

REPLY

Sector: Industrials

OUTPERFORM

Price: Eu146.50 - Target: Eu187.00

AI Transformation Has Only Just Begun, Reply at the Ready

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Stock Rating

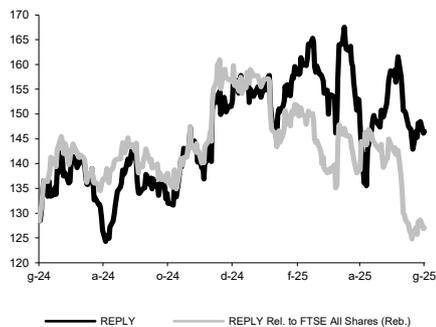
Rating: Unchanged
Target Price (Eu): Unchanged

	2025E	2026E	2027E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event 1H25 Results

Results Out 31 July 2025

REPLY - 12M Performance



Stock Data

Reuters code: REY.MI

Bloomberg code: REY IM

Performance	1M	3M	12M
Absolute	-7.7%	-5.4%	14.1%
Relative	-12.3%	-8.3%	-1.2%
12M (H/L)	167.50/124.30		
3M Average Volume (th):	51.99		

Shareholder Data

No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	5,481
Total Mkt Cap (Eu mn):	5,481
Mkt Float - Ord (Eu mn):	3,448
Mkt Float (in %):	62.9%
Main Shareholder:	
Alika (Rizzante family)	37.1%

Balance Sheet Data

Book Value (Eu mn):	1,501
BVPS (Eu):	40.21
P/BV:	3.6
Net Financial Position (Eu mn):	563
Enterprise Value (Eu mn):	4,918

■ **Artificial Intelligence a big market opportunity for Reply.** We believe AI holds enormous, still largely untapped potential to drive future business transformation—just as Internet did years ago. We believe Reply will be a winning player in guiding its client companies through this transformation, having already demonstrated that its agile business model is best suited to absorb and deploy radical innovation. Working alongside (and often also for) tech giants allows Reply to remain at the forefront of knowledge across all frontiers of this emerging field. For a player like Reply, the risk of one technological paradigm prevailing over another is fully hedged, thanks to its expert teams operating across all domains.

■ **A state-of-the-art digital ecosystem offering:** in the rapidly-evolving landscape of artificial intelligence, Reply is driving significant transformations both internally and for its clients. A key focus is on 'Agentic AI', namely the evolution of AI towards ecosystems of intelligent and autonomous agents, capable of collaborating with each other in business processes, adapting to context, reasoning, and effectively collaborating with human work both in the digital sphere and, transposed into robotics, in the physical sphere. In this report we review the group's offering, ranging from Silicon Shoring, an AI-powered software delivery model designed to optimise the entire Software Development Life Cycle, to the development of Digital Humans, an evolution of traditional CRM, to digital experience solutions from Reply AI Studios that combine AI-enhanced creativity with the traditional work of agencies in content production, and finally pre-built applications that are designed to reduce the cost and complexity of AI adoption across key business functions.

■ **Our estimates.** We currently assume that Reply will grow 6.9% organically in 2025, or by 9.2% including the consolidation of the recently-acquired Solirius (consolidated as of 1 November 2024). We expect organic growth to accelerate to 10% in 2026, and to remain strong in 2027 (9.2%). In terms of margins, our FY25 estimates forecast an EBITDA margin in line with what was seen in 1Q25, i.e. 17.5%. Using AI technologies inside the organisation, not only for customers, is improving efficiency, a benefit partially reflected in lower prices for customers, but also in higher margins. Compared to 2025-27 consensus forecasts, we are more bullish on revenues (+0.6% / +2.7% / +4.0%), consistent with our view of a market supported by investments in artificial intelligence, but more conservative on the EBITDA margin (-40/50bp): all in all, our EBITDA forecasts are 1% lower than consensus for 2025, in line for 2026, and 1% above for 2027.

■ **OUTPERFORM confirmed; target Eu187 unchanged.** We believe Reply represents an excellent investment opportunity due to its strong positioning within the IT consulting sector, which we expect to experience several years of significant growth driven by innovation stemming from advancements in Artificial Intelligence. Besides, we expect the company to announce new M&A deals able to create upside to our current valuation: targets should have a notable but not transformational impact, and should be profitable, well-managed companies with complementary capabilities. A specific focus is to reinforce the group's presence in the US.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,118	2,296	2,506	2,757	3,009
EBITDA Adj (Eu mn)	352	411	439	479	522
Net Profit Adj (Eu mn)	187	211	244	268	293
EPS New Adj (Eu)	4.990	5.644	6.531	7.160	7.841
EPS Old Adj (Eu)	4.990	5.644	6.531	7.160	7.841
DPS (Eu)	1.000	1.150	1.200	1.300	1.400
EV/EBITDA Adj	10.5	11.4	11.2	9.8	8.5
EV/EBIT Adj	12.6	14.2	13.9	12.1	10.4
P/E Adj	29.4	26.0	22.4	20.5	18.7
Div. Yield	0.7%	0.8%	0.8%	0.9%	1.0%
Net Debt/EBITDA Adj	-0.6	-0.9	-1.3	-1.7	-2.0

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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 4.0% and a risk premium between 5.5%-6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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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 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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