A Work Project, presented as part of the requirements for the Award of a Master's degree in Finance from the NOVA – School of Business and Economics.

The Digital Vanguard: Reply SpA's way of shaping innovation.

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A Project carried out on the Master's in Finance Program, under the supervision of:

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Abstract

This equity research explores Reply S.p.A., a leading Italian company operating in IT consulting, systems integration, and digital services. The report begins with an overview of the company, describing its business model, strategic goals, and the sectors it operates in.

A detailed examination of financial health of the company follows, emphasizing cost structures and capital management. This section highlights Reply's ability to maintain financial stability while efficiently managing operations and support growth.

The report also examines profitability and margins, with a focus on key indicators like EBITDA margin, ROIC, and Net Profit Margin; they demonstrate how well the company performs financially, its operational efficiency, and its ability to generate long-term value.

An assessment on Reply's cash flow section provides an in-depth evaluation of Reply's Free Cash Flow (FCF), Net Financial Position (NFP), and working capital management. This part highlights the company's ability to generate cash, maintain financial resilience, and support future growth while ensuring sufficient liquidity.

Additionally, the research considers potential risks and uncertainties that could affect Reply's performance, including economic challenges, regulatory changes, and growing competition in the IT sector.

Overall, the aim of this research is to offer a clear and well-rounded understanding of the company by combining financial insights and market trends, providing a solid foundation for informed investment decisions.

Keywords (up to four):

Reply S.P.A – IoT – Expansion – Future

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This report is part of the report (Equity research: Reply S.P.A), developed by Guido Mennella and Gabriele Laureti and should be read has an integral part of it

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Company Overview

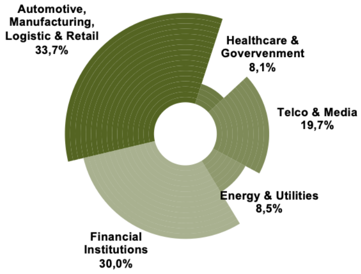


Figure 1: Company's sectors of focus.
Source: Annual Report 2023

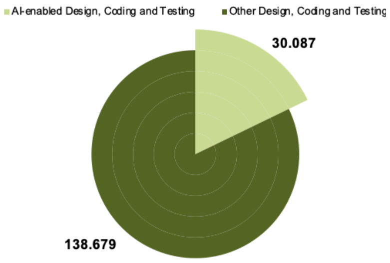


Figure 2: Investments in AI development in 2022.
Source: PAC-Reply data from Reply research "AI for software Development".

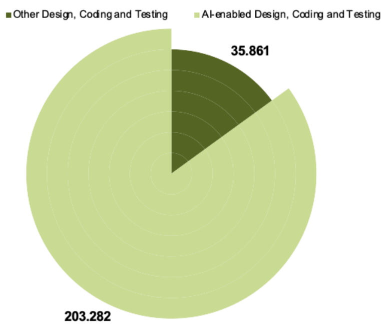


Figure 3: Expected investments in AI development 2027.
Source: PAC-Reply data from Reply research "AI for software Development".

amazon

Microsoft Azure

Italy-based company engaged in the **information and communication technology sector**. Specialized in the creation and implementation of solutions based on new communication networks and digital media, Reply covers **three** areas of competence: processes, applications and Technologies in which the Company offers consultancy, system integration and application management, operating in a variety of sectors (*Figure 1*). (Reply, Company Profile, 2022)
One of Reply's core business is research and development in new competencies such as Artificial Intelligence (*Figure 2 and Figure 3*), the Internet of Things (IoT), and Cloud Computing. The company is likely a significant player in **driving advancements** in these sectors, which are all projected to experience significant growth. (Reply, Company Profile, 2024)
This commitment to innovation is reflected in its diversified range of services, which includes big data analytics, cybersecurity, mobile payments, and e-commerce solutions. (Top10 IT Consulting Firms, 2024)
REY's platforms are designed to take full advantage of AI and emerging technologies. These solutions are notable for their fast implementation and exceptional flexibility, allowing them to meet the shifting demands of the industries they are applied to. **Axulus Reply** is the cloud-based Industrial IoT project management tool offering modular templates and libraries to help companies explore scenarios, simulate value, and implement effective technical solutions. It leverages AI models, like computer vision, to solve complex manufacturing and logistics challenges (Reply, Axulus, 2024); **Brick Reply** is a digital "as a Service" platform that transforms industrial operations. Its flexible micro-services architecture supports the complete management of production activities; enhanced in 2023 with expanded machinery connectivity, ready-to-use applications, and integration with customer systems via standard APIs, it now includes conversational applications using large language models to simplify access to company-specific knowledge. (Reply, Brick Reply, 2024)
These are just two of the **12 proprietary platforms** REY has developed to drive innovation across industries.
A key part of Reply's growth strategy is its approach to **M&A**: in November 2013 the company acquired a 76% of Mind Services Oinformatica LTDA, in December 2013 it acquired the 100% of Solidsoft Ltd. (which have brought significant market share, new expertise to the company and access to new geographic areas) and in December 2013 it completed the incorporation of Reply Deutschland AG into Reply SpA (*source: Refinitiv*).
Additionally, bulding strong **partnerships** with leading technology providers (Amazon Web Services and Microsoft among the others), further solidifies the market position. Having specialized in **Microsoft Azure** (provider of a wide range

of services, tools and resources for building and managing applications through Microsoft-managed data centers across the globe), Reply can deliver solid cloud service offerings, becoming part of the trend of growth in cloud services (Reply, Microsoft Azure, 2024). This move empowers the company to provide comprehensive and integrated solutions to its customers, leading higher competitive advantage by responding to industry needs and breakthroughs by customer needs. (Reply, REY Cloud Computing, 2024)
Additionally, by reducing reliance on any one industry or client, this diversification helps mitigate related risks and acts as a hedge against market fluctuations.

A company in expansion

Established in 1996 in Turin (Piedmont, Italy). Currently with a **MKT Cap of €5,700.0mn**, the business model is designed to adapt quickly and efficiently to the challenges typically faced in strategic consulting. (Screener, 2024)

Reply S.p.A. operates under a traditional governance structure, which includes a **Shareholders' Meeting, a Board of Directors, a Board of Statutory Auditors, and Independent Auditors**. The Board of Directors plays a key role in setting and approving the company's strategic, operational, and financial objectives, while also managing and supervising its organizational framework. Among its members are Mario Rizzante, who serves as Chairman, and Tatiana Rizzante, the Chief Executive Officer.

Revenues	
2019A	1183,03
2020A	1250,32

Figure 4: Revenues.
Source: Company Filings

COVID-19 PANDEMIC: Reply demonstrated strong financial resilience as reflected in its latest Reports. In 2020 the company achieved Revenues of **€1,250.0mn**, marking a 5.7% increase from **€1,182.0mn** in 2019 (*Figure 4*). Operating Income showed solid growth, rising to **€169.5mn** in 2020, which represents a 9.1% improvement from €155.3mn in the year before (*Figure 5*). Similarly, net income reached **€123.6mn** in 2020, reflecting an 8.5% increase compared to the **113.9mn** recorded in 2019 (*Figure 6*). (Reply, Financial Report 2020, 2020) (Wire, 2023 Financial Statements, 2024) (Wire, 2024 HY Report, 2024) These results highlight Reply's **ability to adapt** and maintain growth even in challenging conditions.

Operating Income	
2019A	155,3
2020A	169,5

Figure 5: Operating Income
Source: Company Filings

Net Income	
2019A	113,9
2020A	123,6

Figure 6: Net Income
Source: Company Filings

The company's impressive compound annual growth rate (CAGR) over the last decade has been around 14.2%, highlighting its successful strategies in expanding services and its client base. (FinanceChart, 2024) In a highly competitive market Reply S.p.A. distinguishes itself through a **unique business model** that emphasizes specilization, synergy and innovation focused on clients. The Company takes advantage against competitors through several key characteristics: each division has **its own expertise**, which enable it to quickly adapt to emerging trends and deliver customized solutions. Furthermore it has clear focus on identifying and targeting areas with a significant growth potential.

Everything can rely on a skilled team based on constant learning and improving. Lastly, Reply places great importance on building and maintaining strong, lasting relationships with its clients, ensuring trust and long-term collaboration.

In recent times, REY has grown through **strategical acquisitions** that helped the company expand its services and reach new markets, while maintaining steady growth and strong profit margins: following its acquisition of "The Spur Group" (January 2022), a US-based go-to market consulting and tech firm, REY continues to expand its footprint in the US. (MarketScreener, 2022) (Reply, Reply presence in US, 2022)

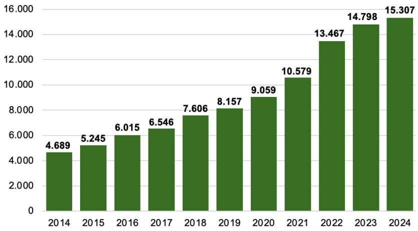


Figure 7: Employees Evolution through the years.
Source: Company Filings, Refinitiv, BBG

As of November 2024, Reply employees around **15,307** professionals worldwide and is known to generate jobs. (*Figure 7*)

With a number of programs targeted at cutting CO2 emissions and energy waste, Reply is also dedicated to environmental responsibility (see the ESG chapter for more information). (Reply, Financial Reports 2023, 2024)

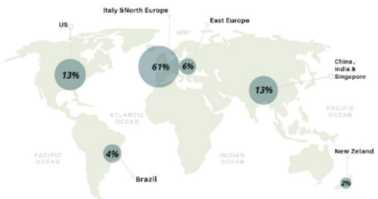


Figure 8: incorporated companies by Country.
Source: Team estimates

Company Financial Analysis

Reply generates its revenues primarily from consulting, system integration and digital services. With its income distributed across three main regions. At present, **Region 1**, which includes Brazil, China and India, Italy, Poland and Romania, New Zealand and USA, contributes **61.81% of total revenues**. This figure represents a slight decline compared to 2021, when the region accounted for roughly 63%. The decrease is attributed to market saturation and the competitive challenges faced in mature markets within this region. (Reply, Financial Reports 2023, 2024)

On the other end, **Region 3**, encompassing Singapore, France, Luxembourg, Spain, the Netherlands, the United Kingdom, Belgium, Belarus, and Hong Kong. has steadily increased its share of revenues. Its contribution has grown from 16.00% in 2021 to an expected **18.05% by 2024** and is driven by the region's presence in emerging markets and fast-developing areas, such as the Southeast Asia. Singapore, in particular, has positioned itself as a hub for innovation, especially in AI and cloud computing. Initiatives like the Smart Nation program, launched by the Singaporean government, have prioritized the integration of AI, IoT and cloud-based solutions into both public and private sectors. (Nation, 2022) (Nation, Launch of the Artificial Intelligence Government Cloud Cluster , 2023) These efforts have attracted significant investments from global tech leaders, including Google and Microsoft, further boositing the region's technological advancement and economic growth. (Reuters, 2024)

	2019	2020	2021	2022	2023	2024E
Region 1	67,94%	67,69%	62,80%	63,50%	62,10%	61,81%
YoY growth		-0,36%	-7,22%	1,11%	-2,21%	-0,47%
Region 2	22,93%	21,30%	19,33%	19,20%	19,90%	20,14%
YoY growth		-7,12%	-9,23%	-0,68%	3,64%	1,23%
Region 3	9,09%	11,00%	16,00%	17,30%	18,00%	18,05%
YoY growth		21,05%	45,43%	8,16%	4,05%	0,28%
IoT	0,04%	0,01%	1,87%	0,00%	0,00%	0,00%
YoY growth		-76,91%	18906,96%	-99,92%	53,94%	-100,00%
Intersegment	-1,15%	-1,53%	-1,87%	-1,93%	-1,91%	0,00%
YoY growth		33,18%	21,99%	3,39%	-1,34%	-100,00%
Total	100%	100%	100%	100%	100%	1

Figure 9: Historical Region Sales weight.
Source: Company's Filings

Region 2 has experienced a similar growth, with its share of total revenues rising from 19.20% in 2022 to **20.14% in 2024**. This growth is largely attributed to the increasing adoption of AI Technologies within enterprise operations, with

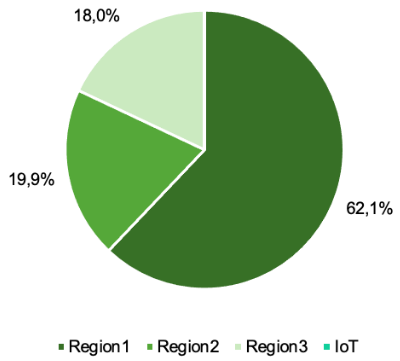


Figure 10: Revenues by Region 2022
Source: Company's Filings

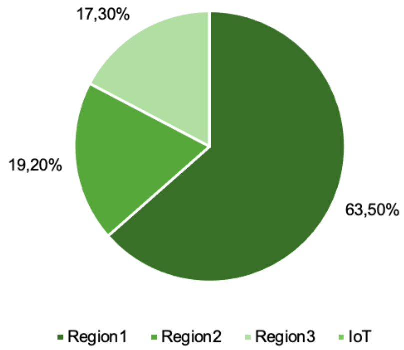


Figure 11: Revenues by Region 2023.
Source: Company's Filings

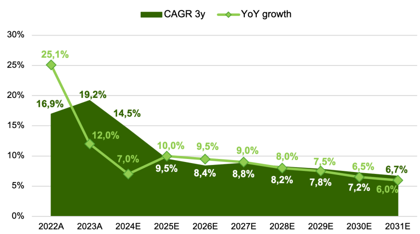


Figure 12: CAGR 3 years & YoY growth rate.
Source: Team Estimates

	2019A	2020A	2021A	2022A	2023A	2024E
Total	1183,032	1250,315	1512,076	1891,143	2118,033	2266,647
YoY growth		5,69%	20,94%	25,07%	12,00%	7,02%
CAGR 3yr				16,93%	19,21%	14,45%

	2025E	2026E	2027E	2028E	2029E	2030E	2031E
	2480,91	2695,80	2921,96	3144,858	3380,722	3600,469	3816,497
	10,00%	9,50%	9,00%	8,00%	7,50%	6,50%	6,00%
	9,47%	8,37%	8,83%	8,23%	7,84%	7,21%	6,66%

Figure 13: Historical Sales & Sales Projection.
Source: Team Estimates

Germany playing a crucial role in driving this trend. (Reply, HY2023 Financial Report, 2024)

Looking at the overall performance, Reply has consistently increased its revenues between 2020 and 2023. In 2020, the YoY growth rate was lower than expected at 5.69%, mainly due to the challenges brought by Covid-19 pandemic. However, the demand for digital transformation services drove a significant rebound in the years that followed. In 2021 the Company achieved a growth rate of 20,94%, which further accelerated to 25.07% in 2022. The slower growth pace observed between 2022 and 2023 likely reflects the market returning to more typical demand levels after the rapid expansion experienced during the initial recovery period. (*Figure 9, 10 & 11 / Image 1*). (Reply, Financial highlights, 2024) (DocSumo, 2024)

Our future expectations

In the near term, we expect YoY revenue growth to gradually decrease, eventually stabilizing at a terminal value of 6% by 2031E. (Reply, Cloud adoption in financial services, 2024)

This projection is in line with market expectation for the IT services business, which is predicted to grow at a CAGR of 8,80% between 2024 and 2028 (Statista, IT services growth, 2024). Our own analysis closely matches this figure, with a calculated **CAGR of 8.83% for the period from 2024 to 2027**. (*Figure 12*) (Reply, Cloud adoption in financial services, 2024) (Statista, IT Cloud services forecast, 2024)

It is important to highlight that this growth rate represents an average and will not remain consistent throughout the period. In the initial years, particularly in 2025 and 2026, we expect higher growth driven by the rapid adoption of technology and cloud-based services. However, as the market matures and approaches 2028, growth is anticipated to gradually stabilize and begin to slow down. (Intelligence, 2024)

To improve the accuracy in our revenue projections, we have combined our internal estimates alongside the average forecasts provided by other analysts who covered the company. This approach helps to minimize the risk of over-relying on a single projection, providing a more balanced perspective on expected growth. By combining multiple insights, we aim to provide a more reliable estimate, increasing confidence in our revenue growth predictions.

The expected decline in growth rate indicates a reduction from 9.50% in 2025E to 7.5% by 2029E, reflects the natural slowdown that comes with market maturity and the challenges of managing a larger revenue base. By 2030E, the company is likely to operate in a more stable market environment, with potential signs of saturation in certain service areas. (*Figure 13*).

Additionally, a significant **shift in revenue distribution** is expected, with both

Regional Sales Weight	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Region 1	61,09%	60,49%	60,49%	59,79%	58,99%	58,49%	58,49%
YoY growth	-1,16%	-0,98%	0,00%	-1,16%	-1,34%	-0,85%	0,00%
Region 2	19,59%	19,39%	19,39%	19,29%	19,09%	18,99%	18,99%
YoY growth	-2,73%	-1,02%	0,00%	-0,52%	-1,04%	-0,52%	0,00%
Region 3	19,32%	20,12%	20,12%	20,92%	21,92%	22,52%	22,52%
YoY growth	7,04%	4,14%	0,00%	3,98%	4,78%	2,74%	0,00%
IoT	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
YoY growth	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Figure 14: Regional Sales weight Best Case Scenario.
Source: Team estimates

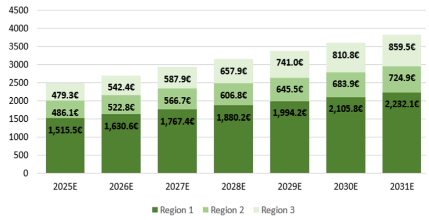


Figure 15: Revenue Best Case Scenario.
Source: Team estimates

Regional Sales Weight	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Region 1	61,95%	61,95%	61,95%	61,95%	61,95%	61,95%	61,95%
YoY growth	0,24%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Region 2	20,02%	20,02%	20,02%	20,02%	20,02%	20,02%	20,02%
YoY growth	-0,61%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Region 3	18,02%	18,02%	18,02%	18,02%	18,02%	18,02%	18,02%
YoY growth	-0,14%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
IoT	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
YoY growth	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Figure 16: Revenue Flat Case Scenario.
Source: Team estimates

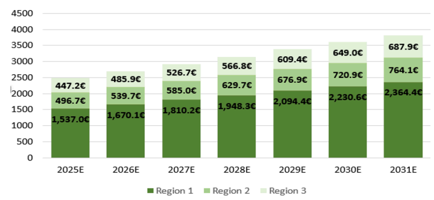


Figure 17: Revenue Flat Case Scenario.
Source: Team estimates

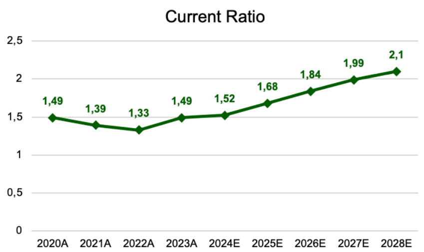


Figure 18: Current Ratios.
Source: Team estimates

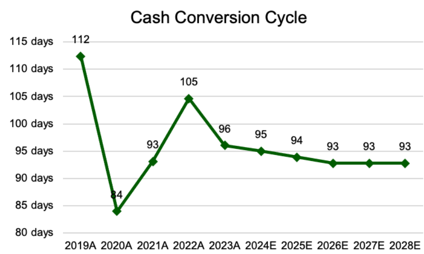


Figure 19: Cash Conversion Cycle.
Source: Team estimates

Region 1 and Region 2 projected to experience YoY declines beginning in 2025E. For **Region 1**, revenues are anticipated to **fall by 1.16% annually**, a result of slowed growth in mature markets and limited progress in expanding smaller emerging markets within this region. Similarly, **Region 2** is expected to see a **2.73% annual decline** in revenue for the same year, driven by short-term economic challenges and slower regulatory processes in Europe, which hold back the possibility of a rapid expansion. These patterns highlight the challenges of maintaining high growth rates in markets that are becoming increasingly mature and subject to regulatory constraints.

For **Region 3** we anticipate a growth rate of **7.04% in 2025E**, driven by the rising demand for AI and digital transformation solutions across Asia. Although growth is expected to stabilize in the years that follow as the market matures, it will continue at a steady and healthy pace, supported by ongoing digitalization initiatives. Looking ahead, we project that the company's growth rate will gradually level out, reaching a consistent 6.00% by 2031E. This rate aligns with our estimates for the Terminal Value growth rate, reflecting a mature market position and the company's ability to sustain moderate growth through continous innovation and strategic business expansion. (*Figure 14 / Image 2 & 15*)

In terms of regional distribution, we developed two possible scenarios for our forecast, based on the company's segmentation: 1) in the **Best Case Scenario** (*Figure 14 & 15*): REY successfully achieves its strategic goal of reducing the revenue contribution from Region 1, shfting towards a larger share in Region 3. This scenario assumes that Reply prioritizes growth in Asia, leveraging the strong demand for for AI and digital transformation solutions, which would result in a more balanced and diversified revenue mix across regions. 2) in the **Flat Case Scenario** (*Figure 16 / Image 3 & 17*): REY maintains a relatively stable regional sales distribution, with minimal variations in contribution from each region. In this case the company focuses more on overall revenue growth rather than altering the regional mix. (University, 2024)

Financial Health

A review of REY's Liquidity and debt structure is essential to assess the financial challenges that the company faces.

One of the key metrics is short-term liquidity, which measures Reply's ability to meet its immediate financial obligations. The company's ***Current Ratio*** (*Figure 18*), an indicator of the ability to cover short-term debts with current assets, has consistently remained above 1.3 and is **projected to rise to 2.10 by 2028E**. This upward trend demonstrates the company's strong financial position in managing short-term financing.

The improvement in liquidity is supported by revenue growth and a gradual reduction in the ***Cash Conversion Cycle*** (*Figure 19*). The CCC, which was above 112 days in 2019A, decreased to 96 in 2023A and is expected to stabilize further, **reaching 92.76 in 2026E**. This steady reduction indicates that Reply has achieved a balanced Working Capital cycle, efficiently handling its inventory, receivables and payables. Such stability highlights the company's ability to maintain financial efficiency and reduce operational risks.

In recent years, Reply has successfully kept its long-term debt at relatively low levels. By maintaining a cautious approach to borrowing, the company has achieved a **D/E ratio** (*Figure 20*) that reflects its commitment to prudent financial management. This conservative use of leverage reduces financial risks and limits interest expenses, protecting both profitability and shareholder value.

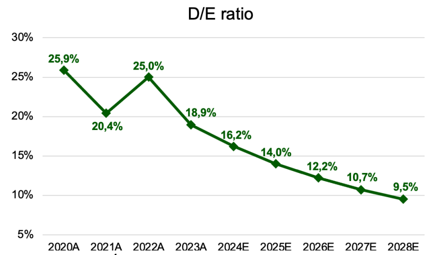


Figure 20: D/E ratio.
Source: Team estimates

The combination of strong liquidity ratios and low debt demonstrates the company's solid financial Foundation. With steady revenue generation and careful debt control, Reply is well-equipped to handle potential economic fluctuations. This stability allows the company to seize growth opportunities while maintaining the competitive edge in the technology consulting industry.
Overall, the financial performance over the past four years reflects a well-balanced strategy for managing both cash and debt. Strong liquidity and growing cash reserves, alongside minimal debt levels, underline its focus on maintaining financial stability and flexibility. This deliberate approach ensures the company's readiness to adapt to market changes and support its long-term growth objectives.

Cost and Capital Driver analysis

In 2023A, CapEx amounted for €29.265mn, representing a relatively small portion of Reply's overall expenses. The majority of expenditures came from **OpEx**, which **amounted for €1,764.403mn**, with SG&A costs accounting for the largest share at €1,758.98mn (*Figure 21*), the figure significantly exceeding the company's spending on COGS, which stood at €29.363mn for the same year. The reason for this disparity lies in Reply's business model, which heavily emphasizes personnel-related costs, such as like salaries and training. Skilled and experienced employees are essential to delivering high-quality services to clientes, making these investments a priority.

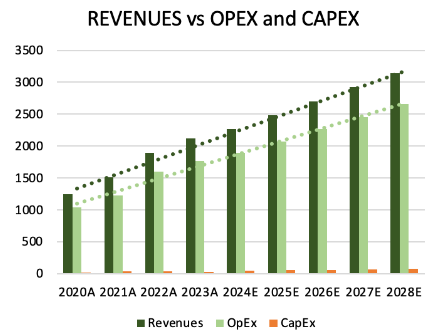


Figure 21: Revenues vs OpEx analysis.
Source: Team estimates

Additionally, **in 2023A, D&A reached €75.206mn** (*Figure 22*), reflecting an increase in amortization over recent years. This figure grew from 17.79% in 2021A to 36.3% in 2023A, aligning with Reply's growing investments in intangible assets. These investments reflect the company's strategic focus on advanced technologies, which form a critical part of its long-term growth strategy.

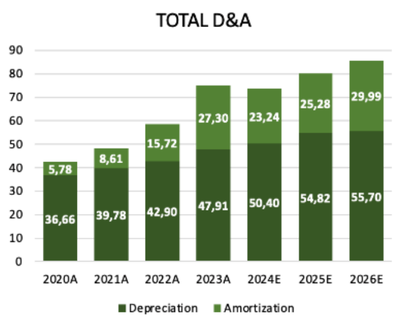
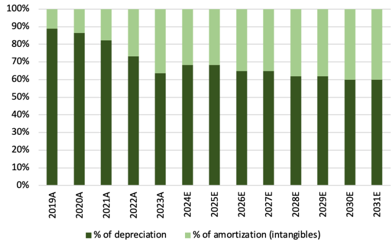


Figure 22: TOTAL D&A.
Source: Team estimates

Our future expectations

We predict that the percentage of D&A relative to revenues will decline in the



	2020A	2021A	2022A	2023A
Total D&A	42,44	48,39	58,61	75,21
Depreciation	36,66	39,78	42,90	47,91
Amortization	5,78	8,61	15,72	27,30
% D&A on Sales	3,39%	3,20%	3,10%	3,55%

	2025E	2026E	2027E	2028E
Total D&A	80,10	85,69	92,00	98,07
Depreciation	54,82	55,70	59,80	60,81
Amortization	25,28	29,99	32,20	37,27
% D&A on Sales	3,23%	3,18%	3,15%	3,12%

Figure 23: Composition of D&A (projections).
Source: Team estimates

future, influenced by several key factors. First, as Reply's assets mature (particularly those tied to initial investments in AI and cloud technologies) D&A will decrease (these assets become fully capitalized and begin to age). Second, the company's shift toward a business model focused on SaaS and cloud services will reduce capitalized development costs associated with depreciation and move more spending into operational expenses, such as software licenses and cloud storage, which are expensed directly. Additionally, the decreasing need for physical infrastructure, driven by the adoption of cloud computing, will lower CapEx for physical servers and hardware.

By 2030E, we anticipate the composition of D&A to evolve from 82.21% depreciation and 17.79% amortization in 2021A to approximately **60% depreciation and 40% amortization**. This change reflects a growing emphasis on intangible assets, such as software and platform development, which aligns with Reply's focus on AI and cloud-based solutions. The shift is also supported by rising labor costs and increasing automation demand, prompting companies to heavily invest in these Technologies. *(Figure 23)*

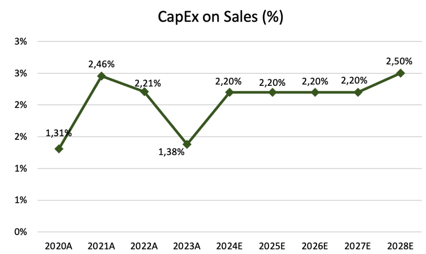


Figure 24: CapEx on Sales (%).
Source: Team estimates

CapEx is expected to follow an upward trajectory over the coming years, driven by both Reply's strategic priorities and broader macroeconomic trends. Global inflationary pressures have pushed businesses to adopt cost-saving technologies, which has resulted in higher CapEx allocations for digital investments. These investments, particularly in software and cloud services, will further boost the amortization component of Reply's D&A, as the focus shifts toward intangible assets like patents and software development rather than physical infrastructure. The rise of SaaS models is a key driver, as these solutions typically lead to increased amortization due to investments in software and digital platforms. The **IT services industry is projected to grow at an annual rate of over 9% through 2025**, fueled by the widespread adoption of cloud computing and AI technologies, according to analysts from CapitalIQ and Statista. As this market grows, competition is intensifying, prompting companies like Reply to accelerate their CapEx on R&D for software and AI solutions. Over the long term, we **expect Reply to maintain a steady CapEx-to-sales ratio of 2% to 2.5%**, with occasional increases driven by the need to support innovation, expand operations, and invest in emerging technologies. *(Figure 24)*

Margins and Profitability

EBITDA Margin short-term expectations

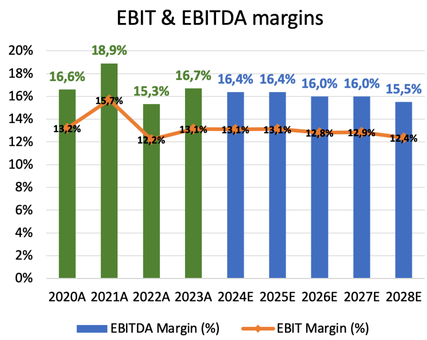


Figure 25: EBIT & EBITDA Margins evolution in time
Source: Team estimates

Short-term projections suggest a slight decline in Reply's EBITDA margin over the forecast period, decreasing from 16.3% in 2024 to 15.5% by 2028. This reflects the impact of ongoing challenges shaped by industry trends and market conditions. Between 2024 and 2027, the EBITDA margin is expected to remain relatively stable, ranging from 16.3% to 16%. This stability is largely supported by

Reply's continued investment in emerging technologies and its strong presence in the European IT services market (*Source: CapitalIQ and Refinitiv*).

EBITDA Margin long-term expectations

From 2028 onward, we anticipate a gradual decline in margins, moving from 15.5% to 15% by 2031; the projection reflects several factors that are likely to put pressure on profitability. These include rising operating costs, intensifying competition within the market, and the growing commoditization of digital services, all of which are expected to contribute to this downward trend. *(Fig. 25)* Going into details:

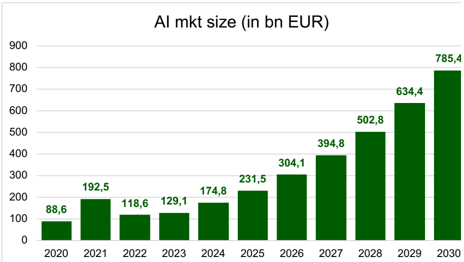


Figure 26: AI mkt size worldwide from 2020 to 2030.
Source: Statista

- **Wage Inflation and Talent Shortages** are impacting the tech sector with an annual salay increase of 3-5% (in EU tech salaries grew 5-10% in 2023 due to high demand for skilled workers). The demand is stronger in AI roles, where job postings have jumped 74% YoY (*Source: World Economic Forum*). To attract and keep talents Reply must offer competitive pay, which adds operational costs. (World Economic Forum, 2023) (WTWCO, 2024) (*Figure 26*)
- **Commoditization of Digital Services**: basic digital services are becoming more standardized, leading to price pressures. We expect contract values for these services to decrease by 1-2% yearly, as clients seek lower prices for standard solutions. Reply's pricing power may weaken due to aggressive competition, especially from major players like Accenture, who offer similar solutions at competitive rates. According to Gartner, by 2026, 80% of the cloud infrastructure market will be dominated by a few large providers, such as AWS and Google, creating further pricing pressures for smaller players like Reply. (CRN, 2024) *(Figure 27)*

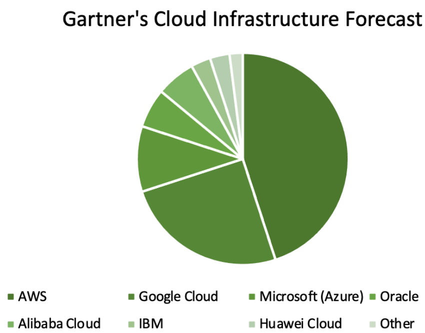


Figure 27: Cloud Infrastructure Forecast by 2026
Source: Gartner

- **Expansion Costs and Scaling Challenges**: Reply's willingness to focus on expanding the business into competitive markets (like North America and Asia) will probably introduce scaling costs. Operating in North America means competing with established players such as IBM and Capgemini. This requires significant upfront spending on fees, marketing and compliance. Analyzing past cases, such as Capgemini's 2% EBITDA margin decline during its North American expansion, suggested us to anticipate similar challenges for Reply, that may be facing a 1-2% increase in annual operational costs. (Capgemini Revenues 2023, 2023)
- **Rising Energy and Infrastructure Costs**: Energy costs in the EU are expected to increase by 2-3% annually, which could add to Reply's expenses due to its reliance on data centers for cloud services.(EuroStat, 2023) In 2022, EU energy prices increased by 30-40% due to natural gas

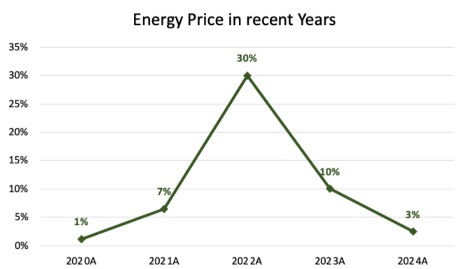


Figure 28: Energy Prices in recent Years
Source: Eurostat

shortages. Larger players like Google and Amazon can offset some of these costs through renewable energy investments, but Reply may not have the same capacity to do so, which could impact its operational expenses directly. (AboutAmazon, 2022) (World, 2024) (*Figure 28*)

- **Regulatory and Compliance Costs**: Growing regulatory demands, particularly around data privacy and cybersecurity, will lead to annual increases in compliance costs of 1-2%. EU's GDPR, as well as similar regulations globally, require sustained investments to ensure data security. For example, the introduction of GDPR in 2018 imposed nearly €7,800.0mn in compliance costs for EU businesses. (CPO, 2017) Reply will likely face increased compliance costs as regulations continue to tighten. (*Figure 29*)
- **Long-Term R&D and Innovation Investments**: To stay competitive, Reply must continue to invest in R&D, with expenses potentially increasing by 2-3% of revenue annually. Reply's focus on emerging technologies such as AI, machine learning, and blockchain is critical for future growth but requires sustained R&D efforts that may affect short-term profitability. Larger tech firms like Salesforce and Microsoft allocate over 10% of their revenue to R&D to maintain a competitive edge. Similar strategic investments in innovation for a smaller company as Reply will be necessary to stay ahead, especially in the fast-evolving fields of AI and blockchain. (Statista, R&D Expenditure Salesforce, 2024) (Macrotrends, 2024)

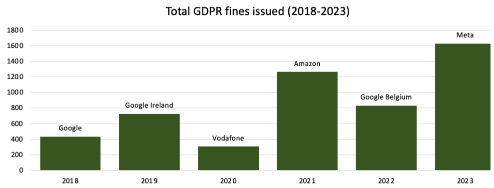


Figure 29: GDPR fines and some of the companies fined.
Source: EDPB

Gradual decline in EBITDA Margin from 16.3% in 2024 to 15% in 2031 can be explained by these credible assumptions, the combination of rising operational costs, regulatory pressures, wage inflation and increased competition in an increasingly commoditized market environment, justifies the conservative approach. *(Figure 25)*

Net Profit Margin (%):

The slight increase in Reply's margin between 2023 and 2024, followed by relatively stable projections through 2028, likely reflects ongoing external economic pressures. **Rising costs and a potential slowdown in demand growth, as the market matures**, are factors weighting on profit margins. Nonetheless, the consistent focus on reinvestment, as seen in the annual reports and press releases of the company, demonstrate its commitment to innovation and maintaining a competitive service offering, which should contribute to long-term margin stability. *(Figure 30 & 31)*

A significant factor impacting Reply's Net Profit Margin is the **tax rate**, which we've forecasted by blending insights from Reply's 2023 Annual Report, Refinitiv estimate and CapitalIQ estimate. This approach balances general market insights

	2020A	2021A	2022A	2023A
Net Profit Margin (%)	9,90%	11,83%	10,10%	8,82%

2024E	2025E	2026E	2027E	2028E
9,66%	9,77%	9,60%	9,71%	9,36%

Figure 30: Net Profit Margin evolution
Source: Team estimates

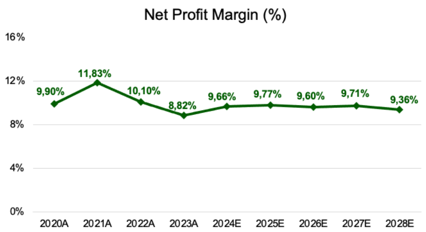


Figure 31: Net Profit Margin evolution
Source: Team estimates

with specific company information to create a well-rounded estimate. Our choice of a rate of 30.40% is based on several foundational assumptions that incorporate historical trends, sector dynamics, and forward-looking projections. This tax rate aligns closely with Italy's corporate tax norms and specific adjustments related to its international footprint. The company operates across multiple countries, including Germany (where tax obligations are elevated by regional trade taxes, which further justifies our use of a blended approach that considers both local and international tax rates), the UK, and the USA, each with distinct tax structures. Italy itself imposes a corporate tax rate of 24% (IRES) (Entrate, 2023) plus an additional regional tax (IRAP), which further raises the effective tax burden. (PWC, 2024) By averaging tax data from Refinitiv (which offers a broad market-based overview) and CapitalIQ (which provides company-specific insights), we capture the complexity of Reply's cross-border tax liabilities, including potential shifts in U.S. tax policy following the upcoming elections (impacting multinational corporations operating across various jurisdictions). The **resulting rate of 30.40%** represents a prudent average of these sources. Additionally, we considered that Reply operates in the digital services sector, a field increasingly targeted to targeted and specific taxation. Policies such as the Digital Services Taxes in certain European countries aim to tax revenue generated from digital services, which are core to Reply's offerings in consulting, integration, and digital solutions. We acknowledged this reality, preparing for potential upward pressure on tax rates in response to digital economy-specific policies, which are likely to expand over time. Overall, the 30.40% tax rate reflects a judicious assumption based on historical data, international exposure, industry dynamics, and market expectations. This approach not only prepares for potential fiscal challenges, but also smooths out one-off financial impacts, establishing a solid, balanced foundation for Reply's Net Profit Margin forecast. (Alvarez&Marsal, 2023)

	2020A	2021A	2022A	2023A
ROIC (%)	14,88%	18,08%	13,60%	14,55%

2024E	2025E	2026E	2027E	2028E
13,69%	13,24%	12,47%	12,06%	11,22%

Figure 32. ROIC Estimates.
Source: Team estimates

Return on Invested Capital (ROIC):

Reply's ROIC is projected to follow a stable downward trend over the forecast period, starting at 14.88% and **dropping to 11.22%** by the end of it *(Figure 32 & 33)*. This reflects broader trends in the tech consulting sector and Reply's positioning within it. Initially the ROIC has a strong peak of 18.08%, in the early years; this aligns with the high demand for digital transformation services post-pandemic. During this phase, heavily investments in areas like cloud migration, cybersecurity, and AI, allowed Reply to capture significant value.

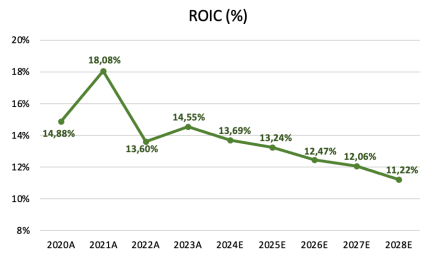


Figure 33. ROIC development over time.
Source: Team estimates

As the forecast advances, ROIC is expected to gradually decline to 11.22%. This reduction can be attributed to factos such as increased competition in a maturing digital consulting market, which has led to higher pricing competition and new players entering. (AlphaSpread, 2024)

Toward the later stages, ROIC is expected to stabilize within the 11–12% range,

	2020A	2021A	2022A	2023A
ROE (%)	18,30%	21,93%	19,65%	16,72%

2024E	2025E	2026E	2027E	2028E
16,84%	16,15%	15,06%	14,51%	13,35%

Figure 34. ROE Estimates.
Source: Team estimates

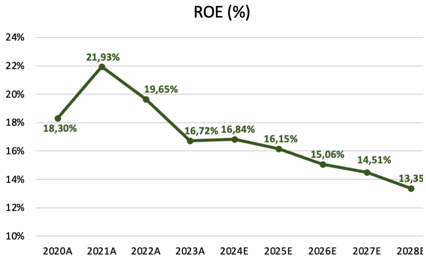


Figure 35. ROE Estimates.
Source: Team estimates

	2020A	2021A	2022A	2023A
FCF excl. Acquisitions	152,48	47,43	-49,98	209,10

2024E	2025E	2026E	2027E	2028E
321,30	285,75	290,50	320,53	349,78

Figure 36. FCF excluding acquisitions Estimates.
Source: Team estimates

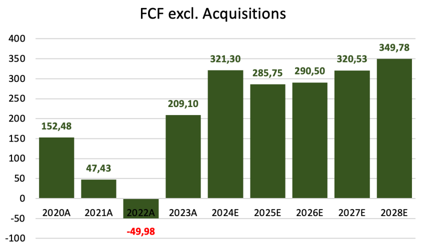


Figure 37. FCF excluding acquisitions Estimates.
Source: Team estimates

	2019A	2020A	2021A	2022A	2023A	2024E
Total	1183,032	1250,315	1512,076	1891,143	2118,033	2266,647
YoY growth		5,69%	20,94%	25,07%	12,00%	7,02%
CAGR 3yr				16,93%	19,21%	14,45%

2025E	2026E	2027E	2028E	2029E	2030E	2031E
2480,91	2695,80	2921,96	3144,858	3380,722	3600,469	3816,497
10,00%	9,50%	9,00%	8,00%	7,50%	6,50%	6,00%
9,47%	8,37%	8,83%	8,23%	7,84%	7,21%	6,66%

Figure 38: Historical Sales & Sales Projection.
Source: Team Estimates

aligning with the average for mid-sized European tech consulting firms. Although lower than the peak seen during its high-growth years, this level **remains above Reply's WACC (7.49%)**. This suggests that the company will keep the value creation trend, even with reduced profit margins, by maintaining an optimal approach in balancing scale and service offerings.

In the long term, Reply's acquisition strategy, aimed at expanding its international footprint and improving technical expertise, is expected to stabilize ROIC. As acquired assets are fully integrated, they are likely to contribute to steady revenue growth and support core operations. This suggests the company's successful move to a mature growth phase, marking a solid position in digital transformation services. The company's focus on subscription-based and managed service offerings is expected to further support without requiring extensive additional capital, positively influencing long-term ROIC stability. *(Figure 34 & 35)*

Overall, Reply's profitability ratios show **strong initial performance, followed by a gradual stabilization in certain metrics**. During the early growth phases, the company demonstrated high margins and impressive returns; recent trends indicate normal cost pressures and evolving competitiveness within the industry, which are typical for companies entering a more mature phase. Although slight declines in both ROE *(Figure 34 & 35)* and ROIC *(Figure 32 & 33) have been observed*, these trends presents an opportunity for Reply to improve capital efficiency and further solidify its market position. With a few strategic optimizations, Reply is well-positioned to continue generating value for shareholders and remain competitive in an increasingly competitive landscape.

Cash Flows & Financial Forecasts

To support growth in FCF excluding acquisitions for Reply S.p.A., which is projected to increase from €321.30mn in 2024 to €349.78mn by 2028 *(Figure 36 & 37)*, we based our assumptions on the company's past performance, strategic goals, and industry's outlook. Reply's revenue growth provides a solid foundation for FCF projections.

Historically, the company has shown strong revenue gains, with an increase of 25.07% from €1,512.08mn in 2021 to €1,891.14mn in 2022 *(Figure 38)*. This positive trend is expected to continue, fueled by Reply's comprehensive digital transformation services, which are well-positioned to meet the growing demand for digital solutions. The company's strengths in cloud computing, cybersecurity, and AI enable it to respond effectively to changing client needs, supporting steady revenue growth that directly boosts cash flow.

As the company grows, economies of scale are expected to increase profitability and cash flow. This focus on refining operations strengthens Reply's ability to consistently generate cash while pursuing growth and diversification.

Reply’s careful approach to debt also benefits its cash flow outlook. With a Net Financial Position of €205.13mn in 2023, Reply has a minimal dependence on external debt, allowing the company to prioritize organic growth and make selective acquisitions without borrowing. This financial stability supports Reply’s long-term growth strategy and reduces debt-related cash flow pressures, allowing more funds for reinvestment and shareholders return.

The digital transformation trend provides a strong foundation for Reply’s FCF growth. As businesses continue to embrace digitalization, demand for Reply’s services remains high, creating a positive environment for revenue and cash flow growth, allowing Reply to broaden its offerings and reach more clients, helping it tap into new revenue streams and strengthen FCF over time.

Effective working capital management further supports Reply’s cash flow. By optimizing receivables, payables, and inventory, Reply maintains a healthy cash conversion cycle, directly improving cash flow. Stable working capital ratios allow Reply to keep the liquidity needed for operations without requiring additional financing, reinforcing its financial stability.

Together, these factors support Reply's potential for sustainable FCF growth excluding acquisitions. This outlook reflects Reply’s strategic foresight and ability to adapt in a fast-changing industry, underscoring its capacity for ongoing cash generation and financial strength.

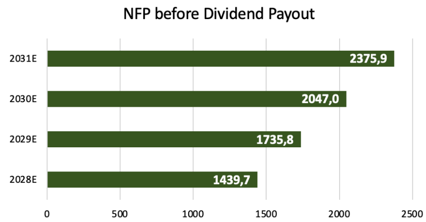


Figure 39. NFP before Dividend Payout
Source: Team estimates

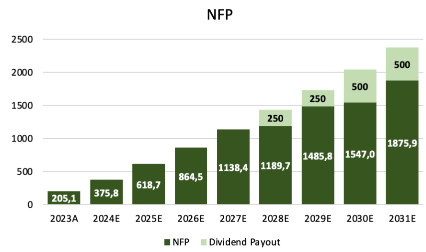


Figure 40. NFP after Dividend Payout
Source: Team estimates

NFP

While Reply’s cash reserve is justified in the near term to: **support growth initiatives** (R&D, innovation and M&A) and act as a **buffer for economic uncertainties** (recession risks or rising interest rates); the cash surplus in the later years (2028–2031) far exceeds these requirements, creating an opportunity to return value to shareholders while maintaining financial flexibility (high cash reserves, if not properly allocated, can create inefficiencies and fail to maximize shareholder returns). (*Figure 39*)

Industry leaders (Microsoft, Amazon, and Capgemini) have shown similar cash accumulation, strategy used to fuel acquisitions and innovation. As these companies mature, they have implemented structured Payout Policies to maintain optimal cash reserve balance and shareholder distributions. A similar approach for Reply allows it to remain competitive while rewarding investors. A reallife example is Capgemini, which increased the dividend payout ratio, once it reached a sustainable cash position during its North American expansion phase. (WallStreetJournal, 2024)

Our expected Payout Policy assumes a **dividend payout** of:

- €250mn for 2028 and 2029 (each year).

- €500mn annually for 2030 and 2031 (each year).

Even after the dividend payments, Reply will retain substantial liquidity to fund organic growth, R&D, and any strategic acquisitions, ensuring the company's long-term resilience and agility. We consider Reply fully capable of implementing the proposed Payout Policy without jeopardizing its financial health or growth prospects. (*Figure 40*) This policy effectively balances the following objectives:

- **Optimizing capital structure** by reducing unnecessary cash accumulation.
- **Enhancing shareholder value** through sustainable dividend distributions.
- **Maintaining flexibility** to invest in innovation, M&A, and economic contingencies.

By aligning with industry best practices and leveraging its strong cash generation capacity, Reply can confidently implement a structured Payout Policy while continuing to deliver long-term growth and stability.

Working Capital Management

WC Management	
DOI	8,1
DSO	127,4
DPO	40,6

Figure 41. WC estimates for 2024.
Source: Team estimates

To understand the projected stability and improvement in Reply S.p.A.'s Net Financial Position, it is essential to examine the company's approach to working capital management. Insights drawn from financial reports, press releases and industry data reveal that key metrics such as Days Sales Outstanding (DSO), Days Inventory Outstanding (DOI), and Days Payables Outstanding (DPO) are expected to remain stable, underscoring Reply's robust financial strategy and operational resilience. (*Figure 41*)

A central aspect of Reply's working capital management is its **disciplined approach to receivables**, evident in its steady Days Sales Outstanding (**DSO**), projected around **127 days**. This consistency reflects Reply's strong relationships with its clients, particularly in recurring and long-term contracts, which allow the company to set and enforce clear payment terms. In the digital consulting and technology services industry, extended billing cycles are common, but Reply's ability to maintain a stable DSO highlights its efficiency in collections. By ensuring timely payment from clients, Reply maintains a predictable cash inflow that supports overall financial health. (*Figure 42*)

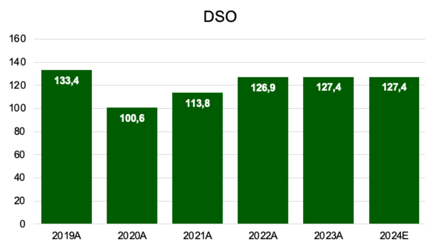


Figure 42. DSO projections.
Source: Team estimates

Another contributing factor to Reply's working capital efficiency is its minimal need on physical inventory. As a company focused on services and digital assets rather than physical products, Reply operates with a low Days Inventory Outstanding (**DOI**), projected at around **8 days**. This model reflects the limited exposure to inventory-related costs typical in the digital services sector. Reply's emphasis on consulting and digital transformation services allows it to keep DOI low, aligning with industry standards and ensuring operational efficiency with

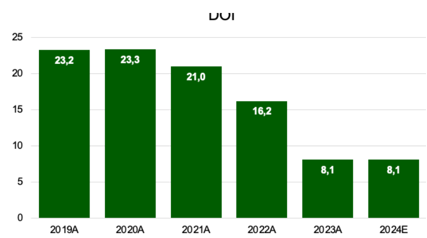


Figure 43. DOI projections.
Source: Team estimates

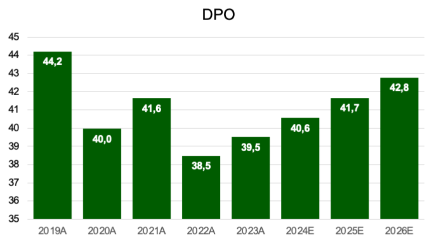


Figure 44. DPO projections.
Source: Team estimates

minimal inventory management needs. (*Figure 43*) (Intuendi, 2024)

Reply also demonstrates stability in managing its payables. Stable Days Payables Outstanding (**DPO**), projected at **39.5 days**, further illustrates Reply's balanced approach to cash management. With strong relationships with suppliers and service providers, Reply optimizes its payment terms to support liquidity without compromising its reputation or creditworthiness. The consistent DPO reflects disciplined practices, where Reply efficiently leverages its payables cycle to support cash flow while maintaining timely supplier payments. By strategically managing its payables, Reply enhances its working capital cycle, supporting liquidity and operational continuity. (*Figure 44*) (HasMicro, 2024)

The strategic alignment and balance of Reply's DSO, DOI, and DPO supports day-to-day activities and growth initiatives, reducing reliance on external financing. By effectively managing working capital, Reply generates positive cash flows that can be reinvested in strategic areas, further strengthening its Net Financial Position. This approach minimizes the company's dependence on debt and highlights its focus on financial stability.

Industry conditions also play a role in Reply's favorable working capital position. The growing demand for digital transformation, cloud solutions, and AI creates a reliable revenue base, ensuring consistent cash inflows. In the tech industry, where these services are often prioritized, client payment behavior remains favorable, contributing to Reply's steady DSO and reinforcing a healthy cash conversion cycle.

In conclusion, Reply's stability in working capital management, characterized by consistent DSO, low DOI, and predictable DPO, is the result of disciplined financial practices, strong relationship with clients and vendor, and an efficient operational model. Supported by stable industry demand and technological advancements, Reply's effective working capital management strengthens its liquidity, reduces reliance on external financing, and facilitates reinvestment in growth opportunities. This strategy reinforces Reply's Net Financial Position, aligning with its long-term goal of financial resilience and sustainable growth in the fast-evolving digital services landscape.

Conclusion

In a market as competitive and full of pitfalls as IT consulting, Reply manages to **distinguish** itself both by its business model and by the goals it sets for the future in both technological, social, and environmental areas. Our **Buy recommendation** is based not only on our valuation model but also on the very business idea that Reply wants to show both to investors and to the market itself. We strongly believe that the Italian company can be an industry leader in the future, competing with giants such as Accenture and Capgemini.

However, despite the **promising expectations** for the future, we should **not underestimate the risks** that the company will face in the future such as strong competition or dependence on key customers.

In conclusion, the analysis suggests that despite the challenges, Reply's growth prospects remain promising. The outlook for Reply, therefore, is positive, with expectations of continued growth in revenue and shareholder value in the medium to long term.

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APPENDIX

	2019	2020	2021	2022	2023	2024E
Region 1	67,94%	67,69%	62,80%	63,50%	62,10%	61,81%
YoY growth		-0,36%	-7,22%	1,11%	-2,21%	-0,47%
Region 2	22,93%	21,30%	19,33%	19,20%	19,90%	20,14%
YoY growth		-7,12%	-9,23%	-0,68%	3,64%	1,23%
Region 3	9,09%	11,00%	16,00%	17,30%	18,00%	18,05%
YoY growth		21,05%	45,43%	8,16%	4,05%	0,28%
IoT	0,04%	0,01%	1,87%	0,00%	0,00%	0,00%
YoY growth		-76,91%	18906,96%	-99,92%	53,94%	-100,00%
Intersegment	-1,15%	-1,53%	-1,87%	-1,93%	-1,91%	0,00%
YoY growth		33,18%	21,99%	3,39%	-1,34%	-100,00%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	1

Image 1: HISTORICAL REGION SALES WEIGHT

	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Region 1	61,09%	60,49%	60,49%	59,79%	58,99%	58,49%	58,49%
YoY growth	-1,16%	-0,98%	0,00%	-1,16%	-1,34%	-0,85%	0,00%
Region 2	19,59%	19,39%	19,39%	19,29%	19,09%	18,99%	18,99%
YoY growth	-2,73%	-1,02%	0,00%	-0,52%	-1,04%	-0,52%	0,00%
Region 3	19,32%	20,12%	20,12%	20,92%	21,92%	22,52%	22,52%
YoY growth	7,04%	4,14%	0,00%	3,98%	4,78%	2,74%	0,00%
IoT	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
YoY growth	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Image 2: REGIONAL SALES WEIGHT BEST CASE SCENARIO

Regional Sales Weight	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Region 1	61,95%	61,95%	61,95%	61,95%	61,95%	61,95%	61,95%
YoY growth	0,24%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Region 2	20,02%	20,02%	20,02%	20,02%	20,02%	20,02%	20,02%
YoY growth	-0,61%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Region 3	18,02%	18,02%	18,02%	18,02%	18,02%	18,02%	18,02%
YoY growth	-0,14%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
IoT	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
YoY growth	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Image 3: REGIONAL SALES WEIGHT FLAT CASE SCENARIO

	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Key Financial Figures (€MN)									
Revenues	1250,32	1512,08	1891,14	2118,03	2266,65	2480,91	2695,80	2921,96	3144,86
OpEx	1042,70	1226,23	1601,47	1764,40	1895,71	2074,91	2264,47	2454,45	2657,40
EBITDA	207,61	285,84	289,67	353,63	370,94	406,00	431,33	467,51	487,45
EPS	3,31	4,79	5,13	5,01	5,87	6,50	6,94	7,61	7,89
DPS	0,56	0,80	1	1	1,15	1,20	1,25	1,30	1,35
Payout Ratio	16,93%	16,70%	19,50%	19,96%	19,58%	18,45%	18,01%	17,08%	17,10%
Profitability Ratios									
EBITDA Margin (%)	16,60%	18,90%	15,32%	16,70%	16,37%	16,37%	16,00%	16,00%	15,50%
EBIT Margin (%)	13,21%	15,70%	12,22%	13,15%	13,12%	13,14%	12,82%	12,85%	12,38%
Net Profit Margin (%)	9,90%	11,83%	10,10%	8,82%	9,66%	9,77%	9,60%	9,71%	9,36%
ROE (%)	18,30%	21,93%	19,65%	16,72%	16,84%	16,15%	15,06%	14,51%	13,35%
ROIC (%)	14,88%	18,08%	13,60%	14,55%	13,69%	13,24%	12,47%	12,06%	11,22%
Leverage and Liquidity Ratios									
Debt/EBITDA	0,84	0,58	0,84	0,60	0,57	0,52	0,49	0,45	0,43
D/E	25,91%	20,43%	25,01%	18,94%	16,27%	14,08%	12,31%	10,81%	9,60%
Current Ratio	1,49	1,39	1,33	1,49	1,52	1,68	1,83	1,98	2,09
Cash Ratio	0,59	0,46	0,33	0,43	0,54	0,71	0,87	1,02	1,15
Operational Figures									
Net Working Capital	-23,06	-43,52	45,93	83,58	6,81	-9,17	-12,84	-20,12	-54,39
Net Financial Position	106,58	160,81	194,12	71,23	205,13	375,84	618,72	864,49	1138,42
CapEx on Sales (%)	1,31%	2,46%	2,21%	1,38%	2,20%	2,20%	2,20%	2,20%	2,50%
D&A									
Total D&A	42,44	48,39	58,61	75,21	73,63	80,10	85,69	92,00	98,07
Depreciation	36,66	39,78	42,90	47,91	50,40	54,82	55,70	59,80	60,81
Amortization	5,78	8,61	15,72	27,30	23,24	25,28	29,99	32,20	37,27
% D&A on Sales	3,39%	3,20%	3,10%	3,55%	3,25%	3,23%	3,18%	3,15%	3,12%
OpEx + CapEx									
Revenues	1250,32	1512,08	1891,14	2118,03	2266,65	2480,91	2695,80	2921,96	3144,86
OpEx	1042,70	1226,23	1601,47	1764,40	1895,71	2074,91	2264,47	2454,45	2657,40
CapEx	16,37	37,12	41,77	29,27	49,87	54,58	59,31	64,28	78,62
FCF									
FCF excl. Acquisitions	152,48	47,43	-49,98	209,10	321,30	285,75	290,50	320,53	349,78

Image 4: KEY FINANCIALS

	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	**1183,03**	**1250,32**	**1512,08**	**1891,14**	**2118,03**	**2266,65**	**2480,91**	**2695,80**	**2921,96**	**3144,86**	**3380,72**	**3600,47**	**3816,50**
YoY growth		5,69%	20,94%	25,07%	12,00%	7,02%	9,45%	8,66%	8,39%	7,63%	7,50%	6,50%	6,00%
- Cogs	21,249	21,509	21,499	27,328	29,363								
Gross Profit	**1161,78**	**1228,81**	**1490,58**	**1863,82**	**2088,67**								
- Selling & General Administrative	992,337	1040,597	1222,366	1593,596	1758,987								
- Other operating income/(expense)	-23,161	-19,404	-17,631	-19,452	-23,947								
- Total SG&A and Others	**969,176**	**1021,193**	**1204,735**	**1574,144**	**1735,04**								
YoY growth		5,37%	17,97%	30,66%	10,22%								
EBITDA	**192,61**	**207,61**	**285,84**	**289,67**	**353,63**	**370,937**	**406,000**	**431,327**	**467,513**	**487,453**	**524,012**	**540,070**	**572,475**
YoY growth		7,79%	37,68%	1,34%	22,08%	4,89%	9,45%	6,24%	8,39%	4,27%	7,50%	3,06%	6,00%
EBITDA margin %	16,28%	16,60%	18,90%	15,32%	16,70%	16,37%	16,37%	16,00%	16,00%	15,50%	15,50%	15,00%	15,00%
- D&A	37,24	42,442	48,392	58,612	75,206	73,633	80,097	85,687	91,999	98,074	104,753	109,762	116,348
EBIT	**155,37**	**165,17**	**237,45**	**231,06**	**278,42**	**297,304**	**325,903**	**345,640**	**375,514**	**389,379**	**419,259**	**430,308**	**456,127**
YoY growth		6,31%	43,76%	-2,69%	20,50%	6,78%	9,62%	6,06%	8,64%	3,69%	7,67%	2,64%	6,00%
EBIT margin %	13,13%	13,21%	15,70%	12,22%	13,15%	13,12%	13,14%	12,82%	12,85%	12,38%	12,40%	11,95%	11,95%
+ Financial income	12,089	2,128	9,383	3,377	7,002	4,255	8,894	10,515	15,451	15,079	13,148	15,452	16,918
- Financial expenses	4,206	4,638	4,793	18,04	26,749								
% of sales	0,67%	-0,20%	0,30%	-0,78%	-0,93%	-0,19%	-0,36%	-0,39%	-0,53%	-0,48%	-0,39%	-0,43%	-0,44%
- Other unusual (costs)/income	-1,327	-0,483	-0,488	52,328	12,954	15,624	16,137	18,059	19,290	20,914	22,401	23,900	25,311
% of sales	-0,11%	-0,04%	-0,03%	2,77%	0,61%	0,69%	0,65%	0,67%	0,66%	0,67%	0,66%	0,66%	0,66%
Pre-tax income	**161,92**	**162,18**	**241,55**	**268,72**	**271,63**	**317,182**	**350,935**	**374,214**	**410,255**	**425,372**	**454,807**	**469,660**	**498,356**
YoY growth		0,16%	48,94%	11,25%	1,08%	16,77%	10,64%	6,63%	9,63%	3,68%	6,92%	3,27%	6,11%
Tax rate %	27,69%	23,34%	25,20%	28,49%	30,60%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%
- Income taxes	44,829	37,848	60,871	76,551	83,122	96,423	106,684	113,761	124,718	129,313	138,261	142,777	151,500
Net income	**117,09**	**124,33**	**180,68**	**192,17**	**188,51**	**220,759**	**244,250**	**260,453**	**285,537**	**296,059**	**316,546**	**326,883**	**346,856**
- Minorities	2,732	0,608	1,735	1,168	1,76	1,76	1,76	1,76	1,76	1,76	1,76	1,76	1,76
Group net result	**114,36**	**123,72**	**178,95**	**191,01**	**186,75**	**218,999**	**242,490**	**258,693**	**283,777**	**294,299**	**314,786**	**325,123**	**345,096**
YoY growth		8,18%	44,64%	6,74%	-2,23%	17,27%	10,73%	6,68%	9,70%	3,71%	6,96%	3,28%	6,14%
Net profit margin %	9,67%	9,90%	11,83%	10,10%	8,82%	9,66%	9,77%	9,60%	9,71%	9,36%	9,31%	9,03%	9,04%

INCOME STATEMENT

		2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Inventories	plus	75,328	79,784	86,787	83,88	47,061	50,363	55,124	59,898	64,924	69,876	75,117	80,000	84,800
Trade receivables	plus	432,24	344,7	471,56	657,568	739,474	791,360	866,165	941,190	1020,151	1097,972	1180,320	1257,040	1332,463
Trade liabilities	less	119,951	114,149	139,921	168,835	191,001	210,719	236,824	265,392	287,657	311,444	334,802	358,674	380,195
Trade net working capital		**387,617**	**310,335**	**418,426**	**572,613**	**595,534**	**631,004**	**684,464**	**735,696**	**797,417**	**856,404**	**920,635**	**978,366**	**1037,068**
Other current asset/(liab)		-313,838	-333,395	-461,944	-526,682	-511,95	-624,192	-693,638	-748,541	-817,540	-910,795	-984,642	-1059,123	-1131,148
Net working capital		**73,779**	**-23,06**	**-43,518**	**45,931**	**83,584**	**6,812**	**-9,173**	**-12,845**	**-20,123**	**-54,391**	**-64,008**	**-80,757**	**-94,080**
Intangible assets	plus	281,217	356,507	528,731	735,429	707,991	694,729	680,370	668,171	655,256	645,506	635,281	622,880	609,735
Tangible assets	plus	138,867	189,427	200,468	210,41	222,955	212,450	201,292	187,111	172,309	162,607	152,597	145,247	137,457
Financial asset	plus	98,085	118,919	143,806	124,734	115,514	115,514	115,514	115,514	115,514	115,514	115,514	115,514	115,514
Long-term liab	less	111,468	126,642	207,708	215,864	218,449	218,449	218,449	218,449	218,449	218,449	218,449	218,449	218,449
Non-current asset/(liab.)		**406,701**	**538,211**	**665,297**	**854,709**	**828,011**	**804,244**	**778,727**	**752,347**	**724,631**	**705,178**	**684,943**	**665,192**	**644,257**
Net capital employed		**480,48**	**515,151**	**621,779**	**900,64**	**911,595**	**811,056**	**769,553**	**739,502**	**704,508**	**650,787**	**620,935**	**584,436**	**550,177**
Net debt/(cash)		-106,579	-160,809	-194,115	-71,231	-205,132	-375,835	-618,718	-864,489	-1138,424	-1439,741	-1735,814	-2047,008	-2375,933
Minorities		3,339	0,918	2,625	1,579	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883
Equity		583,721	675,039	813,269	970,29	1114,839	1298,320	1499,701	1715,420	1954,360	2201,958	2468,178	2742,872	3037,539
Invested capital		**480,481**	**515,148**	**621,779**	**900,638**	**911,59**	**924,368**	**882,865**	**852,814**	**817,820**	**764,099**	**734,247**	**697,748**	**663,489**

REFORMULATED BALANCE SHEET

		2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
NFP beginning of the period			**106,579**	**160,809**	**194,115**	**71,231**	**205,132**	**375,835**	**618,718**	**864,489**	**1138,424**	**1189,741**	**1485,814**	**1547,008**
Net Income			**124,33**	**180,681**	**192,173**	**188,509**	**220,759**	**244,250**	**260,453**	**285,537**	**296,059**	**316,546**	**326,883**	**346,856**
+ D&A			42,442	48,392	58,612	75,206	73,633	80,097	85,687	91,999	98,074	104,753	109,762	116,348
Change in working capital			96,795	19,795	-88,681	-37,573	76,772	15,985	3,672	7,278	34,268	9,617	16,749	13,323
-/+ Inventories			-4,456	-7,003	2,907	36,819	-3,302	-4,761	-4,775	-5,025	-4,953	-5,241	-4,883	-4,800
-/+ Trade receivable			87,54	-126,86	-186,008	-81,906	-51,886	-74,805	-75,025	-78,961	-77,821	-82,348	-76,721	-75,422
-/+ Other current assets			-41,741	15,904	-36,426	-22,546	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
+/- Accounts payable			-5,802	25,772	28,914	22,166	19,718	26,105	28,568	22,265	23,787	23,358	23,872	21,520
+/- Other liab.			61,254	111,982	101,932	7,894	112,242	69,446	54,903	68,999	93,255	73,847	74,480	72,025
Adjustment			-34,54	-41,35	22,27	23,651	-	-	-	-	-	-	-	-
Cash flow from operations			**229,027**	**207,518**	**184,374**	**249,793**	**371,164**	**340,333**	**349,812**	**384,815**	**428,401**	**430,916**	**453,394**	**476,527**
Capex	less		16,366	37,122	41,771	29,265	49,866	54,580	59,308	64,283	78,621	84,518	90,012	95,412
FCF (ex. acq)			**212,661**	**170,396**	**142,603**	**220,528**	**321,298**	**285,753**	**290,504**	**320,532**	**349,779**	**346,398**	**363,383**	**381,114**
Acquisitions	less		60,184	122,97	192,579	11,427	0	0	0	0	0	0	0	0
FCF (incl. acq)			**152,477**	**47,426**	**-49,976**	**209,101**	**321,298**	**285,753**	**290,504**	**320,532**	**349,779**	**346,398**	**363,383**	**381,114**
Dividends			20,891	21,621	30,635	38,398	37,278	42,870	44,734	46,598	48,461	50,325	52,189	52,189
Buyback			0	0	0	0	0	0	0	0	0	0	0	0
Equity financing			0	0	0	0	0	0	0	0	0	0	0	0
Other			-77,356	7,501	-42,273	-36,802	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Change in NFP			**54,23**	**33,306**	**-122,884**	**133,901**	**358,576**	**328,623**	**335,238**	**367,129**	**398,240**	**396,723**	**415,572**	**433,303**
Payout Policy assumption											250	250	500	500
NFP end of the period			**160,809**	**194,115**	**71,231**	**205,132**	**375,835**	**618,718**	**864,489**	**1138,424**	**1189,741**	**1485,814**	**1547,008**	**1875,933**

REFORMULATED CASH FLOW STATEMENT

NOVA SCHOOL OF BUSINESS & ECONOMICS

MASTER IN FINANCE

REPLY S.P.A

COMPANY REPORT

IT CONSULTING

31 OCTOBER 2024

STUDENT: GUIDO MENNELLA, GABRIELE LAURETI

59099/58371@novasbe.pt

THE REYvolution

"A Journey in Growth by Reply S.P.A."

- A **leading consulting, systems integration and digital services company**. Founded in 1996 in Italy, Reply S.p.A. is now an international group with a global presence and more than **15,000 employees**, in addition to being a reference point for the Italian market.

- Recognized as one of the most **dynamic and competitive** companies in the digital solutions market, with a strong focus on **growth and scalability**. It collaborates with companies in various industries, such as finance, telecommunications, and rerail, offering innovative solutions in the fields of Artificial Intelligence, Cloud Computing, Internet of Things, and Big Data to support the digital transformation of companies.

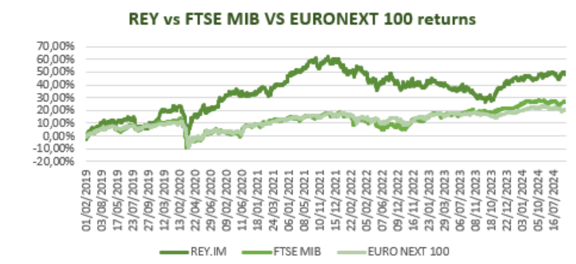
- Through our analysis using two combined valuation emtodes (**Multiples and Disocunted Cash Flow**) a target price of **€154.87** was estimated. Compared with the the share price as of 31/10/2024 is determined how the stock is undervalued **(11,08%)** relative to its true value, and from this derives our **BUY** recommendation

Recommendation:	**BUY**
Price Target FY24:	**154,87€**
Price (as of 31-Oct-2024)	**143,3€**

Reuters: 143,30€, Bloomberg: 143,30€

52-week range (€)	98.10 - 149.60
Market Cap (€m)	5.299B
Outstanding Shares (m)	37.28

Source: Bloomberg



Source: Bloomberg

(Values in € millions)	2024	2025E	2026E
Revenues	2,266.47	2480.96	2695.80
EBITDA	370.94	406.00	431.327
Net Profit	223.88	247.71	264.14
EPS	5.87	6.50	6.94
P/E	23.4	20.88	18.77

Source: Team Estimate

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1. Company Overview

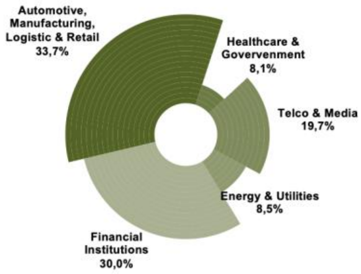


Figure 1: Company's sectors of focus.
Source: Annual Report 2023

Italy-based company engaged in the **information and communication technology sector**. Specialized in the creation and implementation of solutions based on new communication networks and digital media, Reply covers **three** areas of competence: processes, applications and Technologies in which the Company offers consultancy, system integration and application management, operating in a variety of sectors (*Figure 1*). (Reply, Company Profile 2022)

One of Reply's core business is research and development in new competencies such as Artificial Intelligence (*Figure 2 and Figure 3*), the Internet of Things (IoT), and Cloud Computing. The company is likely a significant player in **driving advancements** in these sectors, which are all projected to experience significant growth. (Reply, Company Profile 2024)

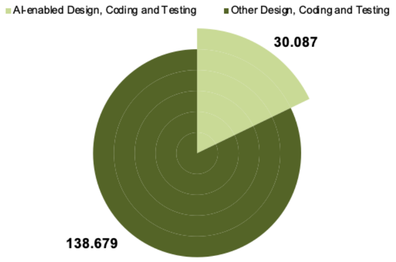


Figure 2: Investments in AI development in 2022.
Source: PAC-Reply data from Reply research "AI for software Development".

This commitment to innovation is reflected in its diversified range of services, which includes big data analytics, cybersecurity, mobile payments, and e-commerce solutions. (Top10 IT Consulting Firms 2024)

REY's platforms are designed to take full advantage of AI and emerging technologies. These solutions are notable for their fast implementation and exceptional flexibility, allowing them to meet the shifting demands of the industries they are applied to. **Axulus Reply** is the cloud-based Industrial IoT project management tool offering modular templates and libraries to help companies explore scenarios, simulate value, and implement effective technical solutions. It leverages AI models, like computer vision, to solve complex manufacturing and logistics challenges (Reply, Axulus 2024); **Brick Reply** is a digital "as a Service" platform that transforms industrial operations. Its flexible micro-services architecture supports the complete management of production activities; enhanced in 2023 with expanded machinery connectivity, ready-to-use applications, and integration with customer systems via standard APIs, it now includes conversational applications using large language models to simplify access to company-specific knowledge. (Reply, Brick Reply 2024)

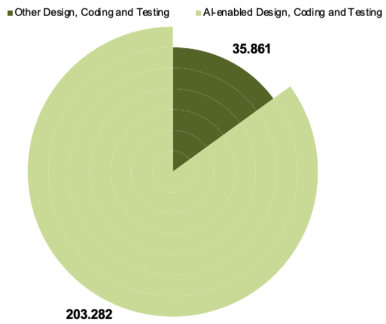


Figure 3: Expected investments in AI development 2027.
Source: PAC-Reply data from Reply research "AI for software Development".

These are just two of the **12 proprietary platforms** REY has developed to drive innovation across industries.

A key part of Reply's growth strategy is its approach to **M&A**: in November 2013 the company acquired a 76% of Mind Services Oinformatica LTDA, in December 2013 it acquired the 100% of Solidsoft Ltd. (which have brought significant market share, new expertise to the company and access to new geographic areas) and in December 2013 it completed the incorporation of Reply Deutschland AG into Reply SpA (*source: Refinitiv*).

Additionally, bulding strong **partnerships** with leading technology providers (Amazon Web Services and Microsoft among the others), further solidifies the market position. Having specialized in **Microsoft Azure** (provider of a wide range of services, tools and resources for building and managing applications through Microsoft-managed data centers across the globe), Reply can deliver solid cloud service offerings, becoming part of the trend of growth in cloud services (Reply, Microsoft Azure 2024). This move empowers the company to provide comprehensive and integrated solutions to its customers, leading higher competitive advantage by responding to industry needs and breakthroughs by customer needs. (Reply, REY Cloud Computing 2024). Additionally, by reducing reliance on any one industry or client, this diversification helps mitigate related risks and acts as a hedge against **market fluctuations**.

1.1 A company in expansion

Established in 1996 in Turin (Piedmont, Italy). Currently with a **MKT Cap of €5,700.0mn**, the business model is designed to adapt quickly and efficiently to the challenges typically faced in strategic consulting. (Screener, Reply SpA 2024)

Revenues	
2019A	1183,03
2020A	1250,32

Figure 4: Revenues.
Source: Company Filings

Reply S.p.A. operates under a traditional governance structure, which includes a **Shareholders' Meeting, a Board of Directors, a Board of Statutory Auditors, and Independent Auditors**. The Board of Directors plays a key role in setting and approving the company's strategic, operational, and financial objectives, while also managing and supervising its organizational framework. Among its members are Mario Rizzante, who serves as Chairman, and Tatiana Rizzante, the Chief Executive Officer.

Operating Income	
2019A	155,3
2020A	169,5

Figure 5: Operating Income
Source: Company Filings

COVID-19 PANDEMIC: Reply demonstrated strong financial resilience as reflected in its latest Reports. In 2020 the company achieved Revenues of **€1,250.0mn**, marking a 5.7% increase from **€1,182.0mn** in 2019 (*Figure 4*). Operating Income showed solid growth, rising to **€169.5mn** in 2020, which represents a 9.1% improvement from €155.3mn in the year before (*Figure 5*). Similarly, net income reached **€123.6mn** in 2020, reflecting an 8.5% increase compared to the **113.9mn** recorded in 2019 (*Figure 6*). (Reply, Financial Report 2020 2020) (Wire, 2023 Financial Statements 2024) (Wire, 2024 HY Report 2024) These results highlight Reply's **ability to adapt** and maintain growth even in challenging conditions.

Net Income	
2019A	113,9
2020A	123,6

Figure 6: Net Income
Source: Company Filings

The company's impressive compound annual growth rate (CAGR) over the last decade has been around 14.2%, highlighting its successful strategies in expanding services and its client base. (FinanceChart 2024)

In a highly competitive market Reply S.p.A. distinguishes itself through a **unique business model** that emphasizes specilization, synergy and innovation focused on clients.

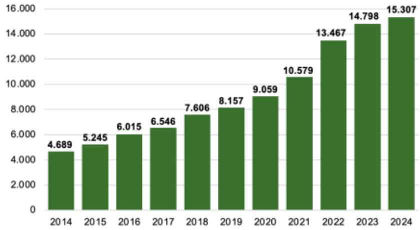


Figure 7: Employees Evolution through the years.
Source: Company Filings, Refinitiv, BBG

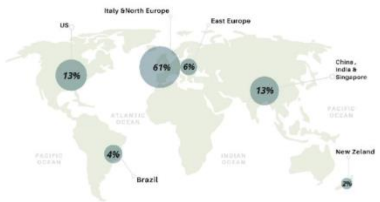


Figure 8: Reply's Companies around the world.
Source: Team estimates

The Company takes advantage against competitors through several key characteristics: each division has **its own expertise**, which enable it to quickly adapt to emerging trends and deliver customized solutions. Furthermore it has clear focus on identifying and targeting areas with a significant growth potential. Everything can rely on a skilled team based on constant learning and improving. Lastly, Reply places great importance on building and maintaining strong, lasting relationships with its clients, ensuring trust and long-term collaboration.

In recent times, REY has grown through **strategical acquisitions** that helped the company expand its services and reach new markets, while maintaining steady growth and strong profit margins: following its acquisition of "The Spur Group" (January 2022), a US-based go-to market consulting and tech firm, REY continues to expand its footprint in the US. (MarketScreener 2022) (Reply, Reply presence in US 2022)

As of November 2024, Reply employees around **15,307** professionals worldwide and is known to generate jobs. (*Figure 7 & 8*)

With a number of programs targeted at cutting CO2 emissions and energy waste, Reply is also dedicated to environmental responsibility (see the ESG chapter for more information). (Reply, Financial Reports 2023 2024)

2. Market Overview

2.1 Strategic Trends in Global IT and Digital Transformation

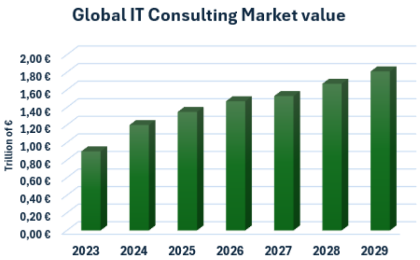


Figure 9 Global It Consulting Market Value
Source: Statista

The global IT services and digital transformation landscape, within which Reply S.p.A. operates, is experiencing a significant surge in demand. As of 2024, the IT services sector has reached an approximate valuation of **$1.2 trillion** (Leone 2024) with projections indicating growth to **$1.81 trillion by 2029** (*Figure* 9), representing a robust compound annual growth rate (CAGR) of around **8.4%.** (charts.com s.d.)

This upward trend is driven primarily by the rapid adoption of transformative technologies such as **cloud computing**, **artificial intelligence**, and enhanced **cybersecurity protocols**. Simultaneously, the broader digital transformation market is expected to experience similarly rapid growth (*Figure* 10).

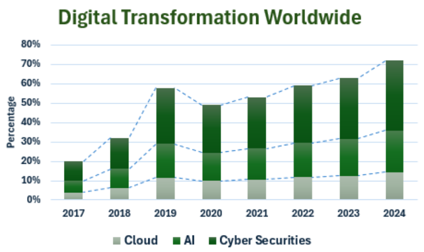


Figure 10: Percentage of Digital Transformation Worldwide
**Source Statista*

This expansion is fueled by the continued evolution of **cloud-based** infrastructure and **artificial intelligence (AI) tools**, which are redefining industries like finance, healthcare, and public sector services worldwide. (Fernandes 2024)

The IT services and digital transformation sector, in additon, has shown resilience through **economic fluctuations**, including the challenges posed by the **COVID-19 pandemic**. During times of economic disruption, companies have realized the importance of digital infrastructure to sustain operations, maintaining demand for IT services and consulting. Special attention with the mainstream adoption of **hybrid work models**, which have prompted companies to seek robust, scalable digital solutions to maintain operational efficiency and resilience

This adaptability highlights the sector's attractiveness, offering a unique combination of potentially **high profit margins** (*Figure* 11) (Gitnux 2024) and relatively **lower entry barriers**. Continuous advancements in technology provide Reply and other industry players with sustained opportunities to develop increasingly sophisticated solutions, keeping pace with evolving business needs.

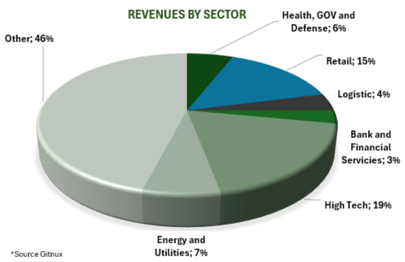


Figure 11 IT Consulting Revenues By Sectors
**Source Gitnux*

Regulatory frameworks like the **General Data Protection Regulation (GDPR)** in Europe also underscore the necessity for secure, compliant IT infrastructure, pushing firms to make strategic investments. Additionally, partnerships between leading tech firms and governments in regions such as North America, Europe, and Asia are accelerating the development of sophisticated digital capabilities. These partnerships highlight the high priority given to creating **resilient** and innovative IT solutions, ensuring organizations meet both business continuity and evolving market demands.

2.2 Sector trends and industry growth drivers

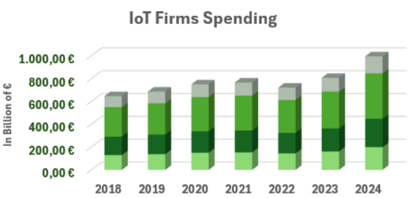


Figure 12 Iot Firms Spending annually
**Source Statista*

As mentionated in the previous pages The IT and digital transformation sectors are shaped by several **technological trends**, with cloud computing, AI, and automation among the most transformative. As digital operations become central to business strategy, cybersecurity has also emerged as a critical investment area for companies seeking to mitigate operational risks.

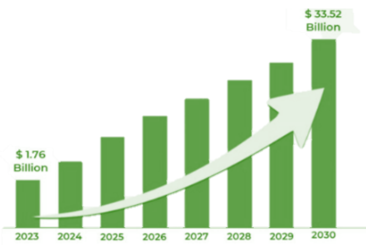


Figure 13 Global Blockchain Consulting Service Market
**Source Market Research*

The sector has seen heightened investments in technologies that streamline processes while strengthening security, underscoring the growing value placed on resilience and adaptability. Additional high-growth areas include the **Internet of Things (IoT)**, **5G networks**, **and blockchain technologies** (*Figure 12 & 13*). The convergence of IoT and 5G is particularly impactful for industrial and urban applications, as these technologies enable real-time **data processing**, facilitating efficiencies in areas like **Smart City** initiatives and **manufacturing automation**. (Fernandes 2024)

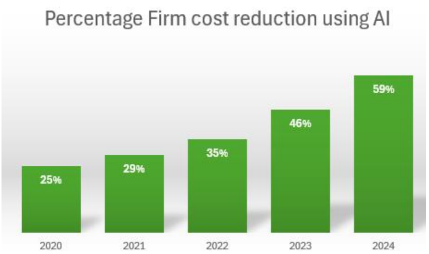


Figure 14 Enterprises reduced costs by 59 % by using AI
**Source Statista*

Collaborations between IT providers and tech giants, especially in North America and Europe, have catalyzed the development of advanced solutions to meet the demands of these expanding sectors. Moreover, technologies like **digital twins** and **simulation tools** are gaining traction, empowering companies with predictive maintenance, virtual testing, and process optimization capabilities.

These innovations **reduce costs** (*Figure 14*) and improve **product quality**, signaling the sector's response to the demand for agile, advanced, and secure digital solutions that can adapt to the evolving needs of global businesses.

2.3 Industry Growth Drivers

The overarching push for digitalization across industries has been a **primary driver** for growth in IT consulting and technology development services. In an era where most digital transformation initiatives fail due to **misaligned goals**, companies seek experienced consultants to ensure their modernization efforts succeed. Firms engaged in digital transformation consulting play a crucial role, **helping businesses** update their **IT infrastructure** and incorporate emerging technologies (Velosio 2024).

Additionally, the rise in cybersecurity threats has driven demand for protective solutions, as cyberattacks are proving costly to companies. In the U.S., for instance, nearly **24%** of firms reported financial losses ranging from $50,000 to $99,999 due to cyber incidents in 2024 alone, according to Statista. (Statista,2024)

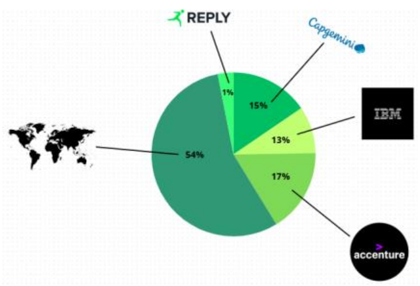


Figure 15 Market share of leading IT consulting firms in the market
******Source: Statista*

2.4 Key market players and their approaches

The IT Consulting arena is marked by the presence of industry giants such as **Accenture, Capgemini and IBM** (*Figure 15 & 16*), each offering a comprehensive portfolio of technology solutions. (Consulted 2024). This leads to an extremely competitive market where continuous investment and research and development are key to consolidating industry leadership.(*Figure 15*)

- **Accenture and Capgemini** are industry leaders in IT consulting and digital transformation. However, **Accenture** is more specialized in a wide range of services in strategy, consulting, digital, technology, and operations, while **Capgemini** is more specialized in cloud, digital, and engineering services across various industries.

Figure 16: Market Position, Focus and Growth Opportunities of Main Firms in IT Consulting Sector

- **IBM** is known for its innovation in **Cloud and AI**, however it is more specialized in *Hybrid Cloud* and cognitive computing solutions service. This differentiates it from other competitors In IT consulting, however it also plays a key role within 'this industry.

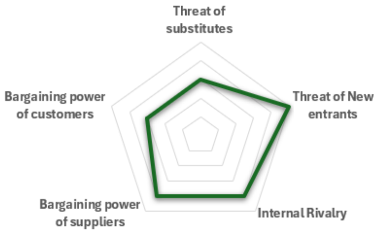


Figure 17: Porter's 5 Forces Analysis
**Team Estimates*

2.5 IT consulting: How competitive is it?

In the past five years, the IT Consulting industry has undergone exponential expansion bringing with it not only benefits but also some challenges to be faced. From **Five Forces Analysis of Porter** (*Figure 17 & 18*) one can see how highly competitive this industry is.

- **Threat of substitutes (3 out of 5)**: It is quite high as international trade is very frequent, plus companies can easily find substitutes with low production costs that can become popular and generate high profits

- **Threat of New entrants (5 out of 5):** Barriers to entry are very low and not very limiting, making it easy for new companies, even if they are not primarily in the IT Consulting business, to enter in the industry. Moreover, the business model requires minimal capital investment, making it more scalable

- **Internal Rivalry (4 out 5)**: is really high in that companies can also operate without having physical companies or located in specific countries, reducing costs and encouraging companies to increase monetary resources in order to invest in or acquire smaller companies. In addition, internal rivalry is reinforced by the development of digital technologies and a low-cost business model.

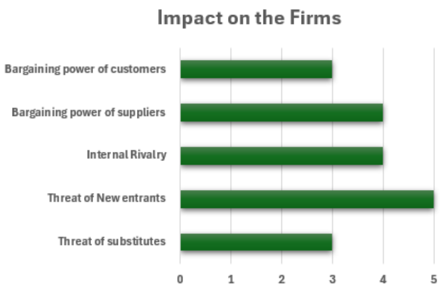


Figure 18: Impact of each factor on the Firms
**Team Estimates*

- **Bargaining power of suppliers (4 out of 5)**: Suppliers can use their bargaining power to slow exploit opportunities with counterparts. In addition, finding highly skilled employees, despite the fact that the industry is growing,is a difficult task.

- **Bargaining power of customers (3 out of 5):** is medium-high because it is a consequence of the high competitiveness of the industry: in fact, consumers have a variety of options to choose from, so IT companies are under great pressure to meet customer expectations and stay up-to- date and offer innovative products.

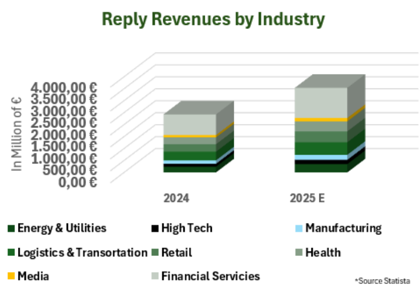


Figure 19 Revenues of Reply divided into industries
**Source Statista*

Figure 20 Reply S.P.A Top clients per Region
**Source: Annual Report Company*

Figure 21 Reply S.P.A M&A Objectives
**Source: Annual Report Company*

2.6 Reply-Specific Growth Drivers

Reply's **adaptability** and **innovative** capabilities are among its core strengths, allowing it to provide clients with high-quality, forward-thinking solutions and innovation. This emphasis on adaptability has earned Reply industry recognition, such as being listed among Germany's top medium-sized companies with innovation competence by a recent study. (*Figure* 19)

Despite the presence of established companies that have been in the industry for decades (Five Force Porter's analysis) (*Figure 16*), Reply remains competitive by offering similarly **Cutting-edge solutions** but with an added emphasis on responsiveness and adaptability to specific client needs:

- **International Expansion**: Reply has adopted a **targeted international expansion strategy**, enabling it to diversify its client portfolio and tap into growth markets globally (*Figure 18*). The company is expanding in **emerging markets** and complementary sectors, such as consulting in emerging technologies and digital transformation, where there is a rapidly growing demand for specialized IT expertise. Additionally, as part of its expansion strategy, Reply continues to **acquire local and international companies** with specific competencies or an established client base (*Figure 20 & 21*)
- **AI and Cloud Computing**: In the first half of 2024, Reply reported consolidated **revenues of €1.114 billion**. These results were achieved thanks to its established leadership in key technological transformation areas, including **artificial intelligence and cloud computing**. Crisp Research AG (Economista 2023). recognized Reply as a **leader in the IoT segment** of the IT service market, lauding the company's skill set, service quality, and prominent client references within the IoT landscape.
- **Flexible Operating Model**: Reply operates with a **Network-based model**, allowing the group to quickly adapt to market dynamics and customer needs. The company's operational foundation includes **High-speed communication** software infrastructure, **E-commerce**, and new immersive digital experiences.

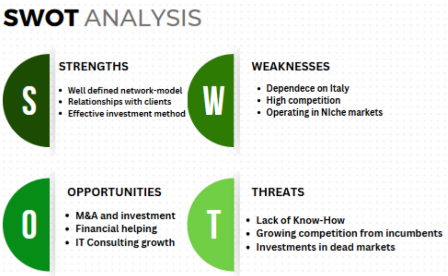


Figure 22 SWOT Analysis in details
**Source: annual Report Company*

SWOT Analysis:

The market will offer significant opportunities arising from **technological growth**, increased use of IT, and various funds and help for IT Consulting companies (example NextGeneration.EU). REY.IM is ready to take **full advantage** of these opportunities, thanks to its know-how and network model, which will enable early adoption of emerging technologies. However, operating in technological niches can bring the **risk of operating in dead markets**, and in a highly competitive market, the waste of resources and knowledge cannot be permissible (*Figure 22*)

3. Company Financial Analysis

Reply generates its revenues primarily from consulting, system integration and digital services. With its income distributed across three main regions. At present, **Region 1**, which includes Brazil, China and India, Italy, Poland and Romania, New Zealand and USA, contributes **61.81% of total revenues**. This figure represents a slight decline compared to 2021, when the region accounted for roughly 63%. The decrease is attributed to market saturation and the competitive challenges faced in mature markets within this region. (Reply, Financial Reports 2023 2024)

	2019	2020	2021	2022	2023	2024E
Region 1	67,94%	67,69%	62,80%	63,50%	62,10%	61,81%
YoY growth		-0,36%	-7,22%	1,11%	-2,21%	-0,47%
Region 2	22,93%	21,30%	19,33%	19,20%	19,90%	20,14%
YoY growth		-7,12%	-9,23%	-0,68%	3,64%	1,23%
Region 3	9,09%	11,00%	16,00%	17,30%	18,00%	18,05%
YoY growth		21,05%	45,43%	8,16%	4,05%	0,28%
IoT	0,04%	0,01%	1,87%	0,00%	0,00%	0,00%
YoY growth		-76,91%	18906,96%	-99,92%	53,94%	-100,00%
Intersegment	-1,15%	-1,53%	-1,87%	-1,93%	-1,91%	0,00%
YoY growth		33,18%	21,99%	3,39%	-1,34%	-100,00%
Total	100%	100%	100%	100%	100%	1

Figure 23: Historical Region Sales weight.
Source: Company's Filings

On the other end, **Region 3**, encompassing Singapore, France, Luxembourg, Spain, the Netherlands, the United Kingdom, Belgium, Belarus, and Hong Kong. has steadily increased its share of revenues. Its contribution has grown from 16.00% in 2021 to an expected **18.05% by 2024** and is driven by the region's presence in emerging markets and fast-developing areas, such as the Southeast Asia. Singapore, in particular, has positioned itself as a hub for innovation, especially in AI and cloud computing. Initiatives like the Smart Nation program, launched by the Singaporean government, have prioritized the integration of AI, IoT and cloud-based solutions into both public and private sectors. (Nation, SNDGG Partners with Google Cloud to Enhance AI Innovation in Singapore 2022) (Nation, Launch of the Artificial Intelligence Government Cloud Cluster 2023) These efforts have attracted significant investments from global tech leaders, including Google and Microsoft, further boositing the region's technological advancement and economic growth. (Reuters 2024)

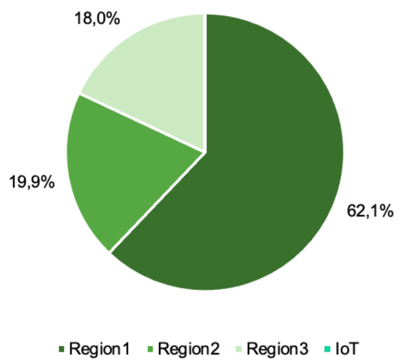


Figure 24: Revenues by Region 2022
Source: Company's Filings

Region 2 has experienced a similar growth, with its share of total revenues rising from 19.20% in 2022 to **20.14% in 2024**. This growth is largely attributed to the increasing adoption of AI Technologies within enterprise operations, with Germany playing a crucial role in driving this trend. (Reply, HY2023 Financial Report 2024)

Looking at the overall performance, Reply has consistently increased its revenues between 2020 and 2023. In 2020, the YoY growth rate was lower than

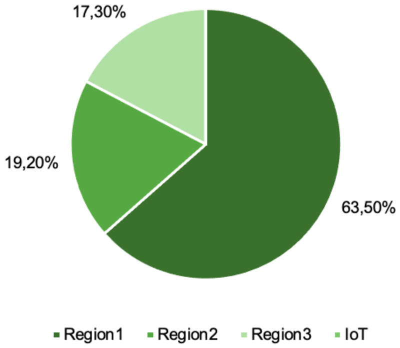


Figure 25: Revenues by Region 2023.
Source: Company's Filings

expected at 5.69%, mainly due to the challenges brought by Covid-19 pandemic. However, the demand for digital transformation services drove a significant rebound in the years that followed. In 2021 the Company achieved a growth rate of 20,94%, which further accelerated to 25.07% in 2022. The slower growth pace observed between 2022 and 2023 likely reflects the market returning to more typical demand levels after the rapid expansion experienced during the initial recovery period. (*Figure 23, 24 & 25 / Appendix 1*). (Reply, Financial highlights 2024) (DocSumo 2024)

3.1 Our future expectations

In the near term, we expect YoY revenue growth to gradually decrease, eventually stabilizing at a terminal value of 6% by 2031E. (Reply, Cloud adoption in financial services 2024)

This projection is in line with market expectation for the IT services business, which is predicted to grow at a CAGR of 8,80% between 2024 and 2028 (Statista, IT services growth 2024). Our own analysis closely matches this figure, with a calculated **CAGR of 8.83% for the period from 2024 to 2027**. (*Figure 26*) (Reply, Cloud adoption in financial services 2024) (Statista, IT Cloud services forecast 2024)

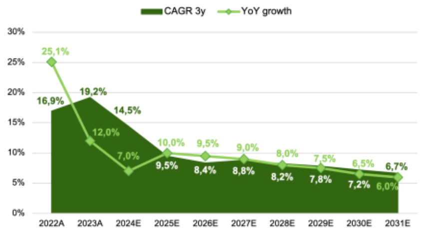


Figure 26: CAGR 3 years & YoY growth rate.
Source: Team Estimates

It is important to highlight that this growth rate represents an average and will not remain consistent throughout the period. In the initial years, particularly in 2025 and 2026, we expect higher growth driven by the rapid adoption of technology and cloud-based services. However, as the market matures and approaches 2028, growth is anticipated to gradually stabilize and begin to slow down. (Intelligence 2024)

To improve the accuracy in our revenue projections, we have combined our internal estimates alongside the average forecasts provided by other analysts who covered the company. This approach helps to minimize the risk of over-relying on a single projection, providing a more balanced perspective on expected growth. By combining multiple insights, we aim to provide a more reliable estimate, increasing confidence in our revenue growth predictions.

	2019A	2020A	2021A	2022A	2023A	2024E
Total	1183,032	1250,315	1512,076	1891,143	2118,033	2266,647
YoY growth		5,69%	20,94%	25,07%	12,00%	7,02%
CAGR 3yr				16,93%	19,21%	14,45%

	2025E	2026E	2027E	2028E	2029E	2030E	2031E
	2480,91	2695,80	2921,96	3144,858	3380,722	3600,469	3816,497
	10,00%	9,50%	9,00%	8,00%	7,50%	6,50%	6,00%
	9,47%	8,37%	8,83%	8,23%	7,84%	7,21%	6,66%

Figure 27: Historical Sales & Sales Projection.
Source: Team Estimates

The expected decline in growth rate indicates a reduction from 9.50% in 2025E to 7.5% by 2029E, reflects the natural slowdown that comes with market maturity and the challenges of managing a larger revenue base. By 2030E, the company is likely to operate in a more stable market environment, with potential signs of saturation in certain service areas. (*Figure 27*).

Additionally, a significant **shift in revenue distribution** is expected, with both Region 1 and Region 2 projected to experience YoY declines beginning in 2025E. For **Region 1**, revenues are anticipated to **fall by 1.16% annually**, a

Regional Sales Weight	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Region 1	61,09%	60,49%	60,49%	59,79%	58,99%	58,49%	58,49%
YoY growth	-1,16%	-0,98%	0,00%	-1,16%	-1,34%	-0,85%	0,00%
Region 2	19,59%	19,39%	19,39%	19,29%	19,09%	18,99%	18,99%
YoY growth	-2,73%	-1,02%	0,00%	-0,52%	-1,04%	-0,52%	0,00%
Region 3	19,32%	20,12%	20,12%	20,92%	21,92%	22,52%	22,52%
YoY growth	7,04%	4,14%	0,00%	3,98%	4,78%	2,74%	0,00%
IoT	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
YoY growth	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Figure 28: Regional Sales weight Best Case Scenario.
Source: Team estimates

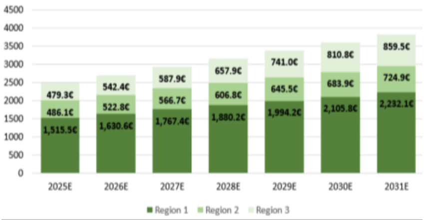


Figure 29: Revenue Best Case Scenario.
Source: Team estimates

Regional Sales Weight	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Region 1	61,95%	61,95%	61,95%	61,95%	61,95%	61,95%	61,95%
YoY growth	0,24%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Region 2	20,02%	20,02%	20,02%	20,02%	20,02%	20,02%	20,02%
YoY growth	-0,61%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Region 3	18,02%	18,02%	18,02%	18,02%	18,02%	18,02%	18,02%
YoY growth	-0,14%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
IoT	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
YoY growth	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Figure 30: Revenue Flat Case Scenario.
Source: Team estimates

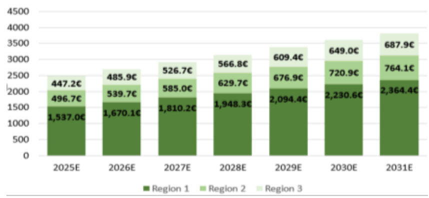


Figure 31: Revenue Flat Case Scenario.
Source: Team estimates

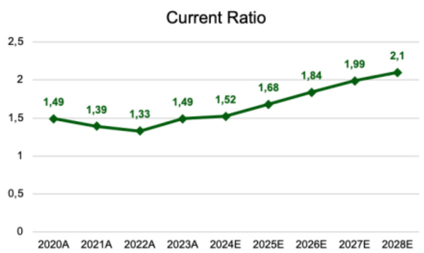


Figure 32: Current Ratios.
Source: Team estimates

result of slowed growth in mature markets and limited progress in expanding smaller emerging markets within this region. Similarly, **Region 2** is expected to see a **2.73% annual decline** in revenue for the same year, driven by short-term economic challenges and slower regulatory processes in Europe, which hold back the possibility of a rapid expansion. These patterns highlight the challenges of maintaining high growth rates in markets that are becoming increasingly mature and subject to regulatory constraints.

For **Region 3** we anticipate a growth rate of **7.04% in 2025E**, driven by the rising demand for AI and digital transformation solutions across Asia. Although growth is expected to stabilize in the years that follow as the market matures, it will continue at a steady and healthy pace, supported by ongoing digitalization initiatives. Looking ahead, we project that the company's growth rate will gradually level out, reaching a consistent 6.00% by 2031E. This rate aligns with our estimates for the Terminal Value growth rate, reflecting a mature market position and the company's ability to sustain moderate growth through continous innovation and strategic business expansion. (*Figure 28 & 29 & Appendix 2*)

In terms of regional distribution, we developed two possible scenarios for our forecast, based on the company's segmentation: 1) in the **Best Case Scenario** (*Figure 28 & 29*): REY successfully achieves its strategic goal of reducing the revenue contribution from Region 1, shfting towards a larger share in Region 3. This scenario assumes that Reply prioritizes growth in Asia, leveraging the strong demand for for AI and digital transformation solutions, which would result in a more balanced and diversified revenue mix across regions. 2) in the **Flat Case Scenario** (*Figure 30 & 31 / Appendix 3*): REY maintains a relatively stable regional sales distribution, with minimal variations in contribution from each region. In this case the company focuses more on overall revenue growth rather than altering the regional mix. (University 2024)

3.2 Financial Health

A review of REY's Liquidity and debt structure is essential to assess the financial challenges that the company faces. One of the key metrics is short-term liquidity, which measures Reply's ability to meet its immediate financial obligations. The company's ***Current Ratio*** (*Figure 32*), an indicator of the ability to cover short-term debts with current assets, has consistently remained above 1.3 and is **projected to rise to 2.10 by 2028E**. This upward trend demonstrates the company's strong financial position in managing short-term financing.
The improvement in liquidity is supported by revenue growth and a gradual reduction in the ***Cash Conversion Cycle*** (*Figure 33*). The CCC, which was above 112 days in 2019A, decreased to 96 in 2023A and is expected to stabilize

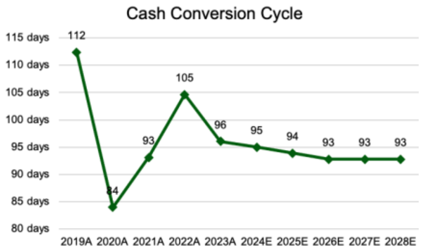


Figure 33: Cash Conversion Cycle.
Source: Team estimates

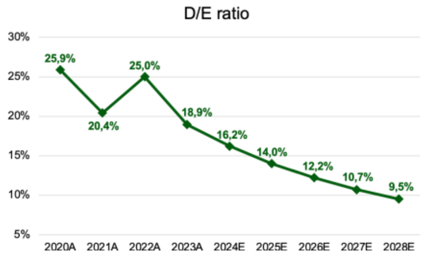


Figure 34: D/E ratio.
Source: Team estimates

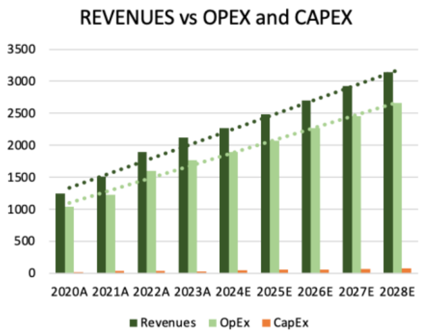


Figure 35: Revenues vs OpEx analysis.
Source: Team estimates

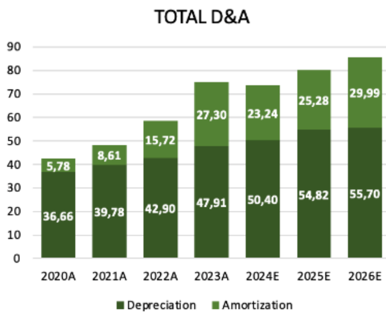


Figure 36: TOTAL D&A.
Source: Team estimates

further, **reaching 92.76 in 2026E**. This steady reduction indicates that Reply has achieved a balanced Working Capital cycle, efficiently handling its inventory, receivables and payables. Such stability highlights the company's ability to maintain financial efficiency and reduce operational risks.

In recent years, Reply has successfully kept its long-term debt at relatively low levels. By maintaining a cautious approach to borrowing, the company has achieved a **D/E ratio** (*Figure 34*) that reflects its commitment to prudent financial management. This conservative use of leverage reduces financial risks and limits interest expenses, protecting both profitability and shareholder value.

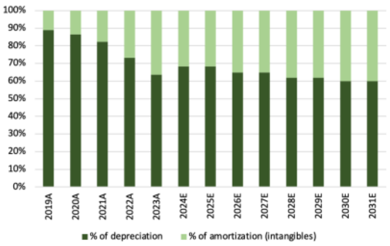
The combination of strong liquidity ratios and low debt demonstrates the company's solid financial Foundation. With steady revenue generation and careful debt control, Reply is well-equipped to handle potential economic fluctuations. This stability allows the company to seize growth opportunities while maintaining the competitive edge in the technology consulting industry. Overall, the financial performance over the past four years reflects a well-balanced strategy for managing both cash and debt. Strong liquidity and growing cash reserves, alongside minimal debt levels, underline its focus on maintaining financial stability and flexibility. This deliberate approach ensures the company's readiness to adapt to market changes and support its long-term growth objectives.

3.3 Cost and Capital Driver analysis

In 2023A, CapEx amounted for €29.265mn, representing a relatively small portion of Reply's overall expenses. The majority of expenditures came from **OpEx**, which **amounted for €1,764.403mn**, with SG&A costs accounting for the largest share at €1,758.98mn (*Figure 35*), the figure significantly exceeding the company's spending on COGS, which stood at €29.363mn for the same year. The reason for this disparity lies in Reply's business model, which heavily emphasizes personnel-related costs, such as like salaries and training. Skilled and experienced employees are essential to delivering high-quality services to clientes, making these investments a priority.

Additionally, **in 2023A, D&A reached €75.206mn** (*Figure 36*), reflecting an increase in amortization over recent years. This figure grew from 17.79% in 2021A to 36.3% in 2023A, aligning with Reply's growing investments in intangible assets. These investments reflect the company's strategic focus on advanced technologies, which form a critical part of its long-term growth strategy.

Our future expectations



	2020A	2021A	2022A	2023A
Total D&A	42,44	48,39	58,61	75,21
Depreciation	36,66	39,78	42,90	47,91
Amortization	5,78	8,61	15,72	27,30
% D&A on Sales	3,39%	3,20%	3,10%	3,55%

	2025E	2026E	2027E	2028E
Total D&A	80,10	85,69	92,00	98,07
Depreciation	54,82	55,70	59,80	60,81
Amortization	25,28	29,99	32,20	37,27
% D&A on Sales	3,23%	3,18%	3,15%	3,12%

Figure 37: Composition of D&A (projections).
Source: Team estimates

We predict that the percentage of D&A relative to revenues will decline in the future, influenced by several key factors. First, as Reply’s assets mature (particularly those tied to initial investments in AI and cloud technologies) D&A will decrease (these assets become fully capitalized and begin to age). Second, the company’s shift toward a business model focused on SaaS and cloud services will reduce capitalized development costs associated with depreciation and move more spending into operational expenses, such as software licenses and cloud storage, which are expensed directly. Additionally, the decreasing need for physical infrastructure, driven by the adoption of cloud computing, will lower CapEx for physical servers and hardware.

By 2030E, we anticipate the composition of D&A to evolve from 82.21% depreciation and 17.79% amortization in 2021A to approximately **60% depreciation and 40% amortization**. This change reflects a growing emphasis on intangible assets, such as software and platform development, which aligns with Reply’s focus on AI and cloud-based solutions. The shift is also supported by rising labor costs and increasing automation demand, prompting companies to heavily invest in these Technologies. *(Figure 37)*

CapEx is expected to follow an upward trajectory over the coming years, driven by both Reply’s strategic priorities and broader macroeconomic trends. Global inflationary pressures have pushed businesses to adopt cost-saving technologies, which has resulted in higher CapEx allocations for digital investments. These investments, particularly in software and cloud services, will further boost the amortization component of Reply’s D&A, as the focus shifts toward intangible assets like patents and software development rather than physical infrastructure. The rise of SaaS models is a key driver, as these solutions typically lead to increased amortization due to investments in software and digital platforms. The **IT services industry is projected to grow at an annual rate of over 9% through 2025**, fueled by the widespread adoption of cloud computing and AI technologies, according to analysts from CapitalIQ and Statista. As this market grows, competition is intensifying, prompting companies like Reply to accelerate their CapEx on R&D for software and AI solutions. Over the long term, we **expect Reply to maintain a steady CapEx-to-sales ratio of 2% to 2.5%**, with occasional increases driven by the need to support innovation, expand operations, and invest in emerging technologies. *(Figure 38)*

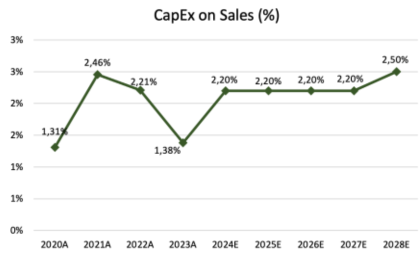


Figure 38: CapEx on Sales (%).
Source: Team estimates

3.4 Margins and Profitability

EBITDA Margin short-term expectations

Short-term projections suggest a slight decline in Reply’s EBITDA margin over the forecast period, decreasing from 16.3% in 2024 to 15.5% by 2028. This

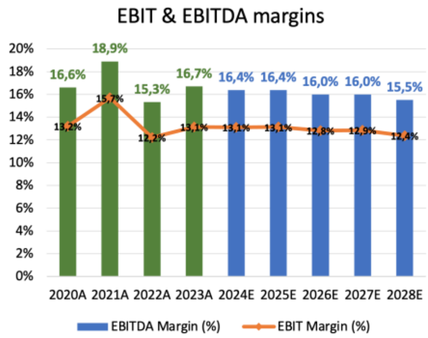


Figure 39: EBIT & EBITDA Margins evolution in time
Source: Team estimates

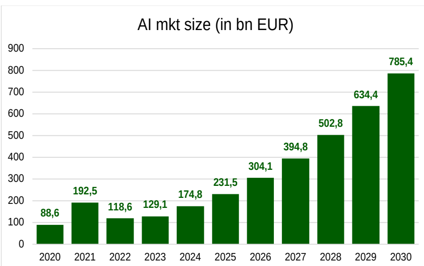


Figure 40: AI mkt size worldwide from 2020 to 2030.
Source: Statista

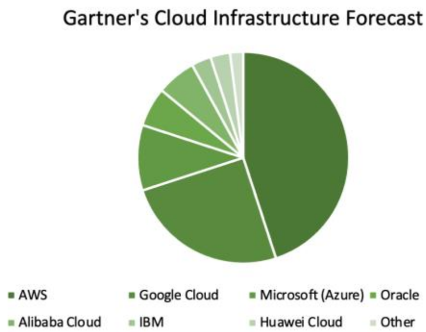


Figure 41: Cloud Infrastructure Forecast by 2026
Source: Gartner

reflects the impact of ongoing challenges shaped by industry trends and market conditions. Between 2024 and 2027, the EBITDA margin is expected to remain relatively stable, ranging from 16.3% to 16%. This stability is largely supported by Reply’s continued investment in emerging technologies and its strong presence in the European IT services market (*Source: CapitalIQ and Refinitiv*).

EBITDA Margin long-term expectations

From 2028 onward, we anticipate a gradual decline in margins, moving from 15.5% to 15% by 2031. This projection reflects several factors that are likely to put pressure on profitability. These include rising operating costs, intensifying competition within the market, and the growing commoditization of digital services, all of which are expected to contribute to this downward trend. *(Figure 39)* Going into details:

- **Wage Inflation and Talent Shortages** are impacting the tech sector with an annual salary increase of 3-5% (in EU tech salaries grew 5-10% in 2023 due to high demand for skilled workers). The demand is stronger in AI roles, where job postings have jumped 74% YoY (*Source: World Economic Forum*). To attract and keep talents Reply must offer competitive pay, which adds operational costs. (World Economic Forum 2023) (WTWCO 2024) (*Figure 40*)
- **Commoditization of Digital Services**: basic digital services are becoming more standardized, leading to price pressures. We expect contract values for these services to decrease by 1-2% each year, as clients seek lower prices for standard solutions. Reply’s pricing power may weaken in the face of aggressive competition, especially from major players like Accenture, who offer similar solutions at competitive rates. According to Gartner, by 2026, 80% of the cloud infrastructure market will be dominated by a few large providers, such as AWS and Google, creating further pricing pressures for smaller players like Reply. (CRN 2024) (*Figure 41*)
- **Expansion Costs and Scaling Challenges**: Reply’s willingness to focus on expanding the business into competitive markets (like North America and Asia) will probably introduce scaling costs. Operating in North America means competing with established players such as IBM and Capgemini. This requires significant upfront spending on fees, marketing and compliance. Analyzing past cases, such as Capgemini’s 2% EBITDA margin decline during its North American expansion, suggested us to anticipate similar challenges for Reply, that may be

facing a 1-2% increase in annual operational costs. (Capgemini Revenues 2023 2023)

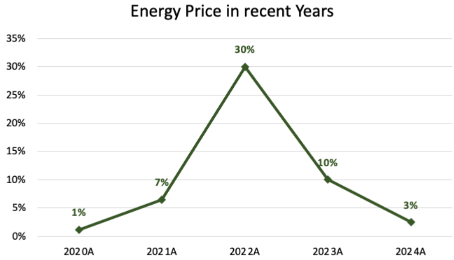


Figure 42: Energy Prices in recent Years
Source: Eurostat

- **Rising Energy and Infrastructure Costs**: Energy costs in the EU are expected to increase by 2-3% annually, which could add to Reply's expenses due to its reliance on data centers for cloud services. (EuroStat 2023) In 2022, EU energy prices increased by 30-40% due to natural gas shortages. Larger players like Google and Amazon can offset some of these costs through renewable energy investments, but Reply may not have the same capacity to do so, which could impact its operational expenses directly. (AboutAmazon 2022) (World 2024) (*Figure 42*)

- **Regulatory and Compliance Costs**: Growing regulatory demands, particularly around data privacy and cybersecurity, will lead to annual increases in compliance costs of 1-2%. EU's GDPR, as well as similar regulations globally, require sustained investments to ensure data security. For example, the introduction of GDPR in 2018 imposed nearly €7,800.0mn in compliance costs for EU businesses. (CPO 2017) Reply will likely face increased compliance costs as regulations continue to tighten. (*Figure 43*)

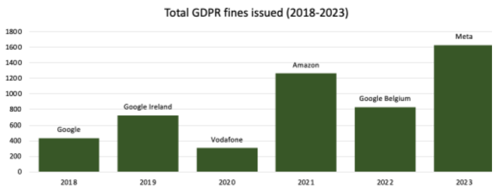


Figure 43: GDPR fines and some of the companies fined.

Total GDPR fines issued (2018-2023)

- **Long-Term R&D and Innovation Investments**: To stay competitive, Reply must continue to invest in R&D, with expenses potentially increasing by 2-3% of revenue annually. Reply's focus on emerging technologies such as AI, machine learning, and blockchain is critical for future growth but requires sustained R&D efforts that may affect short-term profitability. Larger tech firms like Salesforce and Microsoft allocate over 10% of their revenue to R&D to maintain a competitive edge. Similar strategic investments in innovation for a smaller company as Reply will be necessary to stay ahead, especially in the fast-evolving fields of AI and blockchain. (Statista, R&D Expenditure Salesforce 2024) (Macrotrends 2024)

Gradual decline in EBITDA Margin from 16.3% in 2024 to 15% in 2031 can be explained by these credible assumptions, the combination of rising operational costs, regulatory pressures, wage inflation and increased competition in an increasingly commoditized market environment, justifies the conservative approach. *(Figure 39)*

Net Profit Margin (%):

The slight increase in Reply's margin between 2023 and 2024, followed by relatively stable projections through 2028, likely reflects ongoing external economic pressures. **Rising costs and a potential slowdown in demand growth, as the market matures**, are factors weighting on profit margins. Nonetheless, the consistent focus on reinvestment, as seen in the annual reports and press releases of the company, demonstrate its commitment to innovation and maintaining a competitive service offering, which should contribute to long-term margin stability. *(Figure 44 & 45)*

	2020A	2021A	2022A	2023A
Net Profit Margin (%)	9,90%	11,83%	10,10%	8,82

2024E	2025E	2026E	2027E	2028E
9,66%	9,77%	9,60%	9,71%	9,36%

Figure 44: Net Profit Margin evolution
Source: Team estimates

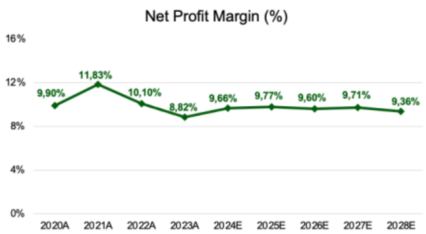


Figure 45: Net Profit Margin evolution
Source: Team estimates

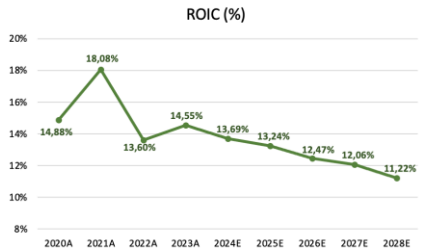
A significant factor impacting Reply's Net Profit Margin is the **tax rate**, which we've forecasted by blending insights from Reply's 2023 Annual Report, Refinitiv estimate and CapitalIQ estimate. This approach balances general market insights with specific company information to create a well-rounded estimate. Our choice of a rate of 30.40% is based on several foundational assumptions that incorporate historical trends, sector dynamics, and forward-looking projections.

This tax rate aligns closely with Italy's corporate tax norms and specific adjustments related to its international footprint. The company operates across multiple countries, including Germany (where tax obligations are elevated by regional trade taxes, which further justifies our use of a blended approach that considers both local and international tax rates), the UK, and the USA, each with distinct tax structures. Italy itself imposes a corporate tax rate of 24% (IRES) (Entrate 2023) plus an additional regional tax (IRAP), which further raises the effective tax burden. (PWC 2024) By averaging tax data from Refinitiv (which offers a broad market-based overview) and CapitalIQ (which provides company-specific insights), we capture the complexity of Reply's cross-border tax liabilities, including potential shifts in U.S. tax policy following the upcoming elections (impacting multinational corporations operating across various jurisdictions). The **resulting rate of 30.40%** represents a prudent average of these sources. Additionally, we considered that Reply operates in the digital services sector, a field increasingly targeted to targeted and specific taxation. Policies such as the Digital Services Taxes in certain European countries aim to tax revenue generated from digital services, which are core to Reply's offerings in consulting, integration, and digital solutions. We acknowledged this reality, preparing for potential upward pressure on tax rates in response to digital economy-specific policies, which are likely to expand over time. Overall, the 30.40% tax rate reflects a judicious assumption based on historical data, international exposure, industry dynamics, and market expectations. This approach not only prepares for potential fiscal challenges, but also smooths out one-off financial impacts, establishing a solid, balanced foundation for Reply's Net Profit Margin forecast. (Alvarez&Marsal 2023)

	2020A	2021A	2022A	2023A
ROIC (%)	14,88%	18,08%	13,60%	14,55%

2024E	2025E	2026E	2027E	2028E
13,69%	13,24%	12,47%	12,06%	11,22%

Figure 46. ROIC Estimates.
Source: Team estimates



. **Figure 47**. ROIC development over time.
Source: Team estimates

	2020A	2021A	2022A	2023A
ROE (%)	18,30%	21,93%	19,65%	16,72%

2024E	2025E	2026E	2027E	2028E
16,84%	16,15%	15,06%	14,51%	13,35%

Figure 48. ROE Estimates.
Source: Team estimates

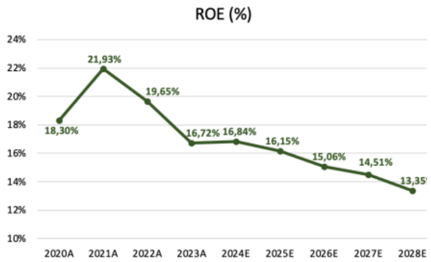


Figure 49. ROE Estimates.
Source: Team estimates

Return on Invested Capital (ROIC):

Reply's ROIC is projected to follow a stable downward trend over the forecast period, starting at 14.88% and **dropping to 11.22%** by the end of it *(Figure 46 & 47)*. This reflects broader trends in the tech consulting sector and Reply's positioning within it. Initially the ROIC has a strong peak of 18.08%, in the early years; this aligns with the high demand for digital transformation services post-pandemic. During this phase, heavily investments in areas like cloud migration, cybersecurity, and AI, allowed Reply to capture significant value.

As the forecast advances, ROIC is expected to gradually decline to 11.22%. This reduction can be attributed to factos such as increased competition in a maturing digital consulting market, which has led to higher pricing competition and new players entering. (AlphaSpread 2024)

Toward the later stages, ROIC is expected to stabilize within the 11–12% range, aligning with the average for mid-sized European tech consulting firms. Although lower than the peak seen during its high-growth years, this level **remains above Reply's WACC (7.49%)**. This suggests that the company will keep the value creation trend, even with reduced profit margins, by maintaining an optimal approach in balancing scale and service offerings.

In the long term, Reply's acquisition strategy, aimed at expanding its international footprint and improving technical expertise, is expected to stabilize ROIC. As acquired assets are fully integrated, they are likely to contribute to steady revenue growth and support core operations. This suggests the company's successful move to a mature growth phase, marking a solid position in digital transformation services. The company's focus on subscription-based and managed service offerings is expected to further support without requiring extensive additional capital, positively influencing long-term ROIC stability. *(Figure 48 & 49)*

Overall, Reply's profitability ratios show **strong initial performance, followed by a gradual stabilization in certain metrics**. During the early growth phases, the company demonstrated high margins and impressive returns; recent trends indicate normal cost pressures and evolving competitiveness within the industry, which are typical for companies entering a more mature phase. Although slight declines in both ROE *(Figure 34 & 35)* and ROIC *(Figure 32 & 33) have been observed*, these trends presents an opportunity for Reply to improve capital efficiency and further solidify its market position. With a few strategic optimizations, Reply is well-positioned to continue generating value for shareholders and remain competitive in an increasingly competitive landscape.

4. Cash Flows & Financial Forecasts

	2020A	2021A	2022A	2023A
FCF excl. Acquisitions	152,48	47,43	-49,98	209,10

2024E	2025E	2026E	2027E	2028E
321,30	285,75	290,50	320,53	349,78

Figure 50. FCF excluding acquisitions Estimates.
Source: Team estimates

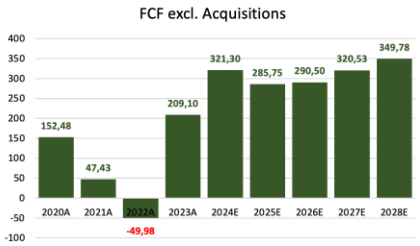


Figure 51. FCF excluding acquisitions Estimates.
Source: Team estimates

	2019A	2020A	2021A	2022A	2023A	2024E
Total	1183,032	1250,315	1512,076	1891,143	2118,033	2266,647
YoY growth		5,69%	20,94%	25,07%	12,00%	7,02%
CAGR 3yr				16,93%	19,21%	14,45%

2025E	2026E	2027E	2028E	2029E	2030E	2031E
2480,91	2695,80	2921,96	3144,858	3380,722	3600,469	3816,497
10,00%	9,50%	9,00%	8,00%	7,50%	6,50%	6,00%
9,47%	8,37%	8,83%	8,23%	7,84%	7,21%	6,66%

Figure 52: Historical Sales & Sales Projection.
Source: Team Estimates

To support growth in FCF excluding acquisitions for Reply S.p.A., which is projected to increase from €321.30mn in 2024 to €349.78mn by 2028 *(Figure 50 & 51)*, we based our assumptions on the company's past performance, strategic goals, and industry's outlook. Reply's revenue growth provides a solid foundation for FCF projections.

Historically, the company has shown strong revenue gains, with an increase of 25.07% from €1,512.08mn in 2021 to €1,891.14mn in 2022 *(Figure 52)*. This positive trend is expected to continue, fueled by Reply's comprehensive digital transformation services, which are well-positioned to meet the growing demand for digital solutions. The company's strengths in cloud computing, cybersecurity, and AI enable it to respond effectively to changing client needs, supporting steady revenue growth that directly boosts cash flow.

As the company grows, economies of scale are expected to increase profitability and cash flow. This focus on refining operations strengthens Reply's ability to consistently generate cash while pursuing growth and diversification.

Reply's careful approach to debt also benefits its cash flow outlook. With a Net Financial Position of €205.13mn in 2023, Reply has a minimal dependence on external debt, allowing the company to prioritize organic growth and make selective acquisitions without borrowing. This financial stability supports Reply's long-term growth strategy and reduces debt-related cash flow pressures, allowing more funds for reinvestment and shareholders return.

The digital transformation trend provides a strong foundation for Reply's FCF growth. As businesses continue to embrace digitalization, demand for Reply's services remains high, creating a positive environment for revenue and cash flow growth, allowing Reply to broaden its offerings and reach more clients, helping it tap into new revenue streams and strengthen FCF over time.

Effective working capital management further supports Reply's cash flow. By optimizing receivables, payables, and inventory, Reply maintains a healthy cash conversion cycle, directly improving cash flow. Stable working capital ratios allow Reply to keep the liquidity needed for operations without requiring additional financing, reinforcing its financial stability.

Together, these factors support Reply's potential for sustainable FCF growth excluding acquisitions. This outlook reflects Reply's strategic foresight and ability to adapt in a fast-changing industry, underscoring its capacity for ongoing cash generation and financial strength.

NFP

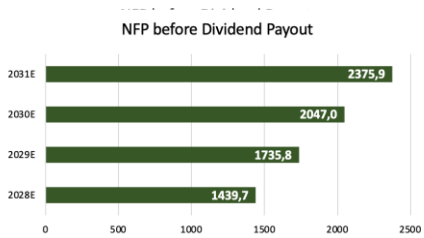


Figure 53. NFP before Dividend Payout
Source: Team estimates

While Reply's cash reserve is justified in the near term to: **support growth initiatives** (R&D, innovation and M&A) and act as a **buffer for economic uncertainties** (recession risks or rising interest rates); the cash surplus in the later years (2028–2031) far exceeds these requirements, creating an opportunity to return value to shareholders while maintaining financial flexibility (high cash reserves, if not properly allocated, can create inefficiencies and fail to maximize shareholder returns). (*Figure 53*)

Industry leaders (Microsoft, Amazon, and Capgemini) have shown similar cash accumulation, strategy used to fuel acquisitions and innovation. As these companies mature, they have implemented structured Payout Policies to maintain optimal cash reserve balance and shareholder distributions. A similar approach for Reply allows it to remain competitive while rewarding investors. A real life example is Capgemini, which increased the dividend payout ratio, once it reached a sustainable cash position during its North American expansion phase. (WallStreetJournal 2024)

Our expected Payout Policy assumes a **dividend payout** of:

- €250mn for 2028 and 2029 (each year).
- €500mn annually for 2030 and 2031 (each year).

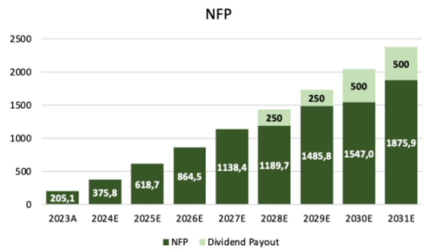


Figure 54. NFP after Dividend Payout
Source: Team estimates

Even after the dividend payments, Reply will retain substantial liquidity to fund organic growth, R&D, and any strategic acquisitions, ensuring the company's long-term resilience and agility. We consider Reply fully capable of implementing the proposed Payout Policy without jeopardizing its financial health or growth prospects. (*Figure 54*) This policy effectively balances the following objectives:

- **Optimizing capital structure** by reducing unnecessary cash accumulation.
- **Enhancing shareholder value** through sustainable dividend distributions.
- **Maintaining flexibility** to invest in innovation, M&A, and economic contingencies.

By aligning with industry best practices and leveraging its strong cash generation capacity, Reply can confidently implement a structured Payout Policy while continuing to deliver long-term growth and stability.

Working Capital Management

WC Management	
DOI	8,1
DSO	127,4
DPO	40,6

Figure 55. WC estimates for 2024.
Source: Team estimates

To understand the projected stability and improvement in Reply S.p.A.'s Net Financial Position, it is essential to examine the company's approach to working capital management. Insights drawn from financial reports, press releases and industry data reveal that key metrics such as Days Sales Outstanding (DSO), Days Inventory Outstanding (DOI), and Days Payables Outstanding (DPO) are expected to remain stable, underscoring Reply's robust financial strategy and operational resilience. (*Figure 55*)

A central aspect of Reply's working capital management is its **disciplined approach to receivables**, evident in its steady Days Sales Outstanding (**DSO**), projected around **127 days**. This consistency reflects Reply's strong relationships with its clients, particularly in recurring and long-term contracts, which allow the company to set and enforce clear payment terms. In the digital consulting and technology services industry, extended billing cycles are common, but Reply's ability to maintain a stable DSO highlights its efficiency in collections. By ensuring

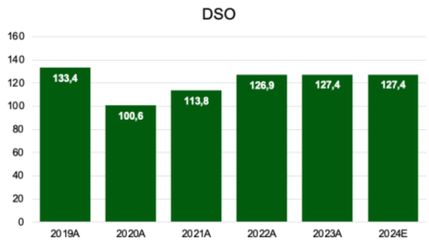


Figure 56. DSO projections.
Source: Team estimates

timely payment from clients, Reply maintains maintains a predictable cash inflow that supports overall financial health. (*Figure 56*)

Another contributing factor to Reply's working capital efficiency is its minimal need on physical inventory. As a company focused on services and digital assets rather than physical products, Reply operates with a low Days Inventory Outstanding (**DOI**), projected at around **8 days**. This model reflects the limited exposure to inventory-related costs typical in the digital services sector. Reply's emphasis on consulting and digital transformation services allows it to keep DOI low, aligning with industry standards and ensuring operational efficiency with minimal inventory management needs. (*Figure 57*) (Intuendi 2024)

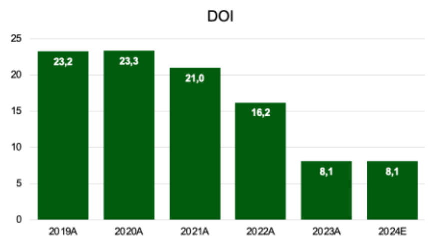


Figure 57. DOI projections.
Source: Team estimates

Reply also demonstrates stability in managing its payables. Stable Days Payables Outstanding (**DPO**), projected at **39.5 days**, further illustrates Reply's balanced approach to cash management. With strong relationships with suppliers and service providers, Reply optimizes its payment terms to support liquidity without compromising its reputation or creditworthiness. The consistent DPO reflects disciplined practices, where Reply efficiently leverages its payables cycle to support cash flow while maintaining timely supplier payments. By strategically managing its payables, Reply enhances its working capital cycle, supporting liquidity and operational continuity. (*Figure 58*) (HasMicro 2024)

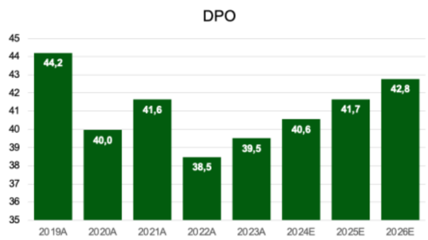


Figure 58. DPO projections.
Source: Team estimates

The strategic alignment and balance of Reply's DSO, DOI, and DPO supports day-to-day activities and growth initiatives, reducing reliance on external financing. By effectively managing working capital, Reply generates positive cash flows that can be reinvested in strategic areas, further strengthening its Net Financial Position. This approach minimizes the company's dependence on debt and highlights its focus on financial stability.

Industry conditions also play a role in Reply's favorable working capital position. The growing demand for digital transformation, cloud solutions, and AI creates a reliable revenue base, ensuring consistent cash inflows. In the tech industry, where these services are often prioritized, client payment behavior remains favorable, contributing to Reply's steady DSO and reinforcing a healthy cash conversion cycle.

In conclusion, Reply's stability in working capital management, characterized by consistent DSO, low DOI, and predictable DPO, is the result of disciplined financial practices, strong relationship with clientes and vendor, and an eficiente operational model. Supported by stable industry demand and technological advancements, Reply's effective working capital management strengthens its liquidity, reduces reliance on external financing, and facilitates reinvestment in growth opportunities. This strategy reinforces Reply's Net Financial Position, aligning with its long-term goal of financial resilience and sustainable growth in the fast-evolving digital services landscape.

5. Valuation

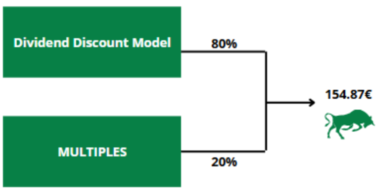


Figure 59: Reply's Target price is 154.87€
**Source: Team Estimates*

Our **BUY** recommendation for Reply S.p.A. has been based on **two valuation methods** weighed differently: **a 5-year forecast Discounted Cash Flow** (Appendix 7) model and a **Multiples analysis**. The target price we obtained for Reply's shares is **€154.87** (Figure 59), with an expected total return **11.08%: 10.38%** from stock capital gain and an additional **0.7%** given by the dividend yield.

We decided to weigh the two methods differently (**80%** weight to the DCF method and **20%** to the multiples analysis) because this choice reflects our view that the DCF model is not only more precise but also better aligned with Reply's structure and operations: the DCF method considers projected cash flows, discounting them to reflect the company's long-term growth prospects; this allows for an examination of specific factors, such as **revenue growth, operating margin, reinvestment rate, and Cost of Capital**

Figure 60: Reply's Revenues
** Source Team estimate*

5.1 *Discounted Cash Flow Model*

We applied a **5-year DCF** to obtain a realistic snapshot of the company, avoiding the uncertainties tied to overly extended forecasts. However, within our analysis, we also created a **15-year scenario to project Reply's** and the industry's long-term growth. In addition, we conducted further scenario analyses, including a **Best-case** and **Worst-case** scenario for the DCF.(Appendix 8-9)

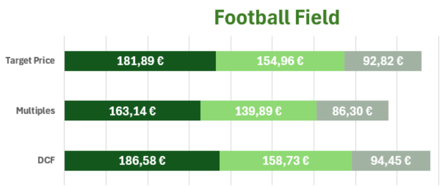


Fig. Football Field
** Source Team estimate*

As mentioned before, our model centers on **Revenue growth** (*Figure 60*), considering the steady expansion of the IT and consulting markets, as well as the growing interest in cloud computing and AI integration. We estimate revenue growth of **9%** for the first four years, followed by a steady growth rate of **8%**, leading to an average **CAGR of 8.21%,** well above the market average of 4.4%. For the tax rate, we used the figure reported in **Reply's financial statements** (30.4%), given its operations across regions with varying tax regimes. (*Figure 61*)

WACC COMPONENT	
Risk-free rate	2,47%
Beta Industry	1,09
Reply's Beta	1,18
Equity Risk Premium	4,60%
CRP Weighted	1,78%
D/E	16,00%
Tax Rate	30,40%
Cost of Debt	3,28%
Cost of Equity	10,00%
WACC	7,36%

Figure 61: Wacc Component
**Source team estimate*

For the perpetual growth rate, we assumed a rate of **2.5%,** slightly higher than the 2% used in the company's financials. This higher perpetual growth is justified as Reply operates in **highly innovative sectors** with a big growth potential. In addition Reply is **strategically positioned** within its apartenence market and this can help it unearth new opportunities that will enable its fast and **sustainable growth.**

- Long-term DCF: almost the same assumptions were applied in our **15-year DCF scenario**, which reaffirms our **BUY** recommendation. As shown in (Appendix 10), by 2038, Reply is expected to have a consolidated, **mature market position** due to its strategic investments and decisions, making it a market leader. Consequently, the stock is projected to reach **€220.66** per share, yielding an expected 15-year return of **57.28%.** (Appendix 10)

5.2 Discount rate

The discounted rate used is the **weighted average cost of capital** of 7.46%. It is composed with the following main componentes (Figure 61 & Appendix 11):

Cost of Debt	
Risk-Free rate	Avg 5Y Italian 10y GOV Bond
Tax Rate	As in Reply's financial
Rd	At the Net of the taxes
Total	4.65%

Figure 62 Components of Cost of Debt
**Source team estimate*

- **Cost of debt**: We selected the **5-year average yield on Italian 10-year government bonds** as risk free rate[1] (economics 2024) and use as **Cost of Debt** Reply's Historical cost of debt **(4.65%)** and the tax rate (**30.40%**) used by Reply's in the financials. Greater focus we would like to give it on the risk free rate used:we preferred to use an average (**2.47%**) rather than the latest available rate because using the average allows both to **reduce volatility** and to obtain a value that is more **stable** and representative of the Cost of Debt. In addition, the choice of 10-year Italian government bonds fell on the grounds that Reply's operational majority is still **located in Italy. (***Figure 62)*

Companies by Country			
Country	Number of Companies HQ	Region	% over total
Beijing	1	2	0,56%
Belarus	1	3	0,56%
Belgium	5	3	2,82%
Brazil	2	1	1,13%
China	2	1	1,13%
Croatia	1	2	0,56%
France	2	3	1,13%
Germany	44	2	24,86%
Hong Kong	1	3	0,56%
India	1	1	0,56%
Italy	55	1	31,07%
Luxembourg	2	3	1,13%
Netherland	2	3	1,13%
Norway	2	2	1,13%
New Zealand	1	1	0,56%
Poland	1	1	0,56%
Romania	1	1	0,56%
Singapore	1	3	0,56%
Spain	1	3	0,56%
Switzerland	4	2	2,26%
United Kingdom	36	3	20,34%
United States	11	1	6,21%
Tot.	**177**		**100,00%**

Figure 63. Number of Reply's companies per Region
**Source team estimate*

Country	Country weight	CRP	Weighted CRP
Brazil	2,70%	4,40%	
China	2,70%	1,03%	
India	1,35%	3,21%	
Italy	74,32%	3,21%	
New Zealand	1,35%	0,00%	
Poland	1,35%	1,24%	
Romania	1,35%	3,21%	
USA	14,86%	2,78%	
Tot.	100,0%		3,05%
Beijing	1,92%	9,51%	
Croatia	1,92%	2,78%	
Germany	84,62%	0,00%	
Norway	3,85%	0,00%	
Switzerland	7,69%	0,00%	
Tot.	100,00%		0,24%
Belarus	1,96%	23,49%	
Belgium	9,80%	0,88%	
France	3,92%	0,72%	
Hong Kong	1,96%	0,88%	
Luxembourg	3,92%	0,00%	
Netherland	3,92%	6,58%	
Singapore	1,96%	0,00%	
Spain	1,96%	2,34%	
United Kingdon	70,59%	0,88%	
Tot.	100,00%		1,52%
Total CRP Weighted			1,78%

Figure 64.
Country Risk Premium Weighted
**Source team estimate*

- **Beta**: The Beta used is the average Beta of the IT consulting industry (**1.09**) levered through the Reply's **Debt/Equity target** (**0.12**). The Beta calculation followed the following steps: first we regressed the Betas of the most important companies in the industry (Accenture, Capgemini, Cognizant, Globant, EPAM Systems, Endava) with their market indices ((S&P 500 and Euronext 100) (*Appendix 12*) and then the **Target Debt/Equity ratio** of Reply S.P.A. was added. The target Debt/Equity ratio was obtained through the ratio of **Debt** (211.48 Millions €) and **Equity** (1,727.57 Millions €) available to Reply in 2026; in fact, according to our view Reply is known to have a **solid profitability** and generate **significant operating Cash Flows** that could reduce the need for external financing through debt resulting in a low Debt to equity ratio. In addition, Reply may intentionally choose in the future to maintain a **low level of Debt** to hedge against macroeconomic risks: this approach is typical for companies in IT sectors that prefer **financial flexibility** to respond quickly to market changes.
- **Cost of Equity**: We calculated the **Cost of Equity** by incorporating the risk-free rate, beta, country risk premium, and equity risk premium. For the equity risk premium, we used the mature market figure of **4.60%** (Damodaran 2024) as Reply's exposure to stable markets like Germany and the U.S. justifies a risk premium beyond Italy alone. The **Country Risk premium** was weighted according to Reply's operational presence in different regions (*Figure 63 & 64*), based on the number of companies in each country. We derived the **weighted Country Risk Premium** by multiplying each region's weight by its respective Country Risk Premium,resulting in a cost of equity that reflects Reply's geographical exposure. Full calculations are shown in the Appendix

5.3 Multiples and peers

Compared to its **peers**, Reply S.P.A is particularly strong in specific **Vertical sectors** such as telecommunications, manufacturing, and retail. Its agility, fueled by its decentralized business model. However, Reply's smaller scale could be a limitation in particularly large global projects. Taking a look at its competitors (*Appendix 13*) we can find:

- **Accenture**: represents the global leader in **IT consulting and digital transformation.** With its large operational scale and global presence, it offers comprehensive solutions across all industries. Unlike Reply, Accenture focuses on end-to-end coverage and large deployments

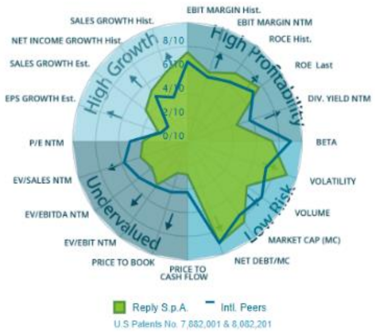


Figure 65: Reply’s vs Peers
*Source team estimate

- **Capgemini**: shares with Reply a focus on **technological innovation**, particularly in the areas of **cloud and sustainability**. However, Capgemini operates with a more traditional structure which allows it to compete on larger projects than Reply and its competitors.
- **Cognizant**: The American company has a strong presence in the **health care and financial services sectors**: it is positioned as a partner for large-scale complex projects, but its more hierarchical structure limits agility compared to Reply.
- **Globant**: it emerges as a particularly relevant peer for Reply because of its focus on **creativity and digital design**, as well as advanced software engineering. Globant has a digital experience-oriented approach, similar to Reply in terms of innovation, but with a greater emphasis on end-user engagement.

Firm		P/E 2024	P/E 2025	P/E 2026
REY	**Reply**	**23,4**	**20,9**	**18,8**
ACN	Accenture	28,1	25,6	23,1
CAPP	Capgemini	15,4	14,6	13,3
CTSH	Cognizant	16,4	15,3	13,9
GLOB	Globant	30,3	26,1	21,8
EPAM	Epam Sys.	19,0	17,8	16,3
DAVA	Endava	16,5	11,5	8,8

Fig 66. Price-to Earnings comparison
**Source team estimate*

- **EPAM Systems** is a benchmark for Reply in **software engineering** and custom solutions. It shares Reply's focus on technological innovation, but differs in a strong focus on building custom platforms and scalability.
- **Endava,** finally, is distinguished by a collaborative and agile approach, with a strong specialization in the **fintech and payments sectors**. Its operating model is similar to Reply's, with a strongly customer-focused corporate culture, although Endava operates on a smaller scale and in specific markets.

5.4 *Key multiple analysis*

As mentioned, multiples were the second valuation method used (Appendix 14):

- **P/E Ratio**: Reply's price-to-earnings (P/E) ratio, reflects a **higher valuation** than the industry average. This could indicate that investors expect higher **future growth** than peers derived from solid ongoing innovation that gives greater confidence in the company's future. However, a higher PE could also carry greater risk, as investors may be willing to pay a premium in anticipation of good results that may not come (Figure 66)

Firm		EV/EBIT 2024	EV/EBIT 2025	EV/EBIT 2026
REY	**Reply**	**15,75**	**14,37**	**13,55**
ACN	Accenture	21,93	20,86	18,98
CAPP	Capgemini	12,25	11,53	10,61
CTSH	Cognizant	12,25	11,51	10,66
GLOB	Globant	22,71	19,50	16,30
EPAM	Epam Sys.	12,63	11,99	10,86
DAVA	Endava	16,48	12,84	9,31

Fig 67. Enterprise Value to EBIT comparison
**Source team estimate*

Firm		EV/Sales 2024	EV/Sales 2025	EV/Sales 2026
REY	Reply	2,07	1,89	1,74
ACN	Accenture	3,39	3,27	3,02
CAPP	Capgemini	1,60	1,54	1,45
CTSH	Cognizant	1,85	1,77	1,66
GLOB	Globant	3,48	3,06	2,59
EPAM	Epam Sys.	2,00	1,91	1,74
DAVA	Endava	1,69	1,53	1,38

Fig 68. Enterprise Value to sales comparison
**Source team estimate*

Firm		EV/opFCF 2024	EV/opFCF 2025	EV/opFCF 2026
REY	**Reply**	**14,58**	**13,32**	**12,59**
ACN	Accenture	18,83	17,64	16,23
CAPP	Capgemini	11,58	10,65	9,93
CTSH	Cognizant	11,62	10,85	10,02
GLOB	Globant	22,18	19,46	16,29
EPAM	Epam Sys.	12,27	12,27	10,99
DAVA	Endava	13,26	12,08	9,16

Fig 69. Enterprise Value to opFCF comparison
**Source team estimate*

Implied share price

WACC \ Perpetual growth	2,00%	2,25%	**2,50%**	2,75%	3,00%
157,67					
7,96%	134,50	138,97	143,85	149,20	155,08
7,71%	140,11	145,03	150,42	156,36	162,93
7,46%	146,22	151,67	157,66	164,29	171,67
7,21%	152,92	158,97	165,67	173,11	181,44
6,96%	160,30	167,06	174,57	182,98	192,44

Fig 70. Implied Share Price Sensitivity Analysis
**Source team estimate*

Enterprise Value

WACC \ Perpetual growth	2,00%	2,25%	**2,50%**	2,75%	3,00%
5573,47					
7,96%	4709,79	4876,36	5058,18	5257,45	5476,81
7,71%	4918,60	5102,11	5303,24	5524,64	5769,54
7,46%	5146,55	5349,55	5573,02	5820,21	6095,11
7,21%	5396,40	5621,95	5871,46	6148,94	6459,37
6,96%	5671,45	5923,30	6203,37	6516,72	6869,62

Fig 71. EV Sensitivity Analysis
**Source team estimate*

Implied EV/EBITDA

EV \ EBITDA	374,01	449,01	**524,01**	599,01	674,01
10,64					
7573,47	20,25	16,87	14,45	12,64	11,24
6573,47	17,58	14,64	12,54	10,97	9,75
5573,47	14,90	12,41	10,64	9,30	8,27
4573,47	12,23	10,19	8,73	7,64	6,79
3573,47	9,55	7,96	6,82	5,97	5,30

Fig72. EV/EBITDA Sensitivity Analysis
**Source team estimate*

- **EV/EBITDA and EV/EBIT**: Reply ranks **halfway** to its peers in terms of EV/EBITDA and EV/EBIT valuation: its growth, although positive, is more moderate than more dynamic players such as Globant or Endava, and it does not reach the valuations of global leaders such as Accenture, which benefit from scale and brand strength. However, the smaller size allows for greater flexibility, which could translate into solid operating margins and efficient resource management. (Figure 67 & 68)
- **Operating Cash Flow Multiples (opFCF)**: Reply is again positioned in the **middle range** compared to its peers: it benefits from a solid business model geared toward generating more than positive cash flows, which contributes to a higher valuation than more generalist peers such as Capgemini or Cognizant but does not reach the same potential as giants such as Accenture. In addition, and forecast for Reply indicates a **sustained growth** trajectory but with the goal of accelerating it by investing in emerging markets. (Figure 69)

6. Sensitivity Analysis and Monte Carlo simulation

Sensitivity analysis and Monte Carlo simulation are both tools used to assess risk and uncertainty, yet they approach it in rather different ways: Sensitivity analysis examines how changes in **key input variables** impact an outcome while **Monte Carlo simulation** takes sensitivity analysis further by incorporating randomness and probability.

- **Sensitivity analysis**: starting with the sensitivity analysis,as you can see from table number x a **lower wacc and a higher growth rate** define a ***higher Share Price*** than a higher discount rate and a lower growth rate. Same effect happens for the **Enterprise Value** (tab number 70, 71 & 72). This effect happens because **lower WACC** increases the present value of future cash flows and combined with **high growth rate** implies an increasing in the magnitude of future cash flows. The third table shows the implied **EV/EBITDA multiple**, calculated by varying EBITDA and Enterprise Value values: a **higher Enterprise Value and lower EBITDA lead to a higher EV/EBITDA multiple** (and viceversa)
- **Monte Carlo Simulation:** Using the Monte Carlo simulation (Appendix 15) we tested the response of our Target Price to the change of the three different variables: **1) Revenue growth**: the IT Consulting industry shows a constant and increasing growth in revenues; REY does not make any exception. To create our Monte Carlo Simulation, we have chosen a standard deviation computed through the several years, **2) net income**

Parameters	Mean	Standard deviation	Reference
Revenues growth	8,23%	0,94%	9,75%
Nopat change%	7,14%	2,33%	9,48%
Wacc	7,46%	0,50%	7,47%
Equity value			157,67 €
Observation			1000

Fig 73. Montecarlo Simulations's Parameters
**Source team estimate*

change: Net income is a direct measure of a company's profitability, making it a crucial indicator of its financial health, we have chosen a standard deviation computed through the several years. **3) WACC**. (Fig 73). Additionally, **1000 different outcomes** were set to create a distribution with the broadest possible range of values. As shown.the most probable Price range, with around 95 observations, lies between **162€ and 164€** (Appendix 15). This further confirms our Buy recommendation. As seen in the graph, the probability of a Buy (above €142) is 89.60%, compared to just 10.40% for a sell. However, the simulation shows a "**Long Tail**" : this suggests that while these extreme results are less likely, they are possible having a huge impact if they occur.

7. The REYvolution: when Reply takes on the Market

In this chapter, we examine the performance of **Reply S.p.A. (REY.IM)** stock against two major market indices: the **FTSE MIB**, in which Reply S.P.A. is listed, and the **EURONEXT 100**, which serves as a broader European benchmark. In this analysis we cover three fundamental key metrics such as **Average annual returns, Annual standard deviation, and the Sharpe ratio** (Figure 74), last we gave a visual comparison of the performance of the three assets over 5-year period (2019-2024) (Appendix 16)

	REY.IM	FTSE MIB	EURONEXT 100
Average Annual Return	8,69%	4,76%	3,78%
Annual Std.Deviation	15,20%	9,71%	8,21%
Info Sharpe ratio	0,57	0,49	0,46

Fig 74. Performance of Reply against main index
**Source team estimate*

7.1 Risk & Return

In recent years, **Reply S.p.A.** has consistently outperformed its benchmark indices. With an average annual return of **8.69%,** Reply significantly surpasses both FTSE MIB's **4.76%** and the EURONEXT 100's **3.78%**. This level of performance underscores Reply's appeal for investors seeking above-average growth, reinforcing our **Buy** recommendation. However, this strong return does come with **higher volatility**: Reply's annual standard deviation is **15.20%**, notably above the **9.71%** and **8.21%** of the FTSE MIB and EURONEXT 100, respectively. This increased volatility suggests that Reply is a riskier investment relative to these indices, requiring a higher risk tolerance from investors.

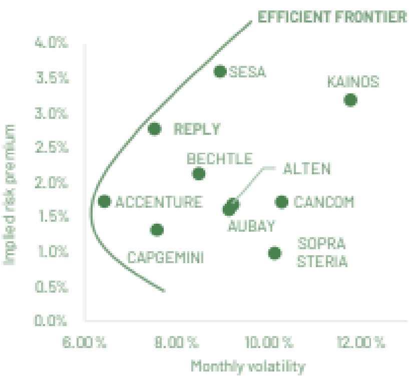


Fig 75. Efficient Frontier
****Source team estimate***

7.2 Sharpe Ratio

The **Sharpe ratio** for REY.IM is **0.57**, higher than FTSE MIB's **0.49** and the EURONEXT 100's **0.46**. A higher Sharpe ratio indicates that Reply generates a **better risk-adjusted return** than its benchmark indices, demonstrating greater efficiency in delivering returns for the risk taken. This makes Reply particularly appealing for risk-oriented investors looking for a more efficient balance between return and risk.

7.3 Historical Performance

As illustrated in the comparative graph, Reply's stock has shown consistent **growth** over time, although with more noticeable **fluctuations** than the FTSE MIB and EURONEXT 100, especially during volatile market periods (Covid or war-period).

This growth allows having a 5-year compounded return of Reply's stock of **49.66%,** more than 20% compared with FTSE MIB and almost more than **30%** if compared with Euronext 100. Looking at recession period or crisis such as Covid or War we can see that the post-pandemic recovery, REY.IM exhibited **strong resilience**, rebounding faster and more robustly than the benchmark indices. This outperformance highlights Reply's ability to navigate challenging market conditions effectively. In the future we expect that the stock continues to grow giving to investor a good return compared to other investment in the market

8. Risks and uncertainties

In the rapidly evolving and highly competitive IT sector, both Reply S.p.A. and its investors must carefully consider various **risks and uncertainties**. Investment in a company like Reply, which operates in a sector driven by fast-paced innovation and high service demands, requires an understanding of the **specific internal factors** that impact on the company, as well as broader industry-wide considerations. An in-depth analysis of these risks and uncertainties can help provide a clearer picture of the challenges and opportunities that might arise when investing in Reply (source: Reply financial reports) (Figure 77)

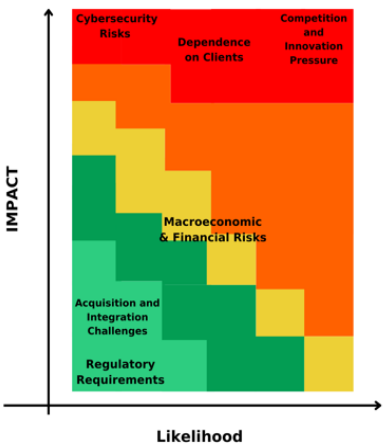


Fig 77. Impact and Likelihood of the risks
**Source team estimates*

8.1 Company-Specific Risks for Reply S.p.A.

The Information and Communication Technology (ICT) sector is one of constant innovation and transformation. Companies are continually compelled to invest in research, development, and recruitment to remain competitive in this field. A ***failure*** to keep pace with technological advancements or to attract highly skilled personnel can lead to both operational and financial setbacks.

For Reply, maintaining a leading **market position** depends heavily on its ability to anticipate technological trends and expand the scope and sophistication of its service offerings. Substantial investments in research and development are essential for Reply to keep its solutions relevant and **forward-thinking**. (Reply, Reply.com 2023)

Likelihood **Impact on Reply S.P.A**

- **<u>Dependence on Key Personnel and Clients</u>:** Reply's success to date has been closely tied to several **key personnel** who have played a critical role in the development and direction of the company. The **loss** of any of these individuals, without an effective succession or **replacement strategy**, could undermine the Group's strategic objectives, impact critical **know-how**, and ultimately affect **operational** and **financial performance**. Moreover, like many companies in the technology consulting sector, Reply's revenue is *highly dependent on a relatively small number of key clients*. Should any of these clients reduce or terminate their relationship with Reply, the impact on financial performance could be significant. However, Reply has actively worked to **diversify** its client base and reduce reliance on these major accounts, showing promising progress in stabilizing its revenue streams.

Likelihood **Impact on Reply S.P.A**

- **<u>Acquisition and Integration Challenges</u>:** A cornerstone of Reply's growth strategy has been its focus on **acquiring** other companies to add new capabilities and expertise. While this approach has enabled Reply to broaden its technological competencies and market reach, **it is not without risk.**

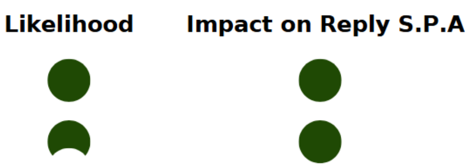
  Integrating new entities into the Reply **ecosystem** poses operational challenges and can lead to **additional expenses** or even **potential conflicts** if cultural differences arise. These integration processes demand meticulous planning and significant resources to ensure a seamless transition, and any misalignment can impact profitability.

Likelihood **Impact on Reply S.P.A**

- **<u>Operational and Cybersecurity Risks</u>:** Operating in a **data-intensive** and **project-oriented industry**, Reply is exposed to a range of **operational risks**, including those associated with project management and cybersecurity. (Chubb 2023). Any disruptions or breaches in cybersecurity protocols could harm Reply's reputation, lead to **data losses**, and result in considerable **financial costs** associated with mitigating and recovering from such incidents. With an increasing reliance on **digital communication** and **data processing systems** to interact with clients and manage projects, Reply's operations hinge on secure and **resilient IT systems**, which must be consistently monitored and upgraded to prevent cybersecurity threats (source 1). As the frequency and sophistication of **cyber-attacks** continue to grow, data protection has become an even greater priority for companies in this sector.

- **[Competition and Innovation Pressure]**: The IT industry's competitive landscape is characterized by **constant advancement**, with many firms vying to capture market share. Competitors, including new market entrants with significant financial resources and cutting-edge technology, can pose **a considerable threat** to Reply's market position.This intensified competition necessitates that Reply continually **innovate** and adapt its service offerings to meet client needs and fend off rivals. The ability to differentiate through unique solutions, advanced technology, and quality service delivery is crucial to sustaining Reply's competitive advantage in an industry that thrives on innovation.

- **Regulatory Compliance and Data Privacy Requirements**: Companies in the IT and consulting sectors operate under a framework of **regulatory requirements**, particularly concerning data protection and privacy. Compliance with these regulations is not optional, and failure to meet the requirements can result in severe fines and **reputational damage**. As regulations evolve in response to new technological developments and privacy concerns, companies like Reply must remain proactive in aligning their operations with these standards, which often requires ongoing investments in compliance measures.



- **Macroeconomic Factors and Financial Risks**: The demand for technology services is closely tied to **economic conditions**; during periods of economic downturn or recession, companies may cut back on IT spending, which can negatively impact Reply's revenues. Furthermore, **geopolitical events**—such as the ongoing Russia-Ukraine conflict or the Israel-Palestine situation—introduce additional uncertainties that could disrupt international operations and destabilize markets where Reply is active. (World Economic Forum, 2024). These conditions pose significant challenges to maintaining consistent revenue and may affect Reply's global strategy. Additionally, Reply faces **financial risks**, including credit risk, currency fluctuations, and tax risks, which can complicate its ability to execute its growth strategies effectively.

9. ESG

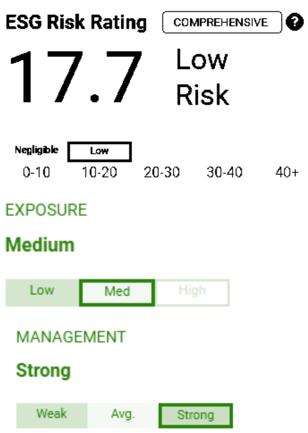


Fig 78. Reply's ESG rating

In recent years, companies have increasingly focused on the environment and the green transition, with Reply emerging as a leader in the consulting sector, particularly for its commitment to **sustainability and corporate ethics**. (Reply, Reply 2023)

Fig 79. Peer's ESG rating
**Sustaynalytic*

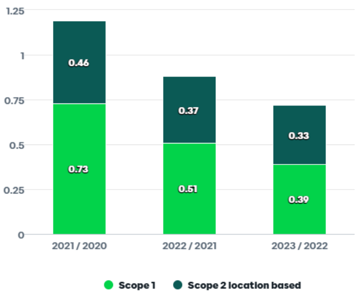


Fig 80. SCOPE emission of Reply S.P.A
**Souce Reply S.P.A.*

Fig 81. Comparison between Reply and Industry

E like Environmental: As a leader in digital transformation, Reply aims to drive change towards sustainable development by both conducting its activities with a focus on **sustainability**, respecting future generations, and providing clients with models and solutions that minimize environmental impact and promote inclusion.

With a relatively **Low ESG Risk Rating** (17.7) (Figure 78.) (Sustainalytics 2024), Reply demonstrates effective management of its ESG practices and that the risks associated with these issues are relatively low. Comparing them with its Peers (Figure 79.), we can see that the Italian company is in line with the Comeptitors and in some areas demonstrates greater efficiency in Social and Environmental

A notable initiative launched by Reply is the ***Reply Green Approach***, with the objective to reach **zero GHG emissions** in Scope 1 (direct emissions), Scope 2 and 3 (indirect emissions) (Figure 80.) by 2025 and to achieve zero GHG emissions across all direct and indirect activities by 2030. (Reply,2023) Achieving this goal involves several green initiatives such as: using electricity from **renewable sources**, monitoring the impact of business activities on the environment in offices, and moving toward a **green fleet**, with the increasing use of hybrid or electric vehicles

Additionally, Reply's office-based nature allows it to conduct most services directly at client sites, thus reducing the energy resource consumption at Reply's own offices.

S like Social (S): Reply strives to ensure principles of fairness and transparency across all its entities, as defined in a **Code of Ethics** approved in 2008. This code reinforces Reply's core ethical values and ensures they are upheld at all levels of the group, including stakeholders, shareholders, employees, and collaborators.

The fundamental ethical principles for the Group include **professionalism and trust** in its employees, **legality** and **honesty** in all activities in full compliance with current legislation, impartiality, respect for diversity, non-discrimination toward its employees, prevention of potential conflicts of interest, and fairness and transparency in all actions carried out by those covered by the code. (Statista, Statista.com 2024)(Figure 81)

Reply's success and growth are supported by the commitment and excellence of its people, and the Group invests continuously in their growth and development by ensuring professional development opportunities and creating a collaborative and motivating work environment.

Reply Social Network provides a knowledge-sharing platform designed for the exchange of insights and organizing training events.

Additionally, Reply seeks to acquire top talent through partnerships with various

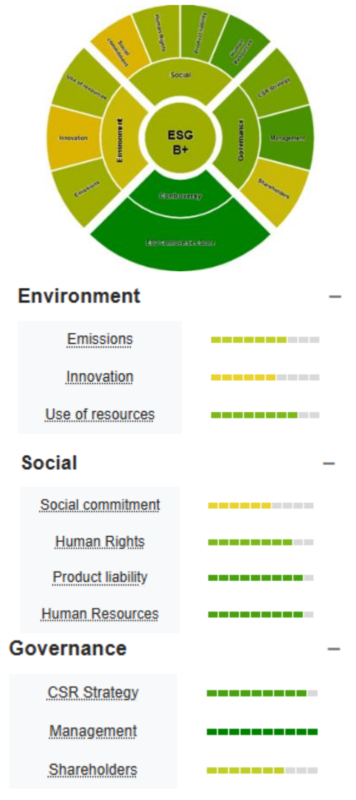


Fig 82. ESG Reply Strenghtness and Weakness

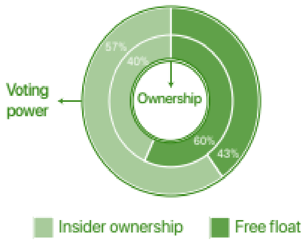


Fig 83. Reply Governance and Voting Power

international and Italian universities. The Group also prioritizes employee health and safety through workplace safety measures and internal regulations, including a ***Human Rights & Labour Policy*** that protects freedom of association and collective bargaining.

G like Governance (G): **The Board of directors** of Reply S.P.A is deliberated by the annual general meeting of shareholders (Figure 83). Currently, the BOD consists of **ten people**, specifically six male and four Female: Mario and Tatiana RIzzante who both hold the position of CEO, Filippo Rizzante, Marco Cusinato, Elena Maria Previtera, Daniele Angelucci, Patrizia Polliotto, Domenico Giovanni Siniscalco,Secondina Giulia Ravera ,Federico Ferro Luzzi who hold the position of executive directors. [35] (Reply.com 2023)

This organizational chart demonstrates the company's commitment to **gender equality** even at senior levels: In fact, Reply S.P.A is among the few publicly traded companies in Italy with **a female CEO** and three woman in the Executive Director position (Appendix 17).

Reply follows a corporate governance system designed for all companies listed on the Italian stock exchange. In compliance with regulatory requirements, Reply publishes an **annual Corporate Governance Report** outlining both ESG plans and qualitative and quantitative criteria. **Tax risks**, also known as compliance risks, are primarily mitigated through recurring and special operations such as training activities or preliminary tax analyses, while operational risks are managed through training programs and daily accounting reviews.

10.Conclusion

In a market as competitive as IT consulting, Reply manages to **distinguish** itself both by its business model and by the goals it sets for the future in both technological, social, and environmental areas. Our **Buy recommendation** is based not only on our valuation model but also on the very business idea that Reply wants to show both to investors and to the market itself. We strongly believe that the Italian company can be an industry leader in the future, competing with giants such as Accenture and Capgemini. However, despite the **promising expectations** for the future, we should **not underestimate the risks** that the company will face in the future such as strong competition or dependence on key customers. In conclusion, the analysis suggests that despite the challenges, Reply's growth prospects remain promising. The outlook for Reply, therefore, is positive, with expectations of continued growth in revenue and shareholder value in the medium to long term.

APPENDIX

APPENDIX 1: HISTORICAL REGION SALES WEIGHT

	2019	2020	2021	2022	2023	2024E
Region 1	67,94%	67,69%	62,80%	63,50%	62,10%	61,81%
YoY growth		-0,36%	-7,22%	1,11%	-2,21%	-0,47%
Region 2	22,93%	21,30%	19,33%	19,20%	19,90%	20,14%
YoY growth		-7,12%	-9,23%	-0,68%	3,64%	1,23%
Region 3	9,09%	11,00%	16,00%	17,30%	18,00%	18,05%
YoY growth		21,05%	45,43%	8,16%	4,05%	0,28%
IoT	0,04%	0,01%	1,87%	0,00%	0,00%	0,00%
YoY growth		-76,91%	18906,96%	-99,92%	53,94%	-100,00%
Intersegment	-1,15%	-1,53%	-1,87%	-1,93%	-1,91%	0,00%
YoY growth		33,18%	21,99%	3,39%	-1,34%	-100,00%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	1

APPENDIX 2: REGIONAL SALES WEIGHT BEST CASE SCENARIO

	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Region 1	61,09%	60,49%	60,49%	59,79%	58,99%	58,49%	58,49%
YoY growth	-1,16%	-0,98%	0,00%	-1,16%	-1,34%	-0,85%	0,00%
Region 2	19,59%	19,39%	19,39%	19,29%	19,09%	18,99%	18,99%
YoY growth	-2,73%	-1,02%	0,00%	-0,52%	-1,04%	-0,52%	0,00%
Region 3	19,32%	20,12%	20,12%	20,92%	21,92%	22,52%	22,52%
YoY growth	7,04%	4,14%	0,00%	3,98%	4,78%	2,74%	0,00%
IoT	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
YoY growth	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

APPENDIX 3: REGIONAL SALES WEIGHT FLAT CASE SCENARIO

Regional Sales Weight

	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Region 1	61,95%	61,95%	61,95%	61,95%	61,95%	61,95%	61,95%
YoY growth	0,24%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Region 2	20,02%	20,02%	20,02%	20,02%	20,02%	20,02%	20,02%
YoY growth	-0,61%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Region 3	18,02%	18,02%	18,02%	18,02%	18,02%	18,02%	18,02%
YoY growth	-0,14%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
IoT	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
YoY growth	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

APPENDIX 4: KEY FINANCIALS

	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Key Financial Figures (€MN)									
Revenues	1250,32	1512,08	1891,14	2118,03	2266,65	2480,91	2695,80	2921,96	3144,86
OpEx	1042,70	1226,23	1601,47	1764,40	1895,71	2074,91	2264,47	2454,45	2657,40
EBITDA	207,61	285,84	289,67	353,63	370,94	406,00	431,33	467,51	487,45
EPS	3,31	4,79	5,13	5,01	5,87	6,50	6,94	7,61	7,89
DPS	0,56	0,80	1	1	1,15	1,20	1,25	1,30	1,35
Payout Ratio	16,93%	16,70%	19,50%	19,96%	19,58%	18,45%	18,01%	17,08%	17,10%
Profitability Ratios									
EBITDA Margin (%)	16,60%	18,90%	15,32%	16,70%	16,37%	16,37%	16,00%	16,00%	15,50%
EBIT Margin (%)	13,21%	15,70%	12,22%	13,15%	13,12%	13,14%	12,82%	12,85%	12,38%
Net Profit Margin (%)	9,90%	11,83%	10,10%	8,82%	9,66%	9,77%	9,60%	9,71%	9,36%
ROE (%)	18,30%	21,93%	19,65%	16,72%	16,84%	16,15%	15,06%	14,51%	13,35%
ROIC (%)	14,88%	18,08%	13,60%	14,55%	13,69%	13,24%	12,47%	12,06%	11,22%
Leverage and Liquidity Ratios									
Debt/EBITDA	0,84	0,58	0,84	0,60	0,57	0,52	0,49	0,45	0,43
D/E	25,91%	20,43%	25,01%	18,94%	16,27%	14,08%	12,31%	10,81%	9,60%
Current Ratio	1,49	1,39	1,33	1,49	1,52	1,68	1,83	1,98	2,09
Cash Ratio	0,59	0,46	0,33	0,43	0,54	0,71	0,87	1,02	1,15
Operational Figures									
Net Working Capital	-23,06	-43,52	45,93	83,58	6,81	-9,17	-12,84	-20,12	-54,39
Net Financial Position	106,58	160,81	194,12	71,23	205,13	375,84	618,72	864,49	1138,42
CapEx on Sales (%)	1,31%	2,46%	2,21%	1,38%	2,20%	2,20%	2,20%	2,20%	2,50%
D&A									
Total D&A	42,44	48,39	58,61	75,21	73,63	80,10	85,69	92,00	98,07
Depreciation	36,66	39,78	42,90	47,91	50,40	54,82	55,70	59,80	60,81
Amortization	5,78	8,61	15,72	27,30	23,24	25,28	29,99	32,20	37,27
% D&A on Sales	3,39%	3,20%	3,10%	3,55%	3,25%	3,23%	3,18%	3,15%	3,12%
OpEx + CapEx									
Revenues	1250,32	1512,08	1891,14	2118,03	2266,65	2480,91	2695,80	2921,96	3144,86
OpEx	1042,70	1226,23	1601,47	1764,40	1895,71	2074,91	2264,47	2454,45	2657,40
CapEx	16,37	37,12	41,77	29,27	49,87	54,58	59,31	64,28	78,62
FCF									
FCF excl. Acquisitions	152,48	47,43	-49,98	209,10	321,30	285,75	290,50	320,53	349,78

APPENDIX 5 INCOME STATEMENT and BALANCE SHEET

	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	**1183,03**	**1250,32**	**1512,08**	**1891,14**	**2118,03**	**2266,65**	**2480,91**	**2695,80**	**2921,96**	**3144,86**	**3380,72**	**3600,47**	**3816,50**
YoY growth		5,69%	20,94%	25,07%	12,00%	7,02%	9,45%	8,66%	8,39%	7,63%	7,50%	6,50%	6,00%
- Cogs	21,249	21,509	21,499	27,328	29,363								
Gross Profit	**1161,78**	**1228,81**	**1490,58**	**1863,82**	**2088,67**								
- Selling & General Administrative	992,337	1040,597	1222,366	1593,596	1758,987								
- Other operating income/(expense)	-23,161	-19,404	-17,631	-19,452	-23,947								
- Total SG&A and Others	**969,176**	**1021,193**	**1204,735**	**1574,144**	**1735,04**								
YoY growth		5,37%	17,97%	30,66%	10,22%								
EBITDA	**192,61**	**207,61**	**285,84**	**289,67**	**353,63**	**370,937**	**406,000**	**431,327**	**467,513**	**487,453**	**524,012**	**540,070**	**572,475**
YoY growth		7,79%	37,68%	1,34%	22,08%	4,89%	9,45%	6,24%	8,39%	4,27%	7,50%	3,06%	6,00%
EBITDA margin %	16,28%	16,60%	18,90%	15,32%	16,70%	16,37%	16,37%	16,00%	16,00%	15,50%	15,50%	15,00%	15,00%
- D&A	37,24	42,442	48,392	58,612	75,206	73,633	80,097	85,687	91,999	98,074	104,753	109,762	116,348
EBIT	**155,37**	**165,17**	**237,45**	**231,06**	**278,42**	**297,304**	**325,903**	**345,640**	**375,514**	**389,379**	**419,259**	**430,308**	**456,127**
YoY growth		6,31%	43,76%	-2,69%	20,50%	6,78%	9,62%	6,06%	8,64%	3,69%	7,67%	2,64%	6,00%
EBIT margin %	13,13%	13,21%	15,70%	12,22%	13,15%	13,12%	13,14%	12,82%	12,85%	12,38%	12,40%	11,95%	11,95%
+ Financial income	12,089	2,128	9,383	3,377	7,002	4,255	8,894	10,515	15,451	15,079	13,148	15,452	16,918
- Financial expenses	4,206	4,638	4,793	18,04	26,749								
% of sales	0,67%	-0,20%	0,30%	-0,78%	-0,93%	-0,19%	-0,36%	-0,39%	-0,53%	-0,48%	-0,39%	-0,43%	-0,44%
- Other unusual (costs)/income	-1,327	-0,483	-0,488	52,328	12,954	15,624	16,137	18,059	19,290	20,914	22,401	23,900	25,311
% of sales	-0,11%	-0,04%	-0,03%	2,77%	0,61%	0,69%	0,65%	0,67%	0,66%	0,67%	0,66%	0,66%	0,66%
Pre-tax income	**161,92**	**162,18**	**241,55**	**268,72**	**271,63**	**317,182**	**350,935**	**374,214**	**410,255**	**425,372**	**454,807**	**469,660**	**498,356**
YoY growth		0,16%	48,94%	11,25%	1,08%	16,77%	10,64%	6,63%	9,63%	3,68%	6,92%	3,27%	6,11%
Tax rate %	27,69%	23,34%	25,20%	28,49%	30,60%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%
- Income taxes	44,829	37,848	60,871	76,551	83,122	96,423	106,684	113,761	124,718	129,313	138,261	142,777	151,500
Net income	**117,09**	**124,33**	**180,68**	**192,17**	**188,51**	**220,759**	**244,250**	**260,453**	**285,537**	**296,059**	**316,546**	**326,883**	**346,856**
- Minorities	2,732	0,608	1,735	1,168	1,76	1,76	1,76	1,76	1,76	1,76	1,76	1,76	1,76
Group net result	**114,36**	**123,72**	**178,95**	**191,01**	**186,75**	**218,999**	**242,490**	**258,693**	**283,777**	**294,299**	**314,786**	**325,123**	**345,096**
YoY growth		8,18%	44,64%	6,74%	-2,23%	17,27%	10,73%	6,68%	9,70%	3,71%	6,96%	3,28%	6,14%
Net profit margin %	9,67%	9,90%	11,83%	10,10%	8,82%	9,66%	9,77%	9,60%	9,71%	9,36%	9,31%	9,03%	9,04%

APPENDIX 6 REFORMULATED CASH FLOW STATEMENT

		2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Inventories	plus	75,328	79,784	86,787	83,88	47,061	50,363	55,124	59,898	64,924	69,876	75,117	80,000	84,800
Trade receivables	plus	432,24	344,7	471,56	657,568	739,474	791,360	866,165	941,190	1020,151	1097,972	1180,320	1257,040	1332,463
Trade liabilities	less	119,951	114,149	139,921	168,835	191,001	210,719	236,824	265,392	287,657	311,444	334,802	358,674	380,195
Trade net working capital		**387,617**	**310,335**	**418,426**	**572,613**	**595,534**	**631,004**	**684,464**	**735,696**	**797,417**	**856,404**	**920,635**	**978,366**	**1037,068**
Other current asset/(liab)		-313,838	-333,395	-461,944	-526,682	-511,95	-624,192	-693,638	-748,541	-817,540	-910,795	-984,642	-1059,123	-1131,148
Net working capital		**73,779**	**-23,06**	**-43,518**	**45,931**	**83,584**	**6,812**	**-9,173**	**-12,845**	**-20,123**	**-54,391**	**-64,008**	**-80,757**	**-94,080**
Intangible assets	plus	281,217	356,507	528,731	735,429	707,991	694,729	680,370	668,171	655,256	645,506	635,281	622,880	609,735
Tangible assets	plus	138,867	189,427	200,468	210,41	222,955	212,450	201,292	187,111	172,309	162,607	152,597	145,247	137,457
Financial asset	plus	98,085	118,919	143,806	124,734	115,514	115,514	115,514	115,514	115,514	115,514	115,514	115,514	115,514
Long-term liab	less	111,468	126,642	207,708	215,864	218,449	218,449	218,449	218,449	218,449	218,449	218,449	218,449	218,449
Non-current asset/(liab.)		**406,701**	**538,211**	**665,297**	**854,709**	**828,011**	**804,244**	**778,727**	**752,347**	**724,631**	**705,178**	**684,943**	**665,192**	**644,257**
Net capital employed		**480,48**	**515,151**	**621,779**	**900,64**	**911,595**	**811,056**	**769,553**	**739,502**	**704,508**	**650,787**	**620,935**	**584,436**	**550,177**
Net debt/(cash)		-106,579	-160,809	-194,115	-71,231	-205,132	-375,835	-618,718	-864,489	-1138,424	-1439,741	-1735,814	-2047,008	-2375,933
Minorities		3,339	0,918	2,625	1,579	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883
Equity		583,721	675,039	813,269	970,29	1114,839	1298,320	1499,701	1715,420	1954,360	2201,958	2468,178	2742,872	3037,539
Invested capital		**480,481**	**515,148**	**621,779**	**900,638**	**911,59**	**924,368**	**882,865**	**852,814**	**817,820**	**764,099**	**734,247**	**697,748**	**663,489**

		2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
NFP beginning of the period			**106,579**	**160,809**	**194,115**	**71,231**	**205,132**	**375,835**	**618,718**	**864,489**	**1138,424**	**1189,741**	**1485,814**	**1547,008**
Net Income			**124,33**	**180,681**	**192,173**	**188,509**	**220,759**	**244,250**	**260,453**	**285,537**	**296,059**	**316,546**	**326,883**	**346,856**
+ D&A			42,442	48,392	58,612	75,206	73,633	80,097	85,687	91,999	98,074	104,753	109,762	116,348
Change in working capital			96,795	19,795	-88,681	-37,573	76,772	15,985	3,672	7,278	34,268	9,617	16,749	13,323
-/+ Inventories			-4,456	-7,003	2,907	36,819	-3,302	-4,761	-4,775	-5,025	-4,953	-5,241	-4,883	-4,800
-/+ Trade receivable			87,54	-126,86	-186,008	-81,906	-51,886	-74,805	-75,025	-78,961	-77,821	-82,348	-76,721	-75,422
-/+ Other current assets			-41,741	15,904	-36,426	-22,546	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
+/- Accounts payable			-5,802	25,772	28,914	22,166	19,718	26,105	28,568	22,265	23,787	23,358	23,872	21,520
+/- Other liab.			61,254	111,982	101,932	7,894	112,242	69,446	54,903	68,999	93,255	73,847	74,480	72,025
Adjustment			-34,54	-41,35	22,27	23,651	-	-	-	-	-	-	-	-
Cash flow from operations			**229,027**	**207,518**	**184,374**	**249,793**	**371,164**	**340,333**	**349,812**	**384,815**	**428,401**	**430,916**	**453,394**	**476,527**
Capex	less		16,366	37,122	41,771	29,265	49,866	54,580	59,308	64,283	78,621	84,518	90,012	95,412
FCF (ex. acq)			**212,661**	**170,396**	**142,603**	**220,528**	**321,298**	**285,753**	**290,504**	**320,532**	**349,779**	**346,398**	**363,383**	**381,114**
Acquisitions	less		60,184	122,97	192,579	11,427	0	0	0	0	0	0	0	0
FCF (incl. acq)			**152,477**	**47,426**	**-49,976**	**209,101**	**321,298**	**285,753**	**290,504**	**320,532**	**349,779**	**346,398**	**363,383**	**381,114**
Dividends			20,891	21,621	30,635	38,398	37,278	42,870	44,734	46,598	48,461	50,325	52,189	52,189
Buyback			0	0	0	0	0	0	0	0	0	0	0	0
Equity financing			0	0	0	0	0	0	0	0	0	0	0	0
Other			-77,356	7,501	-42,273	-36,802	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Change in NFP			**54,23**	**33,306**	**-122,884**	**133,901**	**358,576**	**328,623**	**335,238**	**367,129**	**398,240**	**396,723**	**415,572**	**433,303**
Payout Policy assumption											250	250	500	500
NFP end of the period			**160,809**	**194,115**	**71,231**	**205,132**	**375,835**	**618,718**	**864,489**	**1138,424**	**1189,741**	**1485,814**	**1547,008**	**1875,933**

Appendix 7: DCF Base case scenario

Valuation date	DCF VALUATION (BASE)								0	1	2	3	4	5
31/10/2024	Historical period					CAGR	Projection, first stage				Projection, second stage			
	2019	2020	2021	2022	2023		2023	2024	2025	2026	2027	2028	2029	2030
Sales	1183,03	1250,32	1512,08	1891,14	2118,03	*15,67%*	2.118,033	2.266,647	2.480,906	2.695,796	2.921,959	3.144,858	3.380,722	3.600,469
%Growth		*5,69%*	*20,94%*	*25,07%*	*12,00%*		*12,00%*	*7,02%*	*9,45%*	*8,66%*	*8,39%*	*7,63%*	*7,50%*	*6,50%*
EBITDA	192,61	207,61	285,84	289,67	353,63	*16,40%*	353,630	370,937	406,000	431,327	467,513	487,453	524,012	540,070
%margin	*16,28%*	*16,60%*	*18,90%*	*15,32%*	*16,70%*		*16,70%*	*16,37%*	*16,37%*	*16,00%*	*16,00%*	*15,50%*	*15,50%*	*15,00%*
Depreciation & amortization	37,24	42,442	48,392	58,612	75,206		75,206	73,633	80,097	85,687	91,999	98,074	104,753	109,762
EBIT	155,37	165,17	237,45	231,06	278,42	*15,70%*	278,424	297,304	325,903	345,640	375,514	389,379	419,259	430,308
% margin	*13,13%*	*13,21%*	*15,70%*	*12,22%*	*13,15%*		*13,15%*	*13,12%*	*13,14%*	*12,82%*	*12,85%*	*12,38%*	*12,40%*	*11,95%*
Taxation					*30,60%*		*30,60%*	*30,40%*	*30,40%*	*30,40%*	*30,40%*	*30,40%*	*30,40%*	*30,40%*
NOPAT					193,2232691		193,223	206,923	226,828	240,566	261,358	271,008	291,804	299,495
NOPAT CHANGES							7,09%	9,62%	6,06%	8,64%	3,69%	7,67%	2,64%	
Plus: Depreciation & Amortization					42,996		42,996	41,423	47,887	53,477	59,789	65,864	72,543	77,552
Less: Capital Expenditure					29,265		29,265	49,866	54,580	59,308	64,283	78,621	84,518	90,012
% of sales					*1,38%*		*1,38%*	*2,20%*	*2,20%*	*2,20%*	*2,20%*	*2,50%*	*2,50%*	*2,50%*
-/+ (Inc.)/Dec. In NWC					-37,573		-37,573	76,772	15,985	3,672	7,278	34,268	9,617	16,749
Unlevered Free Cash Flow					169,3812691		169,381	275,252	236,121	238,407	264,142	292,518	289,446	303,784
WACC (beta industry)	7,36%													
WACC (Euronext)	7,43%					Discounting period			*0,92*	*1,92*	*2,92*	*3,92*	*4,92*	*5,92*

Present Value of Free Cash Flow (Beta industry)	275,2523699	236,12	222,07	229,18	236,40	217,89	213,01
Present Value of Free Cash Flow (Euronext)	275,2523699	236,12	221,92	228,88	235,95	217,33	212,32

Enterprise Value	
Cumulative Present Value of FCF	**1.118,54**
Terminal year FCFF	213,01
Perpetual growth	2,50%
Present Value of Terminal Value	**4.494,42**
% of Enterprise Value	*80,07%*
Enterprise Value	**5.612,96**

Implied Equity Value and Share Price	
Enterprise Value	5.612,96
Less: Total Debt-Cash	-375,835
Less: Pension liabilities	69,677
Less: Minority interest	1,883
Implied Equity Value	**5.917,23**
Fully Diluted Shares Outstanding	37,278
Implied Share Price	**158,73**
Last price	140,3
Gain/loss	13,14%
Suggestion	Buy

Implied perpequity growth rate	
Terminal Year Free Cash Flow	289,4462606
WACC	7,36%
Terminal Value	4.494,42

Implied EV/Ebitda	
Enterprise value	5.612,96
Ebitda	524,01
	10,711506 x

Appendix 8: DCF Best case scenario

DCF VALUATION (Best scenario) Valuation date 31/10/2024	Historical period					CAGR	Projection, first stage		Projection, second stage					
									0	1	2	3	4	5
	2019	2020	2021	2022	2023		2023	2024	2025	2026	2027	2028	2029	2030
Sales	1183,03	1250,32	1512,08	1891,14	2118,03	15,67%	2.118,033	2.287,476	2.470,474	2.668,112	2.881,561	3.112,085	3.361,052	3.629,936
%Growth		5,69%	20,94%	25,07%	12,00%		12,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%
EBITDA	192,61	207,61	285,84	289,67	353,63	16,40%	353,630	381,920	412,474	445,472	481,110	519,598	561,166	606,060
%margin	16,28%	16,60%	18,90%	15,32%	16,70%		16,70%	16,70%	16,70%	16,70%	16,70%	16,70%	16,70%	16,70%
Depreciation & amortization	37,24	42,442	48,392	58,612	75,206		75,206	73,633	80,097	85,687	91,999	98,074	104,753	109,762
EBIT	155,37	165,17	237,45	231,06	278,42	15,70%	278,424	308,287	332,377	359,785	389,110	421,525	456,413	496,298
% margin	13,13%	13,21%	15,70%	12,22%	13,15%		13,15%	13,48%	13,45%	13,48%	13,50%	13,54%	13,58%	13,67%
Taxation					27,40%		27,40%	27,40%	27,40%	27,40%	27,40%	27,40%	27,40%	27,40%
NOPAT					202,135824		202,136	223,817	241,306	261,204	282,494	306,027	331,356	360,312
NOPAT CHANGES							10,73%	7,81%	8,25%	8,15%	8,33%	8,28%	8,74%	
Plus: Depreciation & Amortization					42,996		42,996	41,423	47,887	53,477	59,789	65,864	72,543	77,552
Less: Capital Expenditure					29,265		29,265	49,866	54,580	59,308	64,283	78,621	84,518	90,012
% of sales					1,38%		1,38%	2,18%	2,21%	2,22%	2,23%	2,53%	2,51%	2,48%
-/+ (Inc.)/Dec. In NWC					-37,573		-37,573	76,772	15,985	3,672	7,278	34,268	9,617	16,749
Unlevered Free Cash Flow					178,293824		178,294	292,146	250,598	259,045	285,279	327,537	328,998	364,601
WACC best	7,36%													
						Discounting period			0,92	1,92	2,92	3,92	4,92	5,92

Enterprise Value	
Cumulative Present Value of FCF	**1.256,82**
Terminal year FCFF	255,65
Perpetual growth	2,50%
Present Value of Terminal Value	**5.394,20**
% of Enterprise Value	*81,10%*
Enterprise Value	**6.651,02**

Implied Equity Value and Share Price	
Enterprise Value	6.651,02
Less: Total Debt-Cash	-375,835
Less: Pension liabilities	69,677
Less: Minority interest	1,883
Implied Equity Value	**6.955,29**
Fully Diluted Shares Outstanding	37,278
Implied Share Price	**186,58**
Last price	133,4
Gain/loss	39,86%
Suggestion	Buy

Implied perpequity growth rate	
Terminal Year Free Cash Flow	328,998141
WACC	7,36%
Terminal Value	5.394,20

Implied EV/Ebitda	
Enterprise value	6.651,02
Ebitda	561,17
	11,85213462 x

Appendix 9: DCF Worst case scenario

DCF VALUATION (worse scenario) Today: 31/10/2024	Historical period					CAGR	Projection, first stage		Projection, second stage					
									0	1	2	3	4	5
	2019	2020	2021	2022	2023		2023	2024	2025	2026	2027	2028	2029	2030
Sales	1183,03	1250,32	1512,08	1891,14	2118,03	15,67%	2.118,033	2.160,394	2.203,602	2.247,674	2.247,674	2.247,674	2.202,720	2.158,666
%Growth		5,69%	20,94%	25,07%	12,00%		12,00%	2,00%	2,00%	2,00%	0,00%	0,00%	-2,00%	-2,00%
EBITDA	192,61	207,61	285,84	289,67	353,63	16,40%	353,630	360,703	367,917	375,275	375,275	375,275	367,769	360,414
%margin	16,28%	16,60%	18,90%	15,32%	16,70%		16,70%	16,70%	16,70%	16,70%	16,70%	16,70%	16,70%	16,70%
Depreciation & amortiz	37,24	42,442	48,392	58,612	75,206		75,206	73,633	80,097	85,687	91,999	98,074	104,753	109,762
EBIT	155,37	165,17	237,45	231,06	278,42	15,70%	278,424	287,069	287,819	289,588	283,276	277,201	263,016	250,652
% margin	13,13%	13,21%	15,70%	12,22%	13,15%		13,15%	13,29%	13,06%	12,88%	12,60%	12,33%	11,94%	11,61%
Taxation					35,00%		35,00%	35,00%	35,00%	35,00%	35,00%	35,00%	35,00%	35,00%
NOPAT					180,9756		180,976	186,595	187,083	188,232	184,129	180,181	170,960	162,924
NOPAT CHANGES							3,11%	0,26%	0,61%	-2,18%	-2,14%	-5,12%	-4,70%	
Plus: Depreciation & Amortization					42,996		42,996	41,423	47,887	53,477	59,789	65,864	72,543	77,552
Less: Capital Expenditure					29,265		29,265	49,866	54,580	59,308	64,283	78,621	84,518	90,012
% of sales					1,38%		1,38%	2,31%	2,48%	2,64%	2,86%	3,50%	3,84%	4,17%
-/+ (Inc.)/Dec. In NWC					-37,573		-37,573	76,772	15,985	3,672	7,278	34,268	9,617	16,749
Unlevered Free Cash Flow					157,1336		157,134	254,924	196,375	186,073	186,914	201,691	168,603	167,213
WACC worse	7,36%													
						Discounting period			1,00	2,00	3,00	4,00	5,00	6,00
PV of Free Cash Flow								254,9241623	196,38	173,32	162,17	163,00	126,92	117,25

Enterprise Value	
Cumulative Present Value of FCF	**742,66**
Terminal year FCFF	117,25
Perpetual growth	2,50%
Present Value of Terminal Value	**2.473,88**
% of Enterprise Value	*76,91%*
Enterprise Value	**3.216,54**

Implied Equity Value and Share Price	
Enterprise Value	3.216,54
Less: Total Debt-Cash	-375,835
Less: Pension liabilities	69,677
Less: Minority interest	1,883
Implied Equity Value	**3.520,81**
Fully Diluted Shares Outstanding	37,278
Implied Share Price	**94,45**

Implied perpequity growth rate	
Terminal Year Free Cash Flow	168,6027818
WACC	7,36%
Terminal Value	2.473,88

Implied EV/Ebitda	
Enterprise value	3.216,54
Ebitda	367,77
	8,746072332 x

Last price	140,00 €
Gain/loss	-32,54%
Suggestion	Sell

Appendix 10 : DCF Long Period

DCF LONGER PERIOD

						0	1	2	
	HISTORICAL PERIOD					CONSENSUS			
	2019A	*2020A*	*2021A*	*2022A*	*2023A*	*2024A*	*2025A*	*2026A*	*2027A*
Sales	1183,03	1250,32	1512,08	1891,14	2118,03	2266,647	2480,906	2695,796	2921,959
%Growth		5,69%	20,94%	25,07%	12,00%	7,02%	9,45%	8,66%	8,39%
EBITDA	192,61	207,61	285,84	289,67	353,63	370,937	406,000	431,327	467,513
%margin	*13,1%*	*13,2%*	*15,7%*	*12,2%*	*13,1%*	16,37%	16,37%	16,00%	16,00%
D&A	37,24	42,44	48,39	58,61	75,21	73,633	80,097	85,687	91,999
EBIT	155,37	165,17	237,45	231,06	278,42	297,304	325,903	345,640	375,514
% margin	13,13%	13,21%	15,70%	12,22%	13,15%	13,12%	13,14%	12,82%	12,85%
Taxation					30,60%	30,40%	30,40%	30,40%	30,40%
NOPAT					193,22	206,923	226,828	240,566	261,358
No pat %						7,09%	9,62%	6,06%	8,64%
Plus: Depreciation & Amortization					43,00	41,423	47,887	53,477	59,789
Less: Capital Expenditure					29,27	49,866	54,580	59,308	64,283
% of sales					1,38%	2,20%	2,20%	2,20%	2,20%
-/+ (Inc.)/Dec. In NWC					-37,57	76,772	15,985	3,672	7,278
Unlevered Free Cash Flow					169,38127	275,252	236,121	238,407	264,142
WACC (beta euronext)					7,43%				
WACC (beta industry)					7,36%				

3	4	5	6	7	8	9	10	11	12	13
HISTORICAL GROWTH			LINEAR CONVERGENCE					TERMINAL GROWTH		
2028A	*2029A*	*2030A*	*2031A*	*2032A*	*2033A*	*2034A*	*2035A*	*2036A*	*2037A*	*2038A*
3387,206	3840,550	4197,036	4548,753	4929,944	5417,446	6022,145	6692,287	6859,594	7031,084	7206,861
15,92%	13,38%	9,28%	8,38%	8,38%	9,89%	11,16%	11,13%	2,50%	2,50%	2,50%
487,45	524,01	540,07	636,83	690,19	758,44	843,10	936,92	960,34	984,35	1008,96
15,50%	15,50%	15,00%	14,0%	14,0%	14,0%	14,0%	14,0%	14,0%	14,0%	14,0%
98,07	104,75	109,76	136,46	147,90	162,52	180,66	200,77	205,79	210,93	216,21
389,38	419,26	430,31	500,36	542,29	595,92	662,44	736,15	754,56	773,42	792,75
12,38%	12,40%	11,95%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%
30,40%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%	30,40%
271,01	291,80	299,49	348,25	377,44	414,76	461,06	512,36	525,17	538,30	551,76
3,69%	7,67%	2,64%	16,28%	8,38%	9,89%	11,16%	11,13%	2,50%	2,50%	2,50%
65,86	72,54	77,55	104,25	115,69	130,31	148,45	168,56	173,58	178,72	184,00
78,62	84,52	90,01	113,72	123,25	135,44	150,55	167,31	171,49	175,78	180,17
2,50%	2,50%	2,50%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%
34,27	9,62	16,75	17,17	17,60	18,04	18,49	18,95	19,42	19,91	20,41
292,52	289,45	303,78	355,95	387,47	427,67	477,44	532,56	546,68	561,15	575,99

Enterprise Value	
Cumulative Present Value of FCF	**3.061,54**
Terminal Value	
Terminal year FCFF	228,86
Perpetual growth	2,50%
Present Value of Terminal Value	**4.828,93**
% of Enterprise Value	*61,2%*
Enterprise Value	

Implied Equity Value and Share Price	
Enterprise Value	7.890,47
Less: Total Debt-Cash	-375,84
Less: Pension liabilities	69,68
Less: Minority interest	1,88
Implied Equity Value	8.194,75
Fully Diluted Shares Outstanding	37,28
Implied Share Price	219,83
Actual price	140,3
% upside or downside	56,68%

Implied share price Best						
	Perpetual growth					
	219,83	2,00%	2,25%	**2,50%**	2,75%	3,00%
WACC	7,96%	184,80	189,33	194,27	199,69	205,65
WACC	7,71%	193,50	198,58	204,15	210,28	217,06
WACC	**7,46%**	203,02	208,74	215,05	222,02	229,78
WACC	7,21%	213,47	219,95	227,12	235,10	244,02
WACC	6,96%	224,99	232,37	240,57	249,74	260,08

Appendix 11: WACC Calculation

WACC current target structure

A - COST OF EQUITY

1 - Risk-free rate (10y Bond)	
Current (Sep 2024)	3,48%
Avg 5y	2,47%
Avg 20y	

2 - Beta			
	FTSE MIB	**Euronext 100**	**Beta Industry**
	0,99	1,20	1,18

3 - ERP			
Damodaran Italy	7,81%	17-set-24	
Damodaran AAA Maturity market (USA and Europe)	4,60%	21-set-24	
Average	6,21%		
4 - CRP	**%**	**CRP**	**CRP Weighted**
Region 1	41,81%	3,05%	1,27%
Region 2	29,38%	0,24%	0,07%
Region 3	28,81%	1,52%	0,44%
	100%		1,78%

All figures in millions of l except for share items

B - COST OF DEBT

Kd	**4,65%**
Tc	**30,40%**
After tax	3,23%

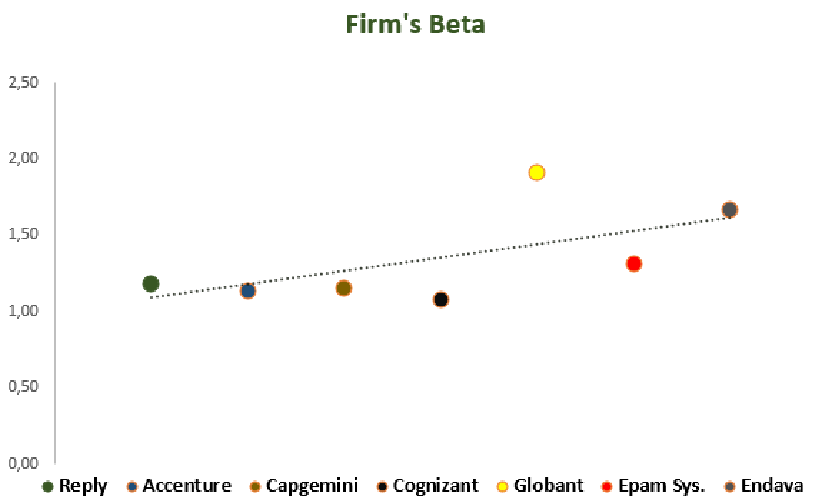
C - WACC

Current Capital structure		
Debt	211,482	
Cash & equivalents	366,628	
Mktp	5136,27	31/10/2024
Equity	1717,30	
Tax rate	30,40%	
Current EV	4981,124	
Current D+E	1928,79	
Target capital structure		
Target Debt/Equity	0,12	

METHOD 1 (BETA industry)	
Unlevered beta	**1,09**
Re-levered beta	**1,18**
Cost of equity	**10,00%**
Wacc	**7,36%**

WACC REPLY Management
8,09%

Appendix 12: Beta Reply and Peers



Appendix 13: Reply's Peers

Company	Headquarters	Core Business	Key Strengths
Accenture	Dublin, Ireland	IT and management consulting, outsourcing, and tech services including AI, cloud, and digital ops.	Global scale, industry-leading solutions, extensive partnerships.
Capgemini	Paris, France	IT consulting, digital transformation, cloud, AI, and software development.	End-to-end solutions; focus on sustainability and innovation.
Cognizant	Teaneck, USA	IT services, business process outsourcing, and digital transformation for enterprises.	Expertise in large-scale transformations and strong presence in healthcare and BFSI.
Globant	Buenos Aires, Argentina	IT consulting, software development, digital platforms, and AI-driven solutions.	Creative and engineering-focused, strong in digital experience and design.
EPAM Systems	Newtown, USA	Software engineering, platform development, and advanced digital solutions.	Engineering depth; focus on emerging tech and niche platforms.
Endava	London, UK	IT consulting, agile development, and digital innovation for enterprises.	Agile delivery, strong client collaboration, focus on fintech and payments.

Appendix.14: Target Price Multiples

	Price	Weight	
EV/SALES	147,50 €	35%	51,63 €
EV/EBITDA	138,19 €	30%	41,46 €
PE	123,04 €	10%	12,30 €
EV/EBIT	136,12 €	25%	34,03 €
Target Price			**139,41 €**

EV/EBITDA MULTIPLE

	2024E	2025E	2026E
Average	13,33	12,07	10,64
Target EV	4945,32	4902,00	4590,88
Target MKT Cap	5151,37	5108,05	4796,93
Target Price	138,19	137,03	128,68

PE MULTIPLE

	2024E	2025E	2026E
Average	20,94	18,48	14,80
Target Price	123,04	120,18	102,69

EV/SALES MULTIPLE

	2024E	2025E	2026E
Average	2,33	2,18	1,97
Target EV	5292,50	5408,60	5319,42
Target MKT Cap	5498,55	5614,65	5525,47
Target Price	147,50	150,62	148,22

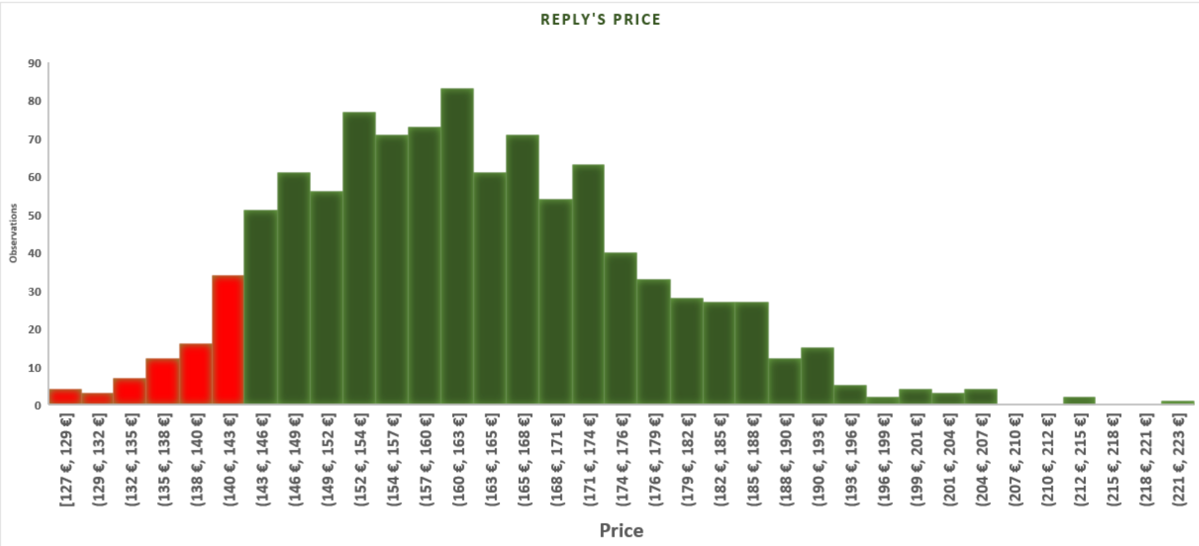
EV/EBIT MULTIPLE

	2024E	2025E	2026E
Average	16,37	14,71	12,79
Target EV	4868,09	4792,84	4420,07
Target MKT Cap	5074,14	4998,89	4626,12
Target Price	136,12	134,10	124,10

EV/opFCF MULTIPLE

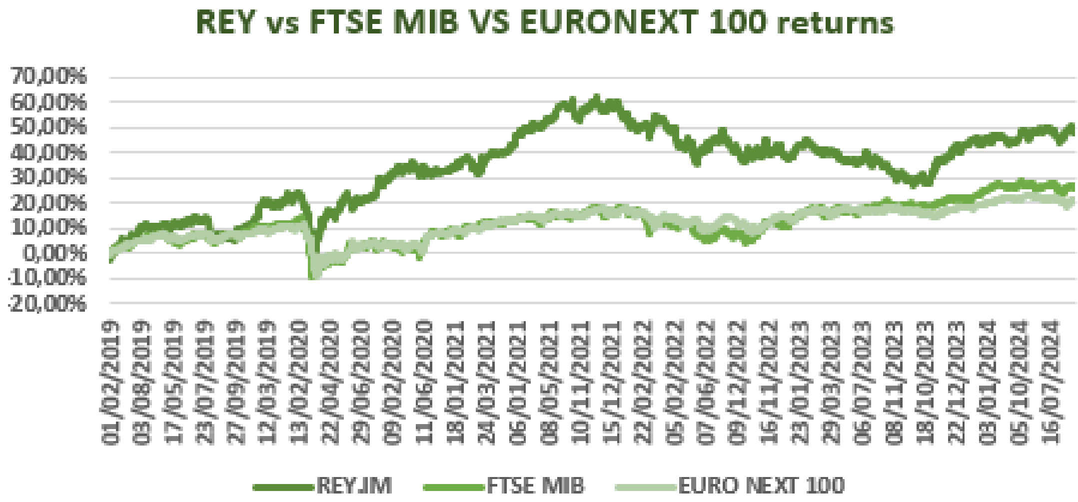
	2024E	2025E	2026E
Average	14,96	13,82	12,10
Target EV	4802,32	4857,90	4502,16
Target MKT Cap	5008,37	5063,95	4708,21
Target Price	134,35	135,84	126,30

Appendix 15: Montecarlo simulation

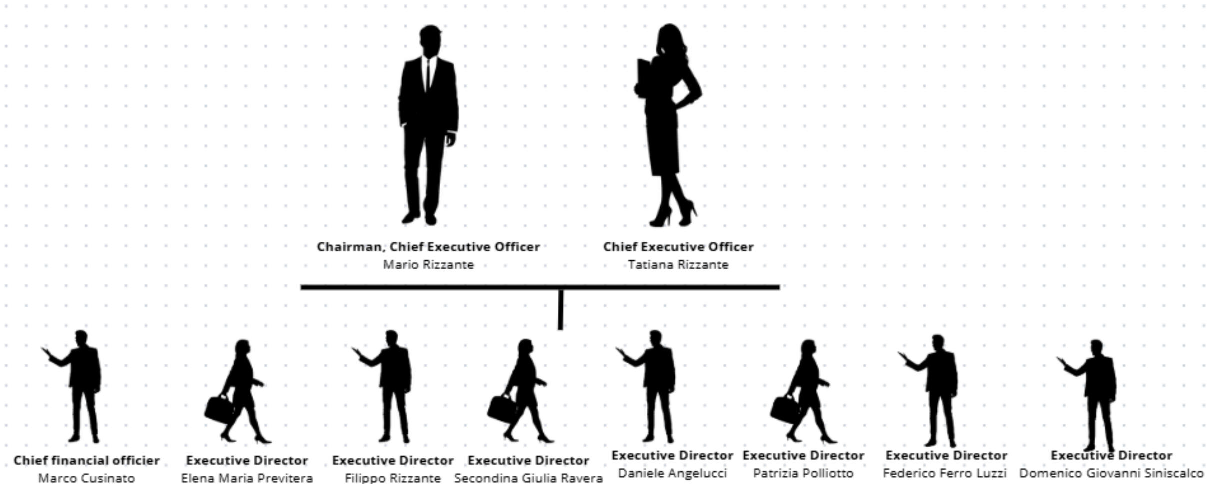


Sell	Buy
7,40%	92,60%

Appendix 16: Historical Performance



<u>Appendix.17: Reply's Board of Director</u>



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