24E	1H24A	yoy %	A/E %
Revenues	95.9	93.6	89.0	94.2	0.7	5.9
o/w Plastics	59.6	59.6	50.0	51.6	-13.4	3.2
o/w Batteries	37.3	35.0	39.0	43.4	24.0	11.3
EBITDA	6.9	6.8	8.3	9.4	37.8	13.1
Margin (%)	7.2	7.3	9.4	10.0		
EBITDA Adj.	7.2	7.1	8.3	9.2	29.1	10.6
Margin (%)	7.5	7.6	9.4	9.8		
EBIT	-6.7	-6.4	-6.2	-5.1	NM	NM
Margin (%)	NM	NM	NM	NM		
Pre-tax	-9.7	-9.0	-10.1	-9.1	NM	-9.9
Net Result	-7.0	-7.0	-6.1	-6.1	NM	0.0
Net Debt/(Cash)	130.1		90.0	84.2		

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimate; 1H23 restated for the sale of the Asian battery production

3Q24 revenues trend was similar to 1H24 yoy; first time contribution from Menarini

In plastics, revenues decreased by 11.5% yoy in 9M24 (with a better 3Q24, at -4.9% yoy), driven by a decrease in the average sales prices (indexed to commodity prices). There was a reduction in volumes in boxes and lids segment in 9M24, but an improvement in 3Q24. Pipes & fittings' sales volumes increased. Batteries revenues increased despite lower sale prices, thanks to higher sales volumes of products for motive power, starter and stationary applications in the lead-acid batteries segment. **The contribution from lithium batteries (TEV. 1) was EUR 4.5M in 9M24, with EUR 0.7M in 3Q24**. The **Sustainable Mobility** business line (Menarini, consolidated since 11 July) posted sales at EUR 17.7M. **The net debt** (including IFRS 16 impact) worsened to EUR 117.8M (vs. EUR 60.5M in 9M23 and EUR 84.2M at the end of June 2024); the net debt ex IFRS impact was EUR 87.9M.

Seri Industrial – 3Q/9M24 revenues

EUR M	3Q23A	3Q24A	yoy %	9M23A	9M24A	yoy %
Plastics	21.9	20.8	-4.9	79.5	70.3	-11.5
Batteries*	13.3	16.1	20.8	44.4	51.7	16.3
Others & corporate & elision	0.1	0.0	-78.0	0.2	0.1	-34.7
Sustainable Mobility		17.7			17.7	
Total sales	35.3	54.6	54.7	124.1	139.8	12.7
Net debt (-cash)	60.5	117.8		60.5	117.8	

A: actual; Source: Company data and Intesa Sanpaolo Research; *restated to exclude the revenues of discontinued operations

Major Projects Update, Supportive Newsflow

TEV.1: According to the company, all the past operational problems related to the process and product manufacturing have been resolved; the cells and modules are now tuned and produced. However, an issue related to price competition from Asian producers of some components (inverters) for the residential market products has led to lower-than-expected revenues in 9M24. **We outline that TEV.1 is the first LFP battery manufacturer in Europe (LFPs are cutting-edge technology batteries, with longer lifespans and safer and more stable performance vs. other chemistries lithium batteries).**

TEV.2: The company is currently defining a revolving credit line with banks to anticipate payments to suppliers. Machinery suppliers have been identified, as well as the production equipment. Orders will be placed once Seri receives bank financing. It should take around 18 months for production to start. The product and end markets have been defined: we outline that Seri is positioned in the utilities/storage (ESS), buses, commercial/industrial sectors, and not in the automotive passenger-car sector. **TEV. 2 should become the only mass producer in Europe of lithium cells, modules, and battery solutions** (with the integration in the battery pack with its own battery management system (BMS), plus the outsourced inverters to produce the full battery systems). Out of EUR 505.8M IPCEI Funds, Seri allocated and spent around EUR 38M of the first tranche of funds as of June 2024. The Ministry of Enterprises and Made in Italy had issued a second grant decree in the form of an expenditure contribution under the IPCEI fund for a total amount of EUR 88.7M. The total grant value thus reaches EUR 505.8M for the entire project, the amount initially planned.

P2P: The project is on standby waiting for the outcome from Invitalia before the issue of the decree granting benefits. In detail, the company stated that following the meeting held on 24 October 2024, at the MIMIT (Ministero delle Imprese e del Made in Italy), the subsidiary P2P confirmed its intention to initiate the investment plan, which will be adjusted based on the indications received (by the MIMIT), confirming the overall request for EUR 82M (as per the agreement signed in June 2023) for non-repayable grants and subsidised loans, out of EUR 109M total planned investments. Preparatory activities to initiate the investments will be launched soon and binding agreements with suppliers will be defined. According to the press (rainews.it, TGR Molise) the project approval steps have been accelerated and the decree granting benefits should be signed in January 2025; the plant should be operative at the end of 2026, beginning of 2027.

IIA (Industria Italiana Autobus), now renamed Menarini: Seri finalised the acquisition of 98% of IIA from Leonardo and Invitalia on 11 July for EUR 1. The rationale is to build up a fully vertically integrated electric vehicle player covering raw material procurement, battery production, vehicle design, and end-of-life battery recycling. IIA is expected to continue with its endothermic bus production per the agreements until 2026, when the full transition to electric vehicles should take place. Seri is supposed to provide Li-ion batteries for the bus platform and raw materials (e.g. plastics) for the bus components. We point out that IIA is already producing buses (from the bodywork to the painting process). IIA customers will be Italian and foreign municipalities. IIA was fully recapitalised at the transaction time, and it currently has a positive net financial position.

Eni: At the end of October Seri jointly with Eni announced an agreement on the potential development of the industrial chain for lithium-iron-phosphate electrochemical batteries for storage applications (ESS) and industrial and commercial electric mobility. The agreement will enable both companies to explore the possibility of setting up a joint venture to build at Eni's Brindisi site a stationary energy storage production plant, a production line for the

cathode LFP active material and a production line for battery recycling, which will support a similar plant being built by Seri's subsidiary FIB in the province of Caserta. Research and development, procurement and commercial activities will be handled together with Seri Industrial's plant in the Caserta region.

Once all conditions have been tested and negotiated, the arrangement may develop further into subsequent binding agreements, strengthening Seri Industrial's position in the battery value chain and enabling Eni to develop a new industrial transformation initiative to support the energy transition.

FCT: Seri's subsidiary FIB signed on 15 November a framework supply agreement for around EUR 100M distributed over 4 years with Power4Future, a subsidiary of Fincantieri SI and part of the Fincantieri Group. The agreement includes the supply of battery modules designed to be installed on next-generation submarines. The battery modules are characterised by extremely high standards of technology, reliability, and safety (thanks to the LFP technology). These modules will be produced in Italy at FAAM's Teverola facility.

Estimates Revision

Despite very low visibility on the timing of the new projects' implementation, we have assessed our new estimates while waiting for an update by the company on its plans and synergies between different activities. For the business AS-IS we have included 9M24 performance in our estimates thus slightly lowering sales and EBITDA, assuming the strong consolidated trend to continue. Regarding TEV. 1, even though management stated that the operational problems related to the process and product manufacturing have been resolved, we barely see all the production to generate full revenue in FY24E. We thus assume only EUR 13M revenues in FY24E (after EUR 4.5M revenues in 9M24), also partially affected by pricing issues like in 9M24. For FY25E, we expect the contribution from the agreement with Fincantieri to generate EUR 25M (as per the company's press release) and persistent tension on final prices for the remaining production. FY26E should finally be the year of the full regime with stabilising prices (300MWh capacity sold at an estimated EUR 350 per KWh). Like in our previous updates, we do not include P2P in our estimates and calculate the expected value of TEV. 2 project in a separate DCF model.

Sustainable Mobility (Menarini) is a new chapter for Seri, for which we do not have clear visibility on its development and potential synergy amount with Seri's current business. Examples of synergies are the cell-to-vehicle batteries, meaning the use of li-on batteries produced by TEV.2 in Menarini buses. We outline that around 40-50% of the Bill of Materials of buses is represented by the cost of the batteries and that Menarini still acquires assembled batteries at very high prices. The li-on batteries insourcing could represent savings in the production costs. There could also be synergies in the plastics production costs since Seri (through Seriplast) already produces recycled PP compounds for the automotive and battery market (from end-of-life batteries). For FY24E we assumed a stable 4Q24E, with revenues like in 3Q24 (we recall that Menarini was consolidated on 11 July and released EUR 17.7M revenues in 3Q24). We expect Menarini to pursue its turnaround under Seri's management and to increase production in the coming years. In our assumptions, the contract for the delivery of 200 buses to the Athens municipality could bring around EUR 50M in revenues in FY25E (in a press release IIA stated to have won the tender to provide for 200 Citymood 12 CNG buses to the municipality of Athens); if we assume that Menarini has won other national tenders for FY25E and will start producing Li-on batteries buses in FY26E, our sales estimates look reachable and even conservative. However, given the ongoing turnaround, we expect Menarini to be profitable only in FY27E.

We have also increased our expected Seri's YE24 net debt, including the net financial position at the end of September, and worsened the net debt at YE25E, given the lower EBITDA (vs. our previous estimates), the higher capex and the lower cash-in contribution to be received (IPCEI funds) due to the lower-than-previously expected capex in FY24E. We do not have visibility on the fairness of our estimates since we are waiting for the company to communicate its plan update.

The company is investing in innovative projects in a still-evolving sector and could face operative challenges. For the very short term, we believe the investment could have a high-risk profile. However, we believe the li-on battery and sustainable mobility sectors could represent the future and the company is at a good start, and we recognise that all the efforts will probably pay back in a few years.

Seri Industrial - Estimates revision (2024/26E)

EUR M	FY24E Old	FY24E New	FY24E New/Old %	FY25E Old	FY25E New	FY25E New/Old %	FY26E New
Sales	238.9	194.6	-18.6	299.7	331.4	10.6	375.8
Value of production	272.6	228.3	-16.3	333.4	365.1	9.5	409.5
EBITDA	32.1	6.1	-80.9	51.7	22.1	-57.3	46.3
% margin on value of production	11.8	2.7		15.5	6.1		11.3
EBIT	5.5	-25.9	-573.1	22.7	-12.9	-156.6	11.3
% margin on value of production	2.0	-11.3		6.8	-3.5		2.8
Net result	-1.2	-24.0		10.4	-14.9		2.3
EPS (EUR)	-0.021	-0.445		0.193	-0.276		0.04
Adj. EPS (EUR)	-0.021	-0.445		0.193	-0.276		0.04
Net Debt/(Cash) including IFRS 16 impact	121.8	130.3		154.3	211.3		265.9

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

Seri Industrial - Revenues breakdown (2022A/26E)

EUR M	FY22A	FY23A	FY24E	FY25E	FY26E
Plastics	121.9	111.4	102.0	106.1	111.4
Lead-acid batteries	83.8	79.1	78.0	80.3	82.8
Teverola 1	0.0	11.0	13.0	78.4	112.0
Teverola 2	0.0	0.0	0.0	0.0	0.0
JV Unilever (P2P)	0.0	0.0	0.0	0.0	0.0
Others, WIP, corporate & elision	-1.6	-1.5	0.3	0.3	0.4
Sustainable mobility (Menarini)	0.0	0.0	35.0	100.0	103.0
Total value of production	204.1	200.1	228.3	365.1	409.5
% on total value of production					
Plastics	59.7	55.7	44.7	29.1	27.2
Lead-acid batteries	41.1	39.6	34.2	22.0	20.2
Teverola 1	0.0	5.5	5.7	21.5	27.4
Teverola 2	0.0	0.0	0.0	0.0	0.0
JV Unilever (P2P)	0.0	0.0	0.0	0.0	0.0
Others	-0.8	-0.7	0.1	0.1	0.1
Sustainable mobility (Menarini)	0.0	0.0	15.3	27.4	25.2

A: actual; E: estimates; Source: Intesa Sanpaolo Research estimates

Seri Industrial - EBITDA breakdown (2022A/26E)

EUR M	FY22A	FY23A	FY24E	FY25E	FY26E
Plastics	10.6	7.3	8.2	8.5	10.0
Batteries	8.2	10.9	11.7	9.6	10.8
Teverola 1	0.0	3.0*	2.1	12.5	22.4
Teverola 2	0.0	0.0	0.0	0.0	0.0
JV Unilever (P2P)	0.0	0.0	0.0	0.0	0.0
Sustainable mobility (Menarini)	0.0	0.0	-16.0	-8.0	4.0
Total EBITDA	17.7	17.6	6.1	22.1	46.3
% margin on value of production	8.7	8.8	2.7	6.1	11.3

A: actual; E: estimates; Source: Intesa Sanpaolo Research estimates *estimates, included in EUR 10.9M Batteries EBITDA

Valuation

We base our valuation on a DCF. Based on our new estimates and the periodical revision of our risk-free rate now at 3.5% (from 3.75%), **we set a new target price of EUR 4.2** (from EUR 7.6). We highlight that prudentially we do not consider the JV with Unilever (P2P) in our target price. Our DCF model does not take into account the revenues by Teverola 2, which are calculated separately; it returns a fair value of EUR 4, reflecting our new estimates and the decrease in our risk-free rate to 3.5%. The WACC now stands at 9% (from 9.1%) adopting a Beta of 1.3x (unchanged) and a sustainable D/E target assumption of 30%. We assume a 2.0% terminal growth rate (unchanged). In our valuation, we have considered the net debt at YE23, which amounted to EUR 66.8M.

Seri Industrial – Summary valuation

EUR M	Net valuation EUR M	Per share EUR	12/07/2024	% change
DCF (as is activities + TEV.1+ Menarini)	215	4.0	209	3.1
Teverola 2 at 10%	87	1.6	338	-74.3
Total fair value	302	5.6	547	-44.7
Discount 25%	-76	-1.4	-137	-44.7
Fair value after discount	227	4.2	410	-44.7
No. of shares (M)	54.0		54.0	0.0
Target price (EUR/sh.)	4.2	4.2	7.6	-44.7
Current price (EUR)	2.78		4.1	-32.3
Upside (%)	51%		84%	

Source: Intesa Sanpaolo Research estimates

Seri Industrial – DCF model (2024/32E) excluding Teverola 2 and P2P

EUR M	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal
Revenues	195	331	376	387	399	411	423	436	449	458
yoy growth %	17.0	70.3	13.4	3.0	3.0	3.0	3.0	3.0	3.0	2.0
EBIT	-26	-13	11	11	16	18	19	21	23	43
EBIT margin %	-13.3	-3.9	3.0	2.8	4.0	4.3	4.6	4.8	5.0	9.4
D&A and provisions	-32.0	-35.0	-35.4	-35.7	-35.7	-35.7	-35.7	-35.7	-35.7	-12.0
EBITDA	6	22	46	46	52	53	55	57	58	55
EBITDA margin %	3.2	6.7	12.3	12.0	13.0	13.0	13.0	13.0	13.0	12.0
Working capital	-22	-49	-4	-43	-48	-53	-59	-65	-67	-46
% on sales	-11.5	-14.7	-1.1	-11.0	-12.0	-13.0	-14.0	-15.0	-15.0	-10.0
Tax on EBIT	-5	-1	5	5	7	7	8	8	9	15
DCF	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal
NOPLAT	-20.7	-12.0	5.9	5.4	9.2	10.3	11.4	12.5	13.6	28.3
Capex	-85.0	-186.6	-187.5	-25.0	-25.8	-26.5	-27.3	-28.1	-29.0	-12.0
D&A	32.0	35.0	35.4	35.7	35.7	35.7	35.7	35.7	35.7	12.0
Change in Working capital	13.6	85.5	95.6	208.4	5.3	5.5	5.8	6.1	2.0	7.0
Cash flow to the firm	-60.1	-78.2	-50.6	224.5	24.5	25.0	25.6	26.2	22.3	35.3
Time adjustment (years)	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0
Discount factor	0.9	0.8	0.8	0.7	0.7	0.6	0.5	0.5	0.5	0.4
Discounted cash flow to firm	-55.2	-65.8	-39.1	159.2	15.9	14.9	14.0	13.2	10.3	14.9

Source: Intesa Sanpaolo Research estimates

Seri Industrial – sensitivity to WACC, g

EUR/sh	Terminal growth rate %		
	1.5	2.0	2.5
8.5	4.2	4.6	4.9
8.7	4.0	4.3	4.6
9.0	3.7	4.0	4.3
9.2	3.5	3.7	4.0
9.5	3.3	3.5	3.7

Source: Intesa Sanpaolo Research estimates

Teverola 2

As in our previous updates, we include in our valuation contribution from Teverola 2 and assumed in our DCF the plant at full steam in 2027 (vs. 2026 in our previous update). We recall that the average selling price of Teverola 2 should be much lower than the one per KWh of Teverola 1, given that while Teverola 1 is targeting niche applications for motive power (i.e. forklifts, ground movement machines, light traction, telehandlers), ESS, public transport, Naval and Defence, Teverola 2 will be a mass-production Gigafactory for motive power, storage and public transport applications.

We include in our valuation 10% of TEV. 2 value (vs. 40% previously), given its full-steam regime postponement by 1 year (vs. our last update), in our assumptions. We have decided to take a more prudent stance on TEV. 2 contribution to Seri's overall valuation given the various delays of the plant's start over the years (from the first contribution expected in 2H24E to FY27E). We believe that the delays could also result from the extremely advanced technological structure of TEV. 2, in a sector that has just started to take off in a difficult environment. As such, we have decided to become more prudent and leave room for increasing the contribution from Tev. 2 to our valuation once we have a better visibility over its operations. We are convinced that with a better visibility on TEV. 2 and considerable revenues from TEV. 1 the investment case should kick off again.

Seri Industrial – DCF of Teverola 2

EUR M	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal
Revenues	1,416	1,419	1,483	1,453	1,424	1,438	1,453	1,453
yoy growth %	0.0	0.2	4.5	-2.0	-2.0	1.0	1.0	0.0
EBIT	170	184	222	291	299	288	291	218
EBIT margin %	12	13	15	20	21	20	20	15
Tax on EBIT	-51.0	-55.3	-66.7	-87.2	-89.7	-86.3	-87.2	-65.4
Tax rate %	30	30	30	30	30	30	30	30
DCF	2027E	2027E	2028E	2029E	2030e	2031E	2032E	Terminal
NOPLAT	119.0	129.1	155.7	203.5	209.4	201.3	203.4	152.5
Capex	-28.3	-28.4	-29.7	-29.1	-28.5	-28.8	-29.1	-29.1
D&A	70.8	70.9	74.1	72.7	57.0	43.1	43.6	29.1
Change in Working capital	-120.0	-0.5	-12.9	5.9	5.8	-2.8	-2.9	0.0
Cash flow to the firm	41.4	171.2	187.3	253.0	243.7	212.9	215.0	152.5
Time adjustment (years)	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0
Discount factor	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3
Discounted cash flow to firm	26.6	98.2	96.2	116.2	100.2	78.3	70.8	44.9

Source: Intesa Sanpaolo Research estimates

Seri Industrial – DCF valuation of Teverola 2

PV of future cash flows EUR M	586.5
PV of Terminal value EUR M	382.4
Enterprise value EUR M	969.0
Net debt/(Cash) EUR M	100.0
Equity Value EUR M	869.0
N. of shares M	54.0
Equity Value per share EUR	16.1

Source: Intesa Sanpaolo Research estimates

Seri Industrial – WACC of Teverola 2 (%)

Risk free rate	3.5
Equity Risk Premium	6.5
Beta x	1.6
Cost of equity	13.9
Nef Cost of debt	3.2
Leverage	20
WACC	11.8

Source: Intesa Sanpaolo Research estimates

Seri Industrial – sensitivity to WACC, g; Teverola 2

EUR/sh	Terminal growth rate %		
	-0.5	0.0	0.5
11.3	16.8	17.1	17.5
11.5	16.3	16.6	16.9
11.8	15.8	16.1	16.4
12.0	15.3	15.6	15.9
12.3	14.9	15.1	15.4

Source: Intesa Sanpaolo Research estimates

Valuation and Key Risks

Valuation basis

Our EUR 4.2/sh is derived with a DCF model of the business 'AS-IS' + Teverola 1 business + Menarini (WACC 9%, g=2%) to which we add the fair value of Teverola 2 project at 10% (obtained with a DCF: WACC 11.8%, g=0%) and obtain EUR 5.6 fair value. We have applied a 25% execution risk discount to our fair value.

Key Risks

Company specific risks:

- Execution risks at Teverola plants;
- Technology evolution risks in batteries;
- Supply shortage and higher raw material prices;
- Risks in IIA integration

Sector generic risks:

- Lower Li-Ion battery prices
- Trade barriers may emerge as countries tend to protect the local industry
- Geopolitical risks may impair operations (rare earth mining, raw material supply, etc)

Company Snapshot

Company Description

Seri Industrial is a listed company on the MTA of Borsa Italiana. The mission of Seri Industrial is to accelerate the energetic transition to sustainability and decarbonization, controlling the entire supply chain of electric accumulators and plastic components. The Group operates through two operating companies: (i) Seri Plast, operating in the production and recycling of plastic material for the battery, automotive and hydro-thermosanitary market; (ii) FIB, active, through the brand FAAM, in the design, production and recycling of lead-acid and Li-Ion batteries for industrial, storage, military and special applications, as well as in the design and construction of plants for the recycling of batteries. The activities shape a fully integrated cycle and recovery of raw materials, representing a unique example of Circular Economy. Through this division the company has in the pipeline the construction of a Gigafactory, Teverola 2, with an expected production capacity, at full speed, of 8/8.5GWh/year of lithium cells, modules and batteries, thanks to around EUR 500M funds granted by IPCEI, in the wake of the European Battery Alliance projects.

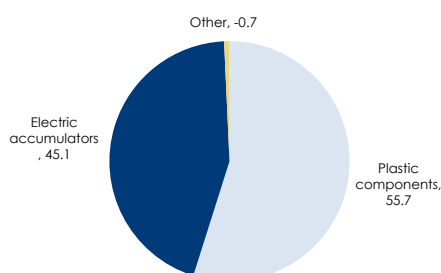
Key data

Mkt price (€)	2.78	Free float (%)	36.2
No. of shares	53.98	Major shr	Civitillo V.
52Wk range (€)	4.58/2.28	(%)	56.5
Reuters	SERK.MI	Bloomberg	SERI IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	0.2	-1M	-1.5
-3M	-22.2	-3M	-24.8
-12M	-12.9	-12M	-23.5

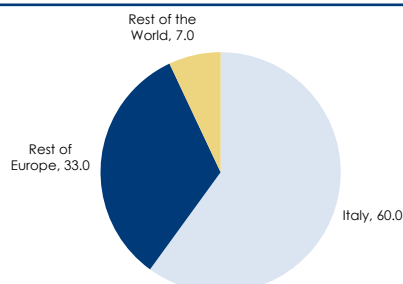
Estimates vs. consensus

EUR M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	200.1	228.3	NM	365.1	NA	409.5	NA
EBITDA	17.56	6.14	NM	22.12	NA	46.33	NA
EBIT	-11.20	-25.86	NM	-12.88	NA	11.33	NA
Pre-tax income	-17.70	-33.86	NM	-20.97	NA	3.24	NA
Net income	-12.42	-24.04	NM	-14.89	NA	2.30	NA
Adj. EPS (€)	-0.12	-0.45	NM	-0.28	NA	0.04	NA

Sales breakdown by division (%)



Sales breakdown by geography (%)



NM: not meaningful; NA: not available; Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 16/12/2024)

Seri Industrial – Key Data

Rating HOLD	Target price (€/sh) Ord 4.2		Mkt price (€/sh) Ord 2.77			Sector Industrials
Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
No. ordinary shares (M)	48.90	53.98	53.98	53.98	53.98	53.98
Total no. of shares (M)	48.90	53.98	53.98	53.98	53.98	53.98
Market cap (EUR M)	354.38	377.88	244.00	149.79	149.79	149.79
Adj. EPS	0.01	-0.06	-0.12	-0.45	-0.28	0.04
BVPS	2.5	2.7	2.4	2.0	1.7	1.7
Dividend ord	0	0	0	0	0	0
Income statement (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Revenues	177.1	204.1	200.1	228.3	365.1	409.5
EBITDA	20.11	17.73	17.56	6.14	22.12	46.33
EBIT	-0.88	-4.09	-11.20	-25.86	-12.88	11.33
Pre-tax income	-4.70	-9.94	-17.70	-33.86	-20.97	3.24
Net income	-1.53	-4.44	-12.42	-24.04	-14.89	2.30
Adj. net income	0.46	-3.37	-6.31	-24.04	-14.89	2.30
Cash flow (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Net income before minorities	-1.5	-4.4	-12.4	-24.0	-14.9	2.3
Depreciation and provisions	21.0	21.8	28.8	32.0	35.0	35.0
Others/Uses of funds	0.7	-0.2	-2.7	0	0	-1.0
Change in working capital	-0.6	-19.2	73.3	1.6	26.3	-44.4
Operating cash flow	19.4	-2.0	86.9	9.5	46.4	-8.1
Capital expenditure	-25.2	-26.9	-37.7	-85.0	-186.6	-187.5
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	-5.7	-28.9	49.2	-75.5	-140.2	-194.6
Dividends	0	0	0	0	0	0
Equity changes & Non-op items	3.7	22.6	-11.7	12.0	59.2	140.0
Net change in cash	-2.0	-6.3	37.5	-63.5	-81.0	-54.6
Balance sheet (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Net capital employed	219.0	247.8	197.2	236.6	302.7	359.6
of which associates	0	0	0	0	0	0
Net debt/-cash	98.0	104.3	66.8	130.3	211.3	265.9
Minorities	0.4	0.0	-0.1	-0.1	-0.1	-0.1
Net equity	120.6	143.5	130.5	106.4	91.5	93.8
Minorities value	0	0	0	0	0	0
Enterprise value	453.6	482.2	310.6	279.9	360.9	415.5
Stock market ratios (x)	2021A	2022A	2023A	2024E	2025E	2026E
Adj. P/E	NM	Neg.	Neg.	Neg.	Neg.	65.1
P/CFPS	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
P/BVPS	2.9	2.6	1.9	1.4	1.6	1.6
Payout (%)	0	0	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0	0
FCF yield (%)	-3.4	-8.8	20.2	-50.4	-93.6	-129.9
EV/sales	2.6	2.4	1.6	1.2	0.99	1.0
EV/EBITDA	22.6	27.2	17.7	45.6	16.3	9.0
EV/EBIT	NM	NM	Neg.	Neg.	Neg.	36.7
EV/CE	2.1	1.9	1.6	1.2	1.2	1.2
D/EBITDA	4.9	5.9	3.8	21.2	9.6	5.7
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.	23.5
Profitability & financial ratios (%)	2021A	2022A	2023A	2024E	2025E	2026E
EBITDA margin	11.4	8.7	8.8	2.7	6.1	11.3
EBIT margin	-0.5	-2.0	-5.6	-11.3	-3.5	2.8
Tax rate	68.3	55.3	36.5	29.0	29.0	29.0
Net income margin	-0.9	-2.2	-6.2	-10.5	-4.1	0.6
ROCE	-0.4	-1.7	-5.7	-10.9	-4.3	3.2
ROE	-1.3	-3.4	-9.1	-20.3	-15.0	2.5
Interest cover	0.2	0.7	1.7	3.2	1.6	-1.4
Debt/equity ratio	81.0	72.7	51.3	122.6	231.2	283.7
Growth (%)		2022A	2023A	2024E	2025E	2026E
Sales		15.2	-2.0	14.1	59.9	12.2
EBITDA		-11.8	-1.0	-65.0	NM	NM
EBIT		NM	NM	NM	50.2	NM
Pre-tax income		NM	-78.1	-91.3	38.1	NM
Net income		NM	NM	-93.5	38.1	NM
Adj. net income		NM	-87.3	NM	38.1	NM

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

ESG Matrix

Seri Industrial - ESG Matrix

Main KPIs		2021	2022	2023	Target	Trend
E	Emissions					
	CO2 (scope 1) tons	3,961	3,462	3,968	//	+
	CO2 (scope 2 market-based) tons	23,682	22,078	23,417	//	+
	CO2 (scope 2 location-based) tons	17,137	16,114	16,463	//	=
	Circular Economy					
	% of plastic material recycled (Seri Plast)	42.0	44.0	44.0	//	=
	% of plastic material reused (lead)	71.0	81.0	75.0	//	-
	Total recovered waste/total waste	89.3	79.9	91.7	//	+
	Total hazardous waste/total waste	65.3	55.6	61.7	//	+
	Renewables Ratio					
	% electricity from renewable	1.7	1.8	1.7	//	-
Water withdrawals (m3)	82,512	72,863	76,884	//	+	
Energy Consumption (MWh)	61,632	56,352	57,583	//	+	
S	Women in leadership roles* (%)	0.0	0.0	0.0	//	=
	Training hrs per capita (No.)	2.3	2.8	8.6	//	+
	Turnover ratio (%)	11.6	16.8	NA	//	NA
	Lost time injury frequency index (1)	17.3	10.2	14.2	//	+
	Ethical code	Yes	Yes	Yes	//	=
	Notes (Social):	(1) number of lost time injuries/hours worked x 1,000,000				
G	Independent directors' rate (%)	57.1	40.0	40.0	//	=
	Women in BoD (%)	28.6	40.0	40.0	//	=
	Anti-corruption	No	Yes	Yes	//	
	Management Remuneration Policy linked to ESG goals	No	Yes	Yes	//	
	ESG Report	Yes	Yes	Yes	//	
	Remun. Of BOD members (% of EBITDA)	7.1	7.1	NA	//	NA
	Shareholders'/Consulting Agreement	No	No	No	//	
	Loyalty Shares	Yes	Yes	Yes	//	
	Notes (Governance):	Ecovadis assigned Silver CSR rating				

Note: the indicators +/- refer to how the company, in ISP view, is progressing towards its targets and/or vs. its historic trend; //: no explicit targets; Source: Company data and Intesa Sanpaolo Research elaboration

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

Long-term rating	Definition
BUY	BUY stocks are expected to have a total return of at least 10% and are considered the most attractive stocks in the analyst's/analyst's team cluster in a 12M period
HOLD	HOLD stocks are expected to have a total return of at least 0% and are less attractive stocks than BUY rated stocks in the analyst's/analyst's team cluster in a 12M period
SELL	SELL stocks are the least attractive in a coverage cluster in a 12M period.
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis to determine an investment rating or target price. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.

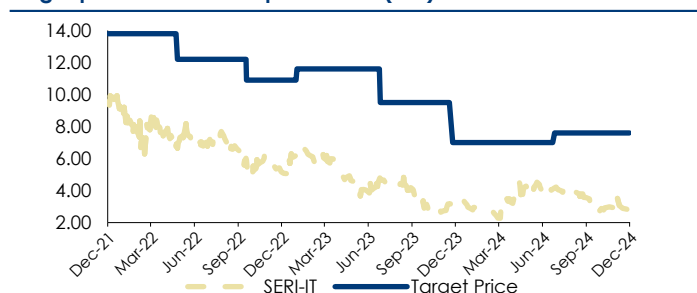
Equity Rating Key (long-term horizon: 12M)

TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a 12M time horizon.
MARKET PRICE	Closing price on day prior to issue date of the report, as indicated on the first page, except where otherwise indicated.
Note	Intesa Sanpaolo assigns ratings to stocks as outlined above on a 12M horizon based on a number of fundamental drivers including among others, updates to earnings and valuation models. Exceptions to the bands above may occur during specific periods of market, sector or stock volatility or in special situations. Short-term price movements alone do not imply a reassessment of the rating by the analyst.

Important Note: The current rating system has been in place since 22 November 2024. Please refer to the ISP Equity Rating informative note for further details at the following link: <https://group.intesasanpaolo.com/it/research/equity---credit-research>. Previously Intesa Sanpaolo used an absolute rating system based on the following ratings: BUY (if the target price is 10% higher than the market price), HOLD (if the target price is in the range 10% below or 10% above the market price), SELL (if the target price is 10% lower than the market price). After the 22 November 2024, analysts will review and assign ratings on their coverage according to the rating system presented above. For additional details about the old ratings system, please access research reports dated before 22 November at <https://cardea.intesasanpaolo.com/homepage/#/public> or contact the research department.

Historical recommendations and target price trends (long-term horizon: 3Y)

The 3Y rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->

Seri Industrial:**Target price and market price trend (-3Y)****Historical recommendations and target price trend (-3Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
12-Jul-24	BUY	7.6	4.2
11-Dec-23	BUY	7.0	3.3
12-Jul-23	BUY	9.5	4.7
18-Jan-23	BUY	11.6	6.4
04-Oct-22	BUY	10.9	5.9
12-May-22	BUY	12.2	6.7

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at October 2024)**

Number of companies considered: 158	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	69	31	0
of which Intesa Sanpaolo's Clients (%)**	64	41	0

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

Equity Research Publications in Last 12M

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<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

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Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation of around EUR 1Bn.

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including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group, which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations. The conflicts of interest published on the internet site are updated to at least the day before the publishing date of this report.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest.

- One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Seri Industrial in the next three months
- Intesa Sanpaolo acts as Corporate Broker relative to securities issued by Seri Industrial

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