

UPDATE

EQUITY RESEARCH

Reway Group

ISIM
NTEGRÆ

Euronext Growth Milan | Infrastructure Maintenance | Italy

Production 11/10/2024, h. 18:30

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Rating
BUY

unchanged

Target Price
€ 8,30

unchanged

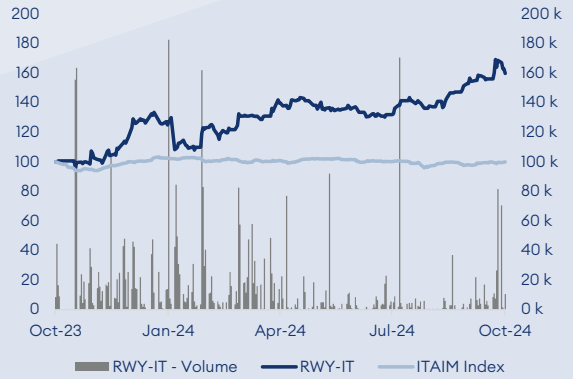


Risk

Medium

Upside potential
37,4%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 6,04
Target price	€ 8,30
Upside/(Downside) potential	37,4%
Ticker	RWY IM
Market Cap (€/mln)	€ 234,86
EV (€/mln)	€ 293,49
Free Float (on ordinary shares)	20,8%
Share Outstanding	38.502.281
52-week high	€ 6,00
52-week low	€ 3,44
Average Daily Volumes (3m)	6.350

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Value of Production	132,29	209,50	235,00	255,50
EBITDA	26,44	41,50	49,10	55,20
EBIT	22,20	29,00	36,10	41,70
Net Income	14,59	17,00	21,90	26,00
Net Financial Position	34,61	58,63	42,73	18,23
EBITDA margin	20,5%	20,0%	21,1%	21,8%
EBIT margin	17,2%	14,0%	15,5%	16,4%
Net Profit margin	11,0%	8,1%	9,3%	10,2%

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Stock performance	1M	3M	6M	1Y
Absolute	6,8%	-1,1%	27,4%	30,6%
to FTSE Italia Growth	5,6%	2,9%	31,2%	41,0%
to Euronext STAR Milan	4,9%	5,3%	30,0%	29,8%
to FTSE All-Share	0,2%	3,4%	27,8%	13,4%
to EUROSTOXX	3,2%	5,4%	31,1%	18,8%
to MSCI World Index	3,3%	-0,9%	23,4%	12,8%

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	11,1x	7,1x	6,0x	5,3x
EV/EBIT	13,2x	10,1x	8,1x	7,0x
P/E	16,1x	13,8x	10,7x	9,0x

1H24A Results

In the semester, Reway Group strengthened its position as a leader in the infrastructure maintenance and rehabilitation sector. Sales revenues reached € 93.47 million, up 46.4% compared to the same period in 2023 (€ 62.85 million), with new contracts totaling over € 227.00 million and an order backlog surpassing the € 1.00 billion threshold. EBITDA for the period amounted to € 20.25 million, up 14.0% compared to the same period in 2023, which recorded € 17.74 million. EBIT reached € 15.41 million, up 27.6% from € 12.08 million in the previous semester, while Net income went up from € 6.00 million to € 8.48 million (41.3%).

Estimates Update

In light of the results published in the half-year report and the acquisition of Vega Engineering Srl, we update our estimates for the current year and the following years. In particular, we estimate an FY24E value of production of € 209.50 million and EBITDA of € 41.50 million, corresponding to a margin of 20,0%. In the following years, we expect the value of production to reach € 255.50 million (CAGR 23A-26E: 24,5%) in FY26E, with EBITDA equal to € 55.20 million (EBITDA margin of 21,8%), up from € 26,44 million of FY23A.

Valuation Update

We have conducted the assessment of the equity value of Reway Group based on the DCF methodology and the multiples of a sample of comparable companies. The DCF method (which includes a prudential specific risk of 2.5% in the WACC calculation) returns an equity value of € 352.0 million. The equity value of Reway Group using market multiples is € 291.8 million (including a discount of 10.0%). **This results in an average equity value of approximately € 321.9 million. The target price is €8.30, with a BUY rating and MEDIUM risk.**

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	109,86	128,87	207,00	233,00	253,50
Other Revenues	0,68	3,42	2,50	2,00	2,00
Value of Production	110,54	132,29	209,50	235,00	255,50
COGS	28,54	31,07	52,50	60,75	66,00
Services	32,22	36,46	61,00	66,00	71,00
Use of Asset owned by others	10,30	15,85	19,00	20,00	21,00
Employees	18,85	21,95	34,50	38,00	41,00
Other operating costs	1,05	0,52	1,00	1,15	1,30
EBITDA	19,59	26,44	41,50	49,10	55,20
<i>EBITDA Margin</i>	<i>17,8%</i>	<i>20,5%</i>	<i>20,0%</i>	<i>21,1%</i>	<i>21,8%</i>
D&A	3,38	4,24	12,50	13,00	13,50
EBIT	16,21	22,20	29,00	36,10	41,70
<i>EBIT Margin</i>	<i>14,8%</i>	<i>17,2%</i>	<i>14,0%</i>	<i>15,5%</i>	<i>16,4%</i>
Financial Management	(0,18)	(0,79)	(4,00)	(4,00)	(3,50)
EBT	16,03	21,42	25,00	32,10	38,20
Taxes	6,06	6,82	8,00	10,20	12,20
Net Income	9,97	14,59	17,00	21,90	26,00
Minorities	0,00	0,65	0,00	0,25	0,30

CONSOLIDATED BALANCE SHEET (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Fixed Assets	22,94	73,55	74,60	72,10	69,60
Account receivable	52,85	93,02	100,00	108,00	120,00
Inventories	0,66	43,12	70,00	75,00	80,00
Account payable	23,63	49,49	58,00	67,00	75,00
Operating Working Capital	29,88	86,65	112,00	116,00	125,00
Other Receivable	1,09	3,67	15,00	17,00	20,00
Other Payable	9,76	11,73	40,00	45,00	55,00
Net Working Capital	21,22	78,59	87,00	88,00	90,00
Severance & other provisions	1,58	28,07	14,50	7,00	5,00
Net Invested Capital	42,58	124,07	147,10	153,10	154,60
Share Capital	0,06	0,71	0,71	0,71	0,71
Reserves	28,68	74,81	70,76	87,76	109,66
Net Income	9,97	13,94	17,00	21,90	26,00
Group Equity	38,72	89,46	88,47	110,37	136,37
Cash & cash equivalents	11,66	27,32	24,87	34,77	53,77
Short term financial debt	8,83	15,67	19,50	18,00	16,00
M/L term financial debt	6,70	46,26	64,00	59,50	56,00
Net Financial Position	3,86	34,61	58,63	42,73	18,23
Sources	42,58	124,07	147,10	153,10	154,60

Consolidated Cash Flow (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	16,21	22,20	29,00	36,10	41,70
Taxes	6,06	6,82	8,00	10,20	12,20
NOPAT	10,15	15,38	21,00	25,90	29,50
D&A	3,38	4,24	12,50	13,00	13,50
Change in NWC	(2,13)	(57,37)	(8,41)	(1,00)	(2,00)
Change in receivable	(10,10)	(40,17)	(6,98)	(8,00)	(12,00)
Change in payable	2,58	25,86	8,51	9,00	8,00
Change in inventories	0,14	(42,46)	(26,88)	(5,00)	(5,00)
Change in others	5,24	(0,61)	16,94	3,00	7,00
Change in provisions	(0,05)	26,49	(13,57)	(7,50)	(2,00)
Operating Cash Flow	11,35	(11,26)	11,52	30,40	39,00
Capex	(2,7)	(54,8)	(13,6)	(10,5)	(11,0)
Free Cash Flow	8,65	(66,10)	(2,03)	19,90	28,00
Financial Management	(0,18)	(0,79)	(4,00)	(4,00)	(3,50)
Change in financial debt	0,65	46,40	21,57	(6,00)	(5,50)
Change in equity	(3,55)	36,15	(17,99)	0,00	(0,00)
Free Cash Flow to Equity	5,57	15,66	(2,45)	9,90	19,00

Source: Reway Group and Integrae SIM estimates

Company Overview

Reway Group SpA, the parent company of Reway Group, is the Italian leader for the reconditioning and redevelopment of road and motorway infrastructures. Reway Group, with its registered office in Milan, was established in December 2021 with the aim of providing a single managerial structure to the three operating companies wholly owned by the Luccini family:

- MGA - Manutenzione Generale Autostrade Srl, active in the sector of the reconditioning of concrete infrastructures, viaducts, and tunnels;
- Soteco Srl, dealing with the finishing, cladding and lighting of tunnels, and the installation of sound-absorption and safety barriers;
- TLS - Tecnologie Lavori Stradali Srl, providing know-how, across Italy and the world, on site engineering and motorway maintenance, with particular expertise in the seismic upgrading of bridges and viaducts.

The Parent Company provides centralized services to the subsidiaries, including strategic and financial planning, procurement, technical accounting, documentary support for the preparation of tenders and safety policies, and fleet management. Reway Group is also, since October 2023, the only Italian operator to include extraordinary railway network maintenance, in addition to roadways maintenance, in its core business, thanks to the acquisition of Gema SpA (originally Se.Gi. SpA), one of the leading Italian operators active in the sector of railway sector infrastructure and civil works maintenance.

1H24A Results

TABLE 2 – ACTUAL VS ESTIMATES 1H24A

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H24A	116,17	20,25	17,7%	15,41	8,48	62,82
1H23A	54,72	10,63	19,8%	8,85	5,82	34,61*
Change	112,3%	90,5%	-2,1%	74,1%	45,6%	n/a

Source: Integrae SIM

*NFP al 31/12/2023

Through a press release, Paolo Luccini, Chairman and AD of Reway Group, declares: “The results for the first half of 2024 further consolidate the strong and consistent growth trend that has always characterized our Group. In the first half of the year, we achieved excellent results across all key economic indicators, with production value up 41% compared to the same pro-forma period in 2023 and group net income up by more than 80%. Looking ahead, we believe that the substantial investments in the modernization of the country’s infrastructure, allocated and planned by highway, road, and railway operators, will further boost our development in the sectors where we are key players with our companies”

In the first half of 2024, Reway Group strengthened its position as a leader in the infrastructure maintenance and rehabilitation sector, thanks to an increase in production value and significant revenue growth. Supported by infrastructure investments in Italy, the Group increased its order backlog and outlined a clear strategy of acquisitions and vertical integration.

Sales revenues reached € 93.47 million, up 46.4% compared to the same period in 2023 (€ 62.85 million), entirely driven by organic growth. The progressive execution of awarded projects, especially in the road and rail sectors, enabled the Group to significantly improve its economic results, supported by contributions from its subsidiaries: Gema (40.0%), MGA (38.0%), TLS (12.0%), and Soteco (10.0%). Considering € 21.00 million related to work in progress on orders, the production value amounted to € 116.17 million, marking a +40.9% increase compared to € 82.44 million in the first half of 2023.

The record result is the outcome of the gradual execution of projects as they were awarded to the Group: during the semester, the order backlog continued to grow significantly, with new contracts totaling over € 227.00 million, reaching € 913.30 million as of June 30, 2024. In the months following the end of the semester, the order backlog surpassed the € 1.00 billion threshold thanks to the following orders:

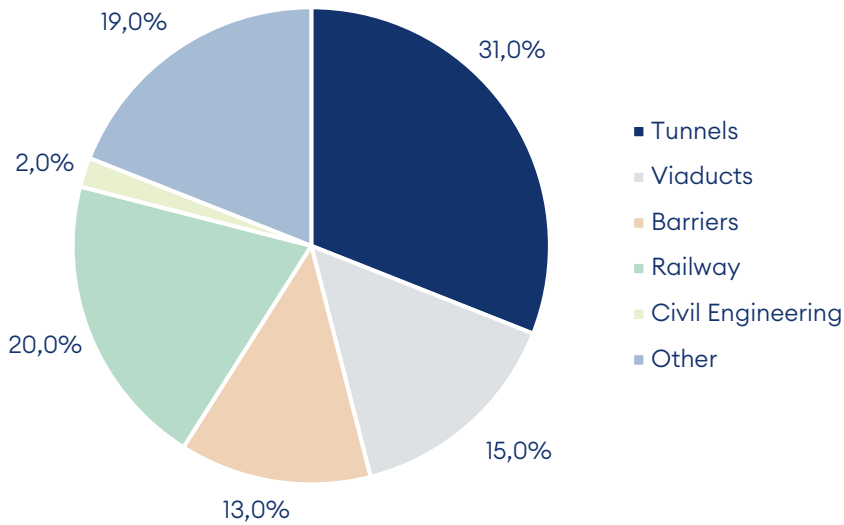
- € 42.00 million for the construction of the new interchange station in the Pigneto district of Rome, awarded to Gema;
- € 54.00 million for the ANAS contract for the structural rehabilitation

of tunnels in road sections in Central and Southern Italy, awarded to MGA, which helped exceed the milestone;

- € 36.00 million for the ANAS contract for the structural rehabilitation of viaducts in road sections in Lazio, awarded to MGA.

As of today, gross of the portion produced in the third quarter of 2024, the backlog amounts to € 1.045 billion, providing solid visibility on revenue development for the next five years. Specifically, 55.0% of the work relates to Gema, 40.0% to MGA, and 5.0% to Soteco. The Company has also shared the distribution of the order backlog by product line.

CHART 1 – BACKLOG DISTRIBUTION BY PRODUCT LINE



Source: Reway Group

EBITDA for the period amounted to € 20.25 million, up 14.0% compared to the same period in 2023, which recorded € 17.74 million. However, the EBITDA margin decreased to 17.4% compared to 22.0% in the first half of 2023. This decline primarily reflects the change in the mix of activities, with a greater emphasis on projects characterized by lower operating profitability. Specifically, the increase in complexity and volume of the projects managed led the Group to reorganize its operational structure and project management: in order to ensure timely execution of the works, there was increased reliance on external suppliers and subcontractors, as well as on the rental of specialized machinery. The Group opted to maintain operational flexibility by outsourcing certain services, thereby reducing the need to expand fixed costs but significantly increasing the cost of services (+70.1% yoy) and the cost of third-party assets (+60.9% yoy).

At the same time, the semester was also marked by a significant strengthening of the workforce, with over 140 new hires required to manage the increase in open construction sites and ongoing projects. Despite the various increases in cost items, the rise in production volumes strongly supported the improvement in operating results in absolute terms. EBIT, after

depreciation and amortization totaling € 4.84 million, reached € 15.41 million, up 27.6% from € 12.08 million in the previous semester, though with a slightly lower EBIT margin, which declined from 14.9% to 13.5%. Net income also showed a positive increase of 41.3%, rising from € 6.00 million to € 8.48 million.

The NFP (Net Financial Position) worsened, from € 34.60 million to € 62.80 million as of June 30. The main impact is attributable to the outlay of approximately € 27.00 million for the acquisition of the remaining 30.0% of Gema, bringing the Group's ownership to 100.0% of the company. In addition to this transaction, another strategic investment will take place in the second half, involving the acquisition of 60.0% of the share capital of Vega Engineering Srl, for which Reway Group has allocated an initial outlay of € 1.80 million.

The acquisition of Vega Engineering, an engineering company based in Lucca, represents a key step in the Group's growth and consolidation strategy. Vega, with 25 specialists in road, highway, railway, seismic, and hydraulic design, will allow Reway to make significant progress toward the vertical integration of its activities. This will enable the Group to manage all phases of infrastructure projects more comprehensively, from design to execution, reducing dependence on external suppliers and improving the efficiency of operational processes.

Through this operation, Reway will have the opportunity to internalize crucial technical expertise for the design and engineering management of projects, which will allow the Group to optimize costs in the medium to long term and accelerate execution times. This move is particularly relevant in a market characterized by increasing demand for "turnkey" solutions and the need to manage complex projects within shorter timelines. Vega brings to the Group capabilities that enable the offering of more comprehensive services to clients, better addressing market needs and strengthening its competitive position. The transaction is divided in two phases:

- first phase involves a payment of € 3.60 million for 60.0% of Vega's share capital. € 1.80 million will be paid in cash and the remainder through a capital increase reserved for the selling shareholders, to be approved by 30/11/2024;
- second phase, regarding the remaining 40.0%, will occur through the exercise of a Put&Call option, with the value to be determined based on the average EBITDA for the years 2024, 2025, and 2026.

As of December 31, 2023, Vega reported revenues of approximately € 2.70 million, with EBITDA of € 1.30 million (with an EBITDA margin of approximately 48.0%) and a positive cash NFP of around € 1.00 million. Considering an Enterprise Value of approximately € 6.00 million, the implicit multiples are around 2.2x (EV/Sales) and 4.6x (EV/EBITDA).

FY24E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY24E-26E

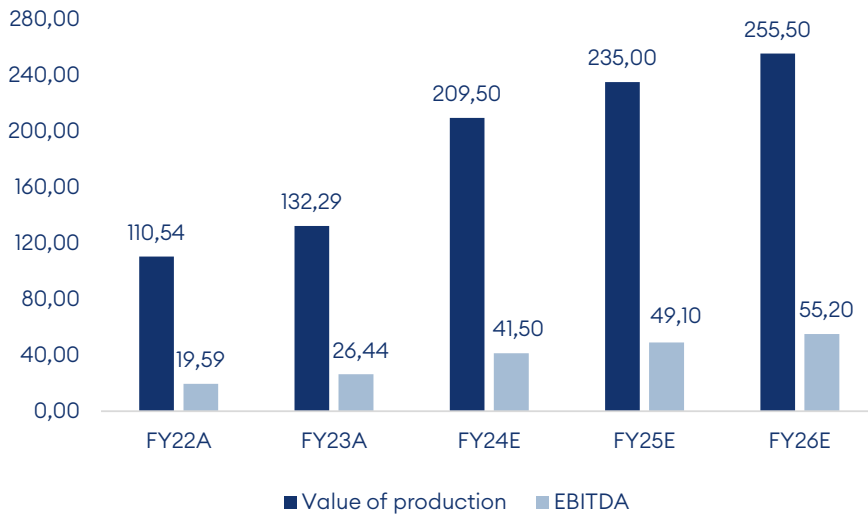
€/mln	FY24E	FY25E	FY26E
VoP			
New	209,5	235,0	255,5
Old	207,8	231,0	251,0
Change	0,8%	1,7%	1,8%
EBITDA			
New	41,5	49,1	55,2
Old	42,5	48,5	54,0
Change	-2,4%	1,2%	2,2%
EBITDA %			
New	20,0%	21,1%	21,8%
Old	20,5%	21,1%	21,6%
Change	-0,5%	0,0%	0,2%
EBIT			
New	29,0	36,1	41,7
Old	29,5	35,0	40,5
Change	-1,7%	3,1%	3,0%
Net Income			
New	17,0	21,9	26,0
Old	16,5	20,0	25,0
Change	3,0%	9,5%	4,0%
NFP			
New	58,6	42,7	18,2
Old	66,8	46,3	22,8
Change	n/a	n/a	n/a

Source: Integrae SIM

In light of the results published in the half-year report and the acquisition of Vega Engineering Srl, we update our estimates for the current year and the following years.

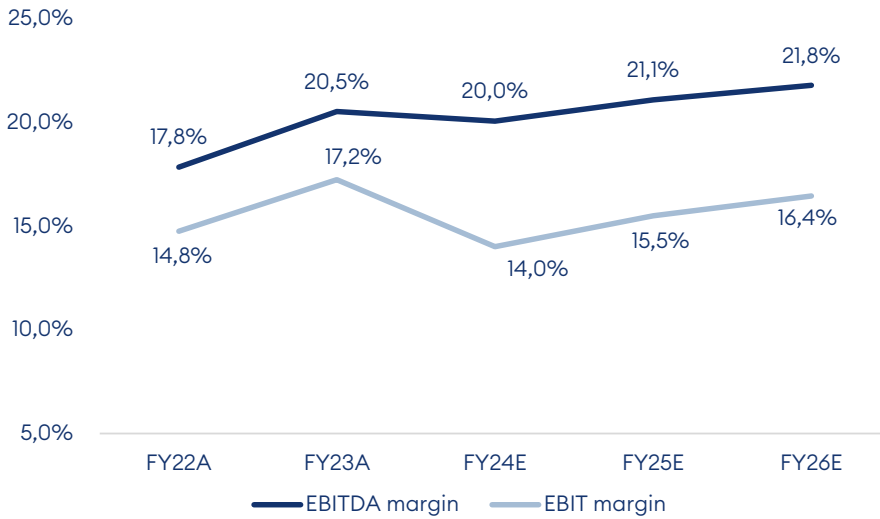
In particular, we estimate an FY24E value of production of € 209.50 million and EBITDA of € 41.50 million, corresponding to a margin of € 20,0%. In the following years, we expect the value of production to reach € 255.50 million (CAGR 23A-26E: 24,5%) in FY26E, with EBITDA equal to € 55.20 million (EBITDA margin of 21,8%), up from € 26,44 million of FY23A.

CHART 2 – VOP AND EBITDA FY22A - FY26E (€/MLN)



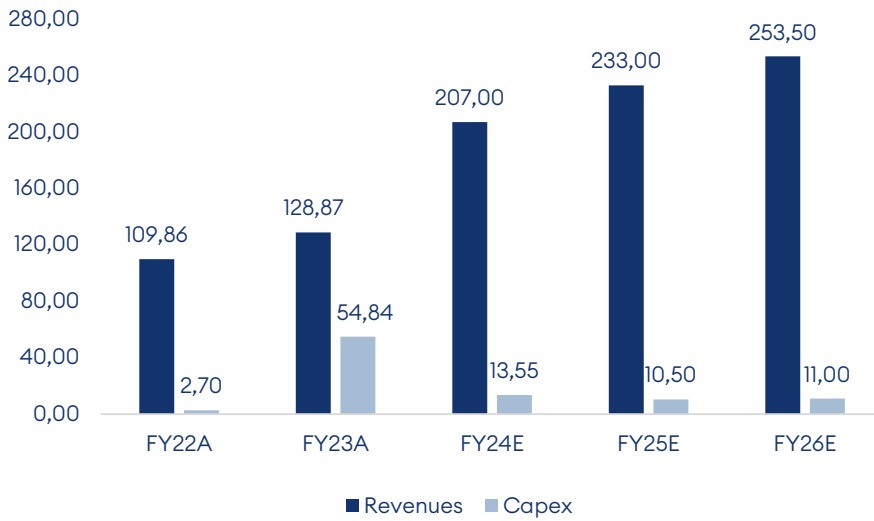
Source: Integrae SIM

CHART 3 – MARGIN FY22A - FY26E



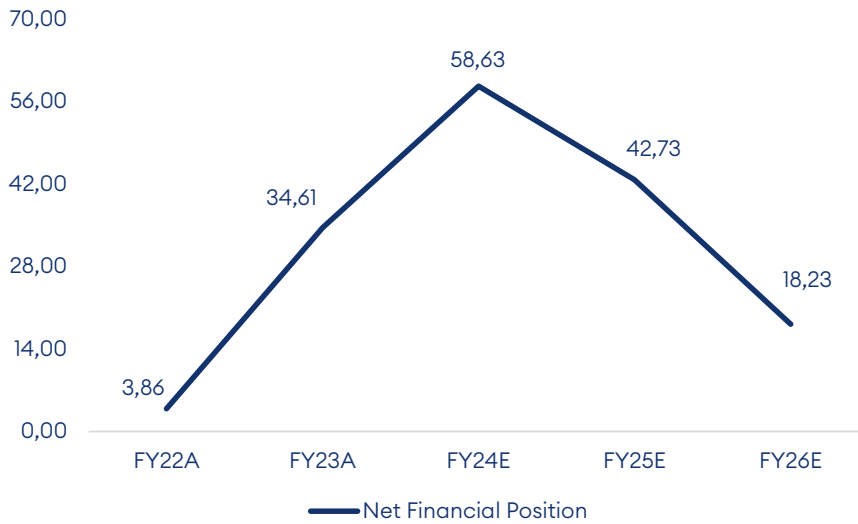
Source: Integrae SIM

CHART 4 - CAPEX FY22A - FY26E (€/MLN)



Source: Integrae SIM

CHART 5 - NFP FY22A - FY26E (€/MLN)



Source: Integrae SIM

Valuation

We conducted our valuation of the equity value of Reway Group based on the DCF method and multiples of a sample of comparable companies.

DCF Method

TABLE 4 – WACC

WACC				9,1%
D/E 81,8%	Risk Free Rate 2,7%	β Adjusted 1,2	α (specific risk) 2,5%	
K_d 5,0%	Market Premium 6,8%	β Relevered 1,2	K_e 13,6%	

Source: Integrae SIM

Including a specific risk of 2,5%, the result is a WACC of 9,1%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO Actualized	116,7	28,4%
TV Actualized DCF	294,0	71,6%
Enterprise Value	410,7	100,0%
NFP (FY24E)	58,6	
Equity Value	352,0	

Source: Integrae SIM

Taking our assumptions as a reference, the result is an **equity value of € 352.0 million.**

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mIn		WACC						
		7,5%	8,0%	8,5%	9,0%	9,5%	10,0%	10,5%
Growth Rate (g)	3,0%	580,2	517,7	466,8	424,4	388,7	358,3	332,0
	2,5%	528,9	476,6	433,2	396,6	365,4	338,5	315,1
	2,0%	486,8	442,3	404,8	372,8	345,2	321,2	300,1
	1,5%	451,6	413,1	380,3	352,0	327,4	305,9	286,8
	1,0%	421,8	388,1	359,1	333,9	311,8	292,2	274,9
	0,5%	396,1	366,4	340,5	317,8	297,8	280,0	264,2
	0,0%	373,8	347,3	324,1	303,5	285,3	269,0	254,4

Source: Integrae SIM

Market multiples

Our panel is made up of companies operating in the same sector as Reway Group, but many with higher capitalizations. These companies are the same used to calculate Beta for the DCF method. The panel was made up by:

TABLE 7 – MARKET MULTIPLES

Reway Group	EV/EBITDA			EV/EBIT			P/E		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Bilfinger SE	5,3x	4,8x	4,4x	7,1x	6,5x	5,8x	11,6x	9,9x	8,8x
AF Gruppen ASA	8,1x	7,0x	6,5x	11,8x	10,1x	9,2x	16,8x	14,0x	12,7x
Peab AB	10,1x	9,6x	8,8x	18,6x	15,8x	13,9x	14,8x	13,2x	11,5x
Construction Partners Inc	18,5x	15,9x	14,0x	34,4x	28,8x	24,4x	50,1x	39,6x	30,9x
Salcef Group SpA	8,6x	7,5x	6,2x	12,9x	11,5x	10,1x	18,2x	15,3x	10,9x
Peer median	9,0x	7,6x	6,5x	14,6x	11,6x	11,5x	18,2x	14,0x	11,5x

Source: Infiniti

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY24E	FY25E	FY26E
Enterprise Value (EV)			
EV/EBITDA	356,90	368,25	357,82
EV/EBIT	374,10	415,15	421,17
P/E	285,60	305,61	299,06
Enterprise Value post 10,0% discount			
EV/EBITDA	321,21	331,43	322,04
EV/EBIT	336,69	373,64	379,05
P/E	257,04	275,05	269,16
Equity Value			
EV/EBITDA	262,58	288,70	303,81
EV/EBIT	278,06	330,91	360,82
P/E	257,04	275,05	269,16
Average	265,89	298,22	311,26

Source: Integrae SIM

The equity value of Reway Group, using the market multiples EV/EBITDA, EV/EBIT, and P/E, and applying a discount of 10.0%, turns out to be approximately **€ 291.8 million**.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	321,92
Equity Value DCF (€/mln)	352,05
Equity Value multiples (€/mln)	291,79
Target Price (€)	8,30

Source: Integrae SIM

The results give an average equity value of approximately € 321.9 million. **The target price is, therefore, € 8.30. We confirm BUY rating and MEDIUM risk.**

TABLE 9 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	14,4x	9,2x	7,8x	6,9x
EV/EBIT	17,1x	13,1x	10,5x	9,1x
P/E	22,1x	18,9x	14,7x	12,4x

Source: Integrae SIM

TABLE 10 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	11,1x	7,1x	6,0x	5,3x
EV/EBIT	13,2x	10,1x	8,1x	7,0x
P/E	16,1x	13,8x	10,7x	9,0x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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The table below, shows INTEGRÆ SIM's recommendation, target price and risk issued during the last 12 months:

Date	Price	Recommendation	Target Price	Risk	Comment
26/10/2023	3,84	Buy	7,15	Medium	Update
23/11/2023	4,12	Buy	7,15	Medium	Breaking News
15/02/2024	4,78	Buy	7,15	Medium	Breaking News
12/03/2024	5,00	Buy	7,15	Medium	Breaking News
15/04/2024	5,26	Buy	8,30	Medium	Update
17/05/2024	5,16	Buy	8,30	Medium	Breaking News
06/06/2024	5,24	Buy	8,30	Medium	Breaking News
06/08/2024	5,20	Buy	8,30	Medium	Breaking News
09/09/2024	5,78	Buy	8,30	Medium	Breaking News
11/09/2024	5,92	Buy	8,30	Medium	Breaking News
16/09/2024	5,90	Buy	8,30	Medium	Breaking News

The list of all recommendations on any financial instrument or issuer produced by Integrae SIM Research Department and distributed during the preceding 12-month period is available on the Integrae SIM website.

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Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the Upside Potential (increase in value or return that the investment could achieve based on the current price and a future target price set by the analysts), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the upside potential may temporarily fall outside the proposed range

Upside Potential (for different risk categories)			
Rating	Low Risk	Medium Risk	High Risk
BUY	Upside \geq 7.5%	Upside \geq 10.0%	Upside \geq 15.0%
HOLD	-5.0% $<$ Upside $<$ 7.5%	-5.0% $<$ Upside $<$ 10%	0% $<$ Upside $<$ 15.0%
SELL	Upside \leq -5.0%	Upside \leq -5.0%	Upside \leq 0%
U.R.	Under Review		
N.R.	Not Rated		

Valuation methodologies (long term horizon: 12 months)

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- It plays, or has played in the last 12 months, role of specialist financial instruments issued by Reway Group SpA;
- In the IPO phase, Integræe SIM played the role of global coordinator.