

Reway Group SPA

Sector: Infrastructures maintenance and reparation



Sound FY23 results to celebrate IPO anniversary

Reway Group (RWG) is a leading Italian company active in viaduct, tunnel and bridges rehabilitation, installation of safety and sound-absorbing barriers, seismic upgrading, and various other activities related to extraordinary maintenance of highways / roads.

One year since the IPO: Well done

In March 2023, Reway Group made its debut on the EGM. Since IPO, we believe news flow has been pretty good: 1) Corporate development. The acquisition of Gema stands out as one of the most significant transactions of EGM during 2023, and marks RWG's entry into the "high margins" Railway infrastructures maintenance and reparation market, while bolstering its certification portfolio which is the real entry barrier in the railways sector; 2) Business development. RWG has proven its ability to expand its order portfolio, with our estimates suggesting it is on the brink of reaching €1bn backlog, of which roughly 1/3 related to the newly acquired Gema.

FY23: VoP / Backlog in line, margins and cash outperform

FY23 came in substantially line with our expectations in terms of top line and order intake, while margins were a bit above our estimates, positively affected by most lucrative yearly works executed in 2H23. Net Financial Position stood at €-34.6mn (i.e., Net Debt), temporarily burdened by ca. €48.6mn Gema Trade Receivables due to be cashed in by 2025E and only partially offset by ca. €14mn cash endowment to finance working capital.

2024E-25E Estimates revised upward

We are changing our 2024E-25E estimates (and adding 26E) to take into account of the updated backlog figures and recent news flow. Our new 2024E-26E estimates are: 1) Revenues up at 23.9% CAGR23-26E, to ca. €251mn in 2025E; 2) EBITDA and EBIT margins at 21.4% and 19.6% respectively in 2025E; 3) Net Financial Position reaching break-even in 2026E, thanks to €48.6mn receivables cash-in within FY25E, as well as cumulative €39.4mn Net Cash Generated in the forecast period.

Fair value at €6.90 per share (from €6.33)

Taking into account the updated estimates and peers multiples rerating, we update our **fair value at €6.90 per share** (from €6.33), as average of DCF (€7.50 p.s.) and Peers' analysis (€6.29 p.s.). At fair value, Reway Group would trade at 7.0x EV/EBITDA, 9.3x EV/EBIT, 11.5x Adj. P/E 2024E multiples.

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Fair Value (€) **6.90**

Market Price (€) **5.20**

Market Cap. (€m) **200.2**

KEY FINANCIALS (€m)	2023	2024E	2025E
VALUE OF PRODUCTION	132.3	199.6	230.7
EBITDA	26.4	42.4	49.3
EBIT	22.2	32.0	39.4
NET PROFIT	13.9	19.1	24.6
OPFCF a.t.	-17.2	25.3	23.2
NET INV. CAP.	124.1	121.5	126.0
EQUITY	89.5	90.5	115.2
NET FIN. POS.	-34.6	-30.9	-10.9

Source: Reway Group S.p.A. (historical figures), Value Track (2023E-24E estimates),

KEY RATIOS	2023	2024E	2025E
EBITDA MARGIN (%)	20.0	21.2	21.4
EBIT MARGIN (%)	18.1	18.9	19.6
NET DEBT / EBITDA (x)	1.3	0.7	0.2
NET DEBT / EQUITY (x)	0.4	0.3	0.1
EV/SALES (x)	1.5(*)	1.2	1.0
EV/EBITDA (x)	7.0(*)	5.7	4.5
EV/EBIT (x)	8.5(*)	6.3	4.9
P/E ADJ. (x)	9.2(*)	9.0	7.3

Source: Reway Group S.p.A. (historical figures), Value Track (2023E-24E estimates) (*)12 months Gema

STOCK DATA

FAIR VALUE (€)	6.90
MARKET PRICE (€)	5.20
SHS. OUT. (m)	38.5
MARKET CAP. (€m)	200.2
FREE FLOAT (%)	16.8
AVG. -20D VOL. ('000)	23,225
RIC / BBG	RWY.MI / RWY.IM
52 WK RANGE	3.16-5.42

Source: Stock Market Data



Business Description

Reway Group (RWG) is a leading Italian company active in: 1) Viaduct and tunnel rehabilitation; 2) Installation of safety and sound-absorbing barriers; 3) Seismic upgrading of viaducts; 4) Various other activities related to extraordinary maintenance of highways / roads.

RWG is the only Italian player covering all stages of the restoration chain and offering a “One stop shop” service, highly valued from clients who only have to deal with a single counterpart.

Key Financials

€mn	2023	2024E	2025E	2026E
Net Revenues	124.6	198.6	229.7	250.4
Chg. % YoY	35.3%	nm	15.7%	9.0%
EBITDA	26.4	42.4	49.3	53.5
EBITDA Margin (%)	21.2%	21.3%	21.5%	21.4%
EBIT	22.2	32.0	39.4	42.6
EBIT Margin (%)	17.8%	16.1%	17.2%	17.0%
Net Profit	13.9	19.1	24.6	27.4
Chg. % YoY	65.8%	nm	28.8%	11.1%
Adjusted Net Profit	15.7	23.2	28.7	31.4
Chg. % YoY	51.1%	nm	23.7%	9.6%
Net Fin. Position	-34.6	-30.9	-10.9	4.8
Net Fin. Pos. / EBITDA (x)	1.3	0.7	0.2	nm
Capex	-6.0	-6.5	-7.5	-10.1
OpFCF b.t.	-10.4	35.5	35.8	31.8
OpFCF b.t. as % of EBITDA	-39.3%	83.7%	72.5%	59.4%

Source: Reway Group SpA (historical figures), Value Track (estimates), (*) Gema 12 months

Investment case

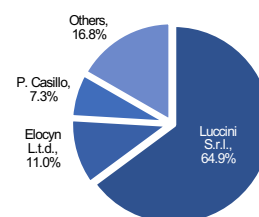
Strengths / Opportunities

- ◆ High visibility of future business resulting from the combination of market growth rate and works assignment defined on good notice;
- ◆ Strongly cash generative business model with low capital requirements;
- ◆ Italian road infrastructure benefitting from multi-year investment plans.

Weaknesses / Risks

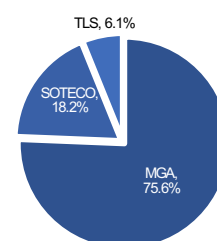
- ◆ Revenue concentration on a very few clients, with top 3 customers accounting for ca. 95% of FY22PF revenues;
- ◆ Limited operating leverage due to the high incidence of costs that are proportional to VoP;
- ◆ Exposure to volatility of raw materials prices (20% of VoP).

Shareholders Structure



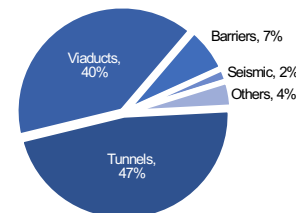
Source: Reway Group SpA

FY22 Revenues by geography



Source: Reway Group SpA

FY22 Revenues by business line



Source: Reway Group SpA

Stock multiples @ €6.90 Fair Value

	2024E	2025E
EV / SALES (x)	1.5	1.2
EV / EBITDA (x)	7.0	5.6
EV / EBIT (x)	9.3	7.0
EV / CAP.EMP. (x)	2.4	2.2
OpFCF Yield (%)	12.0	12.9
P / E Adj. (x)	11.5	9.3
P / BV (x)	2.9	2.3
Div. Yield. (%)	0.0	0.0

Source: Value Track

One year after the IPO: so far so good

In **March 2023**, Reway Group made its debut on the Euronext Growth Milan. Just over a year following RWG's initial public offering, we believe news flow is pretty good from both a corporate and business development point of view.

1# Corporate development. The acquisition of Gema stands out as one of the most significant transactions of EGM during 2023, and marks RWG's entry into the "high margins" Railway infrastructures maintenance and reparation market, while bolstering its certification portfolio (SOA and RFI-SQ), which is the real entry barrier in the railways sector;

2# Business development. RWG has demonstrated ability to expand its order portfolio, with our estimates suggesting it is on the brink of reaching €1bn backlog, of which roughly 1/3 should be related to the newly acquired Gema.

1# Gema S.p.A. acquisition: a complex, yet highly valuable deal

Signing and rationale

In **October 2023**, RWG has signed the acquisition of a 70% stake of Gema SpA, Italian-based player active in the design, construction, and maintenance of large civil and industrial projects, with a focus on railway infrastructures. By doing so, RWG has entered into the "high margins" Railway infrastructures maintenance and reparation market and has gained a noteworthy certification portfolio (SOA and RFI-SQ), which is the real entry barrier in the railways sector.

1st step: closing of the 70% stake acquisition

In **November 2023**, RWG completed the acquisition under the following terms.

- ◆ Entirely cash made purchase of 70% of Gema share capital for a price of ca. **€63mn**, implying a Total Equity Value of €90mn for the 100% of the Target's share capital;
- ◆ Up to €47mn further cash out related to Trade Receivables due to be cashed in in 2024E, and contextually to their actual cash in, to be pari-passu transferred to the seller;
- ◆ An additional cash endowment of €14mn to finance working capital;
- ◆ Put & Call option on the remaining 30% of share capital, implying a cash out of €27mn.

2nd step: early exercise of the P&C option and €24.3mn price adjustment

In **March 2024**, RWG has declared its will to expedite the acquisition of the residual 30% minority interest, by no later than May 30, 2024, ahead of the originally scheduled date in 2026.

The second part of the transaction will boast the following terms:

- ◆ The cost for the minority stake acquisition remains substantially fixed at €26.2mn;
- ◆ Additionally, RWG has successfully renegotiated certain financial aspects of the agreement, referred to as the Price Adjustment. Notably, Gema is expected to collect approximately €48.6mn in trade receivables in 2024, which RWG had initially agreed to distribute to the seller on a proportional basis upon receipt. Under the revised terms, RWG will now only transfer 50% of these receivables to the seller, thereby **retaining an unexpected €24.3mn in cash**.

In summary, the overall transaction results in the following:

- ◆ Gema's EV at €89.2mn, i.e. €63mn for the 70% stake and €26.2mn for the remaining interest;
- ◆ Gema's Adj. EV at €64.9mn, factoring additional €24.3mn to be cashed in during the FY2024.

2# Outstanding order intake

Business wise, RWG has demonstrated a remarkable ability to expand its order portfolio, with our estimates suggesting it is on the brink of reaching €1bn backlog, of which roughly 1/3 should be related to the newly acquired Gema.

Indeed, since its IPO, RWG has announced the acquisition of key contracts totalling €337mn.

In our view, three implications arise from the analysis of this substantial order book:

- 1) RWG confirms being the right company at the right time, within a market that is, and will continue to be, subject to a significant investment cycle aimed at the rehabilitation of the country's infrastructures. Note that all major operators (ANAS, RFI, Autostrade per l'Italia) have confirmed higher investment forecasts for the coming years;
- 2) With €84mn in orders secured shortly after its integration into the group, Gema is already showing greater order acquisition capability than expected, confirming also the solid rationale of the transaction;
- 3) Reway is further diversifying its business by venturing into new, adjacent fields, such as receiving its first order in the design and construction of infrastructure projects, as well as in routine railway maintenance areas (note that RWG has, until now, exclusively focused on extraordinary maintenance).

Reway Group: Main Orders acquired

Date	Contract Value (€mn)	Subsidiary	Client	Type
Apr 2023	123	TLS	ASPI	Restoration of viaducts/tunnels
Dec 2023	35	SOTECO	Steelconcrete	Installation of barriers
Jan 2024	62	MGA	ANAS	Design and construction
Feb 2024	33	MGA	Webuild	Highway restoration
Mar 2024	84	GEMA	RFI	Ordinary / extraordinary maintenance
TOTAL	337			

Source: Reway Group, Value Track Analysis

FY2023 Results: Margins above estimates

Introduction

RWG's FY23 results came out broadly in line with our estimates in terms of top line, demonstrating robust organic growth complemented to a lesser extent by external growth, as Gema's was consolidated from 21 November 2023.

Margins delivered a positive surprise, buoyed by a focus on higher-value-added projects (e.g., tunnel rehabilitation) in the second half of the year.

Cash generation was impacted by both capital expenditures and the accounting effect of the deal, which resulted in the recognition of approximately €48.6mn in trade receivables that are expected to be progressively cleared.

Orders intake and backlog

Reway Group FY23 order intake and net backlog in-house (namely secured future revenues from already won-tenders) as of 30 December 2023, came out closely in line to our full year's estimates.

- ◆ Order intake stood at €421mn (est. €424mn);
- ◆ Net backlog (considering orders already delivered) at €818mn (est. €821mn).

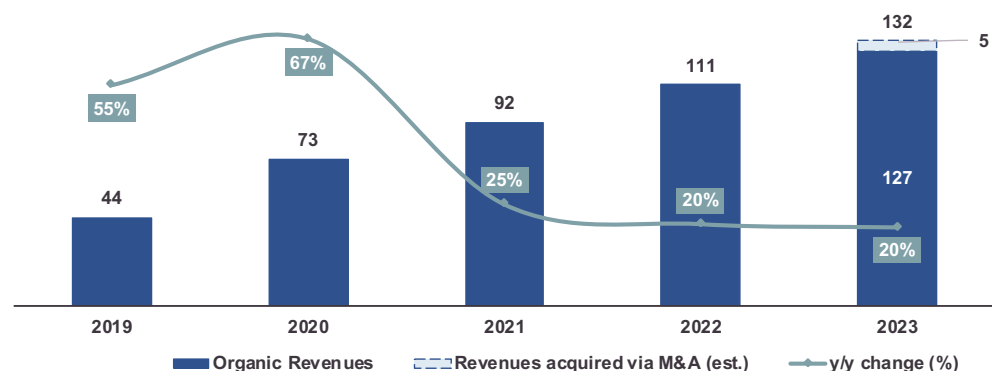
VoP +19.7% in line with our estimates

FY23 Value of Production stood at €132.3mn (+19.7% y/y), result of both organic growth and the consolidation of the economic data of the subsidiary Gema S.p.A. from 21 November 2023 (which we estimate to account for ca. 5%).

The consolidated Value of Production includes:

- ◆ €124.6mn Sales revenues, with a substantially unchanged mix (detailed in the table below);
- ◆ €2.4mn WIP, typical for the company's business model;
- ◆ €1.8mn Internally Generated Fixed Assets, related to internal R&D projects;
- ◆ €3.4mn Other Revenues, primarily derived from charges for personnel secondment, rentals of company-owned machinery to other entities, and, to a lesser extent, grants associated with investment incentives for the acquisition of interconnected and automated machinery categorized as "Industry 4.0" assets.

Reway Group: Revenues from Sales evolution FY19-FY23



Source: Value Track Analysis

Margins positively affected by most lucrative yearly works executed in 2H23

- ◆ **FY23 EBITDA amounted to €26.4mn** (+34.7% y/y), with **EBITDA margin reaching the 20.0% threshold** (+226bps) driven by the focus on higher-value-added projects (e.g., tunnel rehabilitation), executed mainly in the second half of the year in response to institutional and regulatory push aimed at reducing traffic congestion during peak periods.
- ◆ On the **cost side**, we observe a reshuffling due to an increased reliance on subcontracting, driven by the need to manage the substantial order intake received. This has resulted in a significant rise in the cost of Rent (12.0% of VoP; 9.3% in FY22), offset by a decrease in the incidence of Labour Costs (27.6% of VoP; 29.1% in FY22) and Raw Materials Costs (23.5% of VoP; 25.8% in FY22), as resources are typically supplied by subcontractors.
- ◆ **FY23 EBIT stood at €22.2mn** (+34.7% y/y), with EBIT Margin improving at 16.8% (+62bps) despite growing less than proportionally due to higher incidence of D&A related to significant investments in tangible assets, as well as goodwill generated by the acquisition of minority shares in MGA, Soteco, TLS, as well as the acquisition of a 70% stake in Gema (pro-quota);
- ◆ **FY23 Net profit stood at €13.9mn** (+19.9% y/y), as a results of the above, together with higher financial charges related to an increased debt level (+€611k y/y) and lower tax rate at ca. 32% (vs. 34% in FY22). Noteworthy, as the €600k minorities will not be distributed and the remaining share of Gema is set to be acquired shortly, these funds will be retained within the company, thereby contributing to the build-up of RWG's Equity.

Reway Group: Profit & Loss FY21 – FY22 – FY23

(€mn)	2021	2022	2023	Δ YoY
Value of Production	91.8	110.5	132.3	19.7%
Raw Materials, Δ Inventory (Finished Goods)	-17.7	-28.5	-31.1	8.9%
Gross Profit	74.1	82.0	101.2	23.4%
Gross Margin (%)	80.7%	74.2%	76.5%	233bps
Costs of Services	-28.7	-32.2	-36.5	13.2%
Costs of Rent	-10.5	-10.3	-15.9	53.9%
G&A	-0.6	-1.1	-0.5	-50.8%
Labour Costs	-17.4	-18.8	-21.9	16.4%
EBITDA	16.9	19.6	26.4	35.0%
EBITDA Margin (%)	18.4%	17.7%	20.0%	226bps
D&A (excl. goodwill)	-1.9	-1.5	-3.7	147.6%
Provisions	0.0	-0.2	-0.5	133.2%
EBIT	15.0	19.5	23.9	22.5%
EBIT Margin (%)	16.4%	17.7%	18.1%	42bps
Goodwill amortization	-2.0	-1.7	-1.7	3.7%
EBIT	13.1	17.9	22.2	24.3%
Interest Expenses	-0.1	-0.2	-0.8	342.7%
Pre-Tax Profit	12.9	17.7	21.4	21.0%
Taxes	-4.5	-6.1	-6.8	12.6%
Group Net Profit	8.4	11.6	13.9	19.9%
Minorities	0.0	0.0	-0.6	nm
Net Profit	8.4	11.6	13.9	19.9%
Adjusted Net Profit	9.2%	10.5%	10.5%	2bps

Source: Reway Group, Value Track Analysis

Cash Flow & Balance Sheet

Cash Flow and Balance Sheet are significantly affected by the full consolidation of Gema S.p.A. as of 31 December 2023. More in specific, we highlight:

- ◆ **Net fixed assets at €73.5mn**, an increase compared to €22.9mn as of Dec 2022, with the difference primarily attributable to ca. €58mn goodwill-related accounting effect;
- ◆ **Working capital at €78.6.mn** (vs. €21.2mn in Dec 2022), including ca. €48.6mn trade receivables stemming from Gema transaction and due to be cashed in 2024E;
- ◆ **Provision at €28.1mn** vs €1.6mn as of Dec 2022, with this exceptional value amount being mainly composed by ca. €24mn price adjustment, recognized as a “contingency” and therefore excluded from the reported Net Debt;
- ◆ **Reported Net Debt standing at €34.6mn** vs Net Debt of €3.9mn as of Dec 2022, as a results of the Gema deal and related effects and post €18.1mn net IPO proceeds.

Reway Group: Balance Sheet FY21 – FY22 – FY23

(€mn)	2021	2022	2023
Net Fixed Assets (incl. Goodwill)	23.6	22.9	73.5
Net Working Capital	19.1	21.2	78.6
Provisions	1.6	1.6	28.1
Total Capital Employed	41.1	42.6	124.1
Group Net Equity	32.3	38.7	89.5
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-8.8	-3.9	-34.6

Source: Reway Group, Value Track Analysis

Reway Group: Cash Flow Statement FY21 – FY22 – FY23

(€mn)	2021	2022	2023
EBITDA	16.9	19.6	26.4
Δ NWC	-7.5	-2.1	-57.4
Capex (excl. Financial Inv.)	-1.5	-3.3	-6.0
Δ Provisions	0.6	0.0	26.5
OpFCF b.t.	8.5	14.1	-10.4
As a % of EBITDA	50.2%	71.9%	-39.3%
Cash Taxes	-4.5	-6.1	-6.8
OpFCF a.t.	3.9	8.0	-17.2
Capital Injections	-1.3	0.0	18.1
Others (incl. Financial Inv.)	-0.6	0.4	-30.8
Net Financial Charges	-0.1	-0.2	-0.8
Dividends Paid	-6.4	-3.3	0.0
Δ Net Financial Position	-4.5	4.9	-30.7
Net Financial Position	-8.8	-3.9	-34.6

Source: Reway Group, Value Track Analysis

2023E-26E Estimates revision

We are changing our 2024E-25E estimates (and adding 26E) to take into account of the updated backlog figures and recent news flow. As a result, the RWG's projected earnings and FCF outlook compares to previous forecasts as follows:

- ◆ **Higher Backlog supporting future revenues**, now expected to grow at a 23.9% CAGR 2023-26E and reaching €251.4mn at the end of forecast period. This growth is driven by existing >€900mn net backlog and more than €1bn to be received in the following three years;
- ◆ **Improving Profitability**, thanks to Gema's positive contribution on margins: EBITDA - EBIT margin at ca. 21.4 % - 19.6% in FY25E, leading to €49.3mn - €45.2mn EBITDA - EBIT respectively;
- ◆ **Net Debt at €30.9 in FY24E**, factoring cumulative €64.9mn acquisition cash-out (net of price adjustment); deleveraging is expected to occur rapidly, thanks to €48.6mn receivables cash-in within FY25E, as well as cumulative €39.4mn Net Cash Generated in the forecast period.

Reported EBIT and Net Profit for FY23-25E are impacted by approximately €5.8mn/year in non-tax-deductible goodwill related to MGA's and Gema's acquisitions, while EBITA (or Adjusted EBIT before goodwill) and Adjusted Net Profit estimates remain unaffected by these non-cash accounting items.

Reway Group: Old vs. New Estimates 24A-25E

€mn	2024E			2025E		
	Old	New	Δ(%)	Old	New	Δ(%)
Total Revenues	198.6	198.6	0.0%	218.3	229.7	5.2%
EBITDA	42.4	42.4	0.1%	46.8	49.3	5.4%
<i>EBITDA Margin (%)</i>	<i>21.2%</i>	<i>21.2%</i>	<i>2bps</i>	<i>21.3%</i>	<i>21.4%</i>	<i>3bps</i>
EBIT	37.8	37.8	0.1%	42.7	45.2	5.8%
<i>EBIT Margin (%)</i>	<i>18.9%</i>	<i>18.9%</i>	<i>2bps</i>	<i>19.5%</i>	<i>19.6%</i>	<i>11bps</i>
Net Profit Adj.	19.2	23.2	21.0%	23.0	28.7	24.4%
<i>Net Margin Adj. (%)</i>	<i>9.6%</i>	<i>11.6%</i>	<i>201bps</i>	<i>10.5%</i>	<i>12.4%</i>	<i>192bps</i>
Net Fin. Position	-41.9	-30.9	11.0	-14.9	-10.9	4.0

Source: Value Track Analysis

Reway Group (New Perimeter): Backlog and Orders' intake evolution 2023-25E

(€mn)	2023	2024E	2025E	2026E
Backlog BoP (Beginning of Period)	572.0	818.5	947.3	1,068.6
(+) Orders Intake	420.5	327.5	351.0	370.8
Book-to-Bill	2.42	1.65	1.53	1.48
(-) Orders Delivered (*)	-174.0	-198.6	-229.7	-250.4
Backlog EoP (End of Period)	818.5	947.3	1,068.6	1,189.0

Source: Value Track analysis, (*) = Value of Production

Reway Group: Profit & Loss 2023-25E

(€mn)	2023	2024E	2025E	2026E
Value of Production	132.3	199.6	230.7	251.4
Raw Materials, Δ Inventory (Finished Goods)	-31.1	-46.9	-56.5	-62.8
Gross Profit	101.2	152.8	174.2	188.5
Gross Margin (%)	76.5%	76.5%	75.5%	75.0%
Costs of Services	-36.5	-55.0	-63.6	-67.9
Costs of Rent	-15.9	-20.0	-20.8	-23.3
G&A	-0.5	-1.9	-2.2	-2.5
Labour Costs	-21.9	-33.4	-38.0	-41.4
EBITDA	26.4	42.4	49.6	53.5
EBITDA Margin (%)	20.0%	21.2%	21.5%	21.3%
D&A (excl. goodwill)	-3.7	-3.9	-4.1	-5.1
Provisions	-0.5	-0.7	0.0	0.0
EBITA	23.9	37.8	45.2	48.4
EBITA Margin (%)	18.1%	18.9%	19.6%	19.3%
Goodwill amortization	-1.7	-5.8	-5.8	-5.8
EBIT	22.2	32.0	39.4	42.6
Interest Expenses	-0.8	-2.7	-2.3	-1.6
Pre-Tax Profit	21.4	29.3	37.1	41.1
Taxes	-6.8	-10.2	-12.5	-13.7
Minorities	-0.6	0.0	0.0	0.0
Net Profit	13.9	19.1	24.6	27.4
Adjusted Net Profit	15.7	23.2	28.7	31.4

Source: Reway Group, Value Track Analysis

Reway Group: Balance Sheet 2023-25E

(€mn, IT GAAP)	2023	2024E	2025E	2026E
Net Fixed Assets (incl. Goodwill)	73.5	70.5	69.0	69.1
Net Working Capital	78.6	56.3	63.1	75.5
Provisions	28.1	5.4	6.0	6.8
Total Capital Employed	124.1	121.5	126.0	137.8
Group Net Equity	89.5	90.5	115.2	142.5
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-34.6	-30.9	-10.9	4.8

Source: Reway Group, Value Track Analysis

Reway Group: Cash Flow Statement 2023-25E

(€mn)	2023	2024E	2025E	2026E
EBITDA	26.4	42.4	49.3	53.5
Δ NWC	-57.4	22.3	-6.8	-12.4
Capex (excl. Financial Inv.)	-6.0	-6.5	-7.5	-10.1
Δ Provisions	26.5	-22.7	0.7	0.8
OpFCF b.t.	-10.4	35.5	35.8	31.8
As a % of EBITDA	-39.3%	83.7%	72.5%	59.4%
Cash Taxes	-6.8	-10.2	-12.5	-13.7
OpFCF a.t.	-17.2	25.3	23.2	18.1
Capital Injections	18.1	0.0	0.0	0.0
Others (incl. Financial Inv.)	-30.8	-18.9	-0.9	-0.9
Net Financial Charges	-0.8	-2.7	-2.3	-1.6
Dividends Paid	0.0	0.0	0.0	0.0
Δ Net Financial Position	-30.7	3.7	20.1	15.6
Net Financial Position	-34.6	-30.9	-10.9	4.8

Source: Reway Group, Value Track Analysis

Valuation Update

Taking into account updated RWG's financial forecasts and comparable stocks' rerating, we update our **fair value at €6.90 p.s.** (from €6.33), as average of DCF based fair value (€7.50 p.s.) and Peers' based analysis (€6.29 p.s.).

At €6.90 fair value, RWG would trade at **7.0x EV/EBITDA, 9.3x EV/EBIT, 11.5x Adj. P/E 2024E** multiples, at discount vs. peers on P/E Adj, at premium on EV/EBITDA, in line on EV/EBIT.

Reway Group: Valuation Summary

Valuation Methodologies	Fair Equity Value (€mn)	Fair Equity Value p.s. (€)
DCF Model	288.9	7.50
Current Market Multiples	242.3	6.29
Fair Equity Value (avg.)	265.6	6.90

Source: Value Track Analysis

Reway Group stock multiples at current market price and at fair value

Per Share	EV/Sales			EV/EBITDA			EV/EBIT			P/E Adj.		
	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
€ 5.20	1.19	0.95	0.81	5.7	4.5	3.8	7.5	5.6	4.8	9.0	7.3	6.6
€ 6.90	1.49	1.20	1.04	7.0	5.6	4.9	9.3	7.0	6.1	11.5	9.3	8.5

Source: Value Track Analysis

Discounted Cash Flow Model

Our DCF model is built on a "Rolling capital structure" with WACC 2024 at 9.0%, then progressively increasing up to 9.6% (Ke), based on the following assumptions:

- ◆ 2024E - 30E time horizon for explicit forecasts;
- ◆ 2.0% Risk Free Rate in line with medium term inflation target;
- ◆ Unlevered Beta at 0.82, (Source: Damodaran web site, Construction / Engineering companies);
- ◆ Implied Italian Equity Risk premium at 5.6% (Source: Damodaran web site, Jan '24 Update);
- ◆ 3.0% Company specific Risk Premium (2.5% small-size + 0.5% client concentration);
- ◆ 5.0% Pre-Tax Cost of Debt, with higher debt level supported by an optimal interest coverage ratio;
- ◆ 2.0% Perpetuity Growth Rate ("g").

Reway Group: DCF Model with Rolling Capital Structure

(€mn, g = 2.0%)	(€mn)
PV of Future Cash-Flows 2024E-2030E	144.8
PV of Terminal Value 2030E	205.7
Fair Enterprise Value	350.5
Net Financial Position 2023	-34.6
Minorities, Other Liabilities / Assets	-27.0 (*)
100% Fair Equity Value	288.9
Fair Equity Value per share (€)	7.50

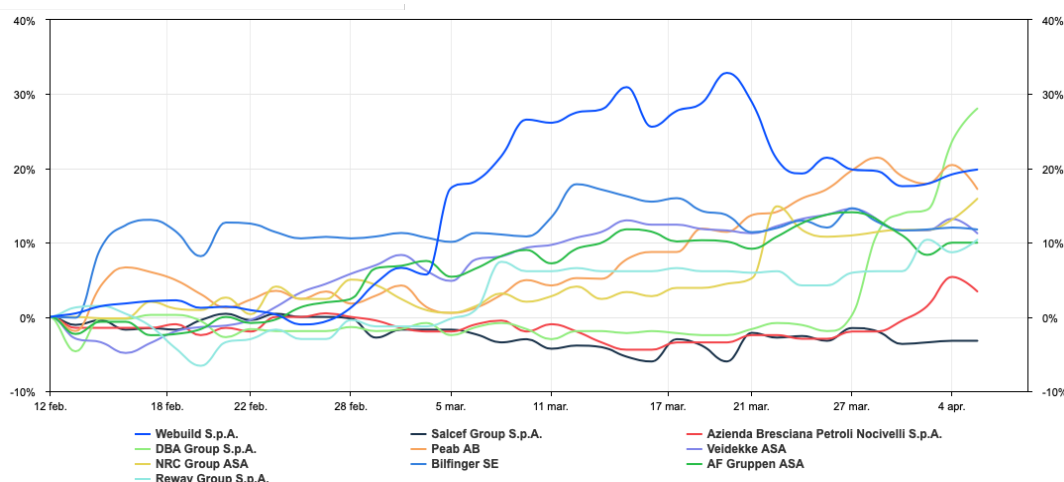
Source: Value Track Analysis (*) 30% of Gema to be acquired in 1H24

Peers' current stock multiples

Since our February valuation update, there has been a re-rating of multiples among selected companies, driven up by the combination of stock price increase (ca. +12%) and substantially confirmed estimates, especially for international peers and with AF Gruppen being the sole outlier.

We set as “fair” 2024E multiple the average value derived from the two - unchanged - clusters and EV/EBIT as the most relevant multiple, capable of capturing operational profitability while guaranteeing an easier comparison among peers for which the calculation of EBITA isn't always so straightforward. Such analysis leads to calculate RWG **fair Equity Value** per share at **€6.29**, which would imply RWG to trade at 6.4x, 8.5x, 10.4x EV/EBITDA, EV/EBIT, P/E Adj 2024 respectively.

Comparables stocks performance (since February)



Source: Market Screener, Value Track Analysis

Reway Group: Peers' Trading Multiples

Peers	Mkt Cap (€mn)	EV / EBITDA (x)		EV / EBIT (x)		P / E Adj. (x)	
		2024E	2025E	2024E	2025E	2024E	2025E
Domestic Peers							
Webuild	2,236	1.7	1.5	2.9	2.4	11.2	9.7
Salcef	1,379	8.2	7.2	12.2	10.4	17.6	15.2
A.B.P. Nocivelli	125	5.1	4.2	5.8	4.7	12.3	10.8
DBA Group	26	3.4	2.8	5.9	4.6	6.2	5.2
Average		4.6	3.9	6.7	5.5	11.8	10.2
Median		4.3	3.5	5.9	4.7	11.8	10.2
International Peers							
Peab	1,608	7.0	7.6	12.9	13.5	13.9	12.4
Veidekke	1,334	5.4	5.1	9.3	8.8	13.6	12.8
NRC Group	80	4.7	3.8	10.9	7.8	17.4	9.0
Bilfinger	1,611	3.9	3.3	5.5	4.5	11.0	9.2
AF Gruppen	1,249	8.0	7.4	11.4	10.4	18.1	16.7
Average		5.8	5.4	10.0	9.0	14.8	12.0
Median		5.4	5.1	10.9	8.8	13.9	12.4
Total Average		5.3	4.8	8.5	7.5	13.5	11.2
Total Median		5.1	4.2	9.3	7.8	13.6	10.8

Source: Market Consensus, Value Track Analysis

Cross Check - Historical Peers' Multiples

Consistent with the analysis conducted in our April 2023 Initiation of Coverage, we undertake a cross-check of the historical multiples for our selected peer cluster, now including the closure of the FY23 year.

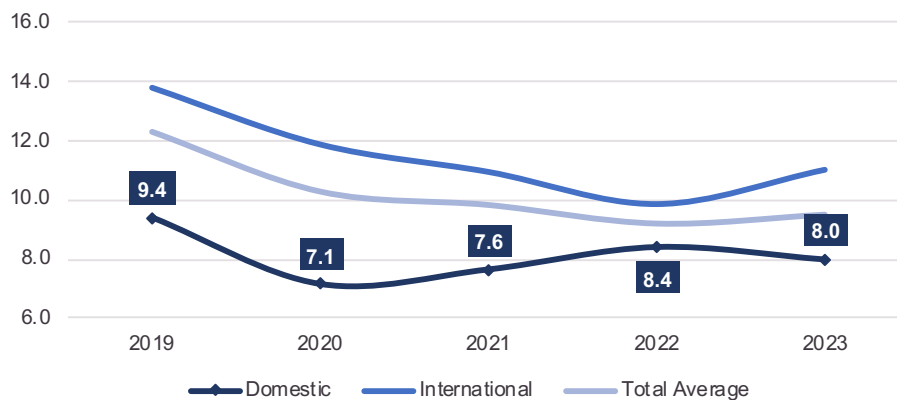
Although this cluster has been slightly updated over time, it still provides insights into the evolving trends of sector multiples, and we find it beneficial to use it as an additional tool to reinforce our valuation.

We take into account:

- ◆ Peers' FYO stock trading multiples from 2019 to 2023;
- ◆ EV/EBIT and Adj. P/E as most correct multiples;
- ◆ Domestic peers (historically trading at ca. 20% discount vs. international comparables) as appropriate reference ones given RWG small size and focus on Italian clients.

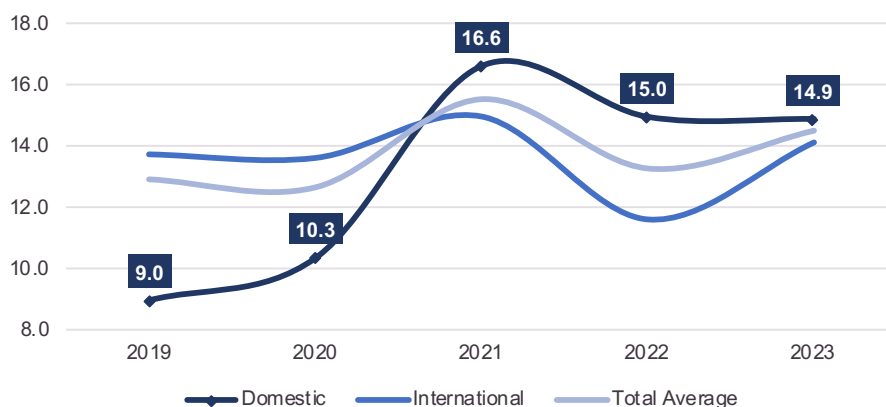
The result of these assumptions is 8.1x EV/EBIT and 13.1x Adj. P/E "fair" multiples, largely supportive of our implied multiples at fair value.

Reway Group: Peers' Historical EV/EBIT multiple evolution



Source: Market Consensus, Value Track Analysis

Reway Group: Peers' Historical Adj. P/E multiple evolution



Source: Market Consensus, Value Track Analysis

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IL PRESENTE DOCUMENTO NON COSTITUISCE O FORMA PARTE DI, NÈ VA CONSIDERATO IN ALCUN MODO, UN'OFFERTA O UN INVITO PER LA SOTTOSCRIZIONE O L'ACQUISTO DI STRUMENTI FINANZIARI. NÈ IL PRESENTE DOCUMENTO NÈ QUANTO IN ESSO CONTENUTO NON COSTITUISCE INOLTRE UNA PROPOSTA CONTRATTUALE OVVERO UN'ASSUNZIONE DI OBBLIGHI DI QUALSIASI GENERE. IL PRESENTE DOCUMENTO NON È STATO PUBBLICATO MA È SOLAMENTE STATO MESSO A DISPOSIZIONE DI INVESTITORI QUALIFICATI. QUALSIASI DECISIONE DI SOTTOSCRIVERE O ACQUISTARE LE AZIONI NELL'AMBITO DELL'OFFERTA DOVRÀ QUINDI FONDARSI ESCLUSIVAMENTE SULLE INFORMAZIONI CONTENUTE NEI DOCUMENTI DI OFFERTA PRODOTTI IN CONNESSIONE ALL'OFFERTA. IL PRESENTE DOCUMENTO PUÒ ESSERE DISTRIBUITO NEL REGNO UNITO UNICAMENTE (a) (I) A SOGGETTI RIENTRATI NEL CAMPO DI APPLICAZIONE DELL'ARTICOLO 19 O DELL'ARTICOLO 49 DEL FINANCIAL SERVICES AND MARKET ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (E SOLTANTO NELLA MISURA IN CUI LE CONDIZIONI PREVISTE NEI MENZIONATI ARTICOLI SIANO SODDISFATTE, OVVERO LO SARANNO AL MOMENTO DELLA DISTRIBUZIONE DEL PRESENTE DOCUMENTO) O (II) A QUALSIASI ALTRO SOGGETTO A CUI L PRESENTE DOCUMENTO POSSA ESSERE LEGALMENTE DISTRIBUITO; E (b) INVESTITORI QUALIFICATI AI SENSI DELL'ARTICOLO 2(1)(E) DEL REGOLAMENTO PROSPETTI (REGOLAMENTO(UE) 1129/2017) (UNITAMENTE CONSIDERATI, "SOGGETTI RILEVANTI"). IL PRESENTE DOCUMENTO NON DEVE ESSERE PRESO IN CONSIDERAZIONE NÈ SU DI ESSO PUÒ ESSERE FATTO AFFIDAMENTO DA PARTE DI SOGGETTI NON RILEVANTI. QUALSIASI INVESTIMENTO O ATTIVITÀ DI INVESTIMENTO A CUI IL PRESENTE DOCUMENTO SI RIFERISCE VA EFFETTUATA ESCLUSIVAMENTE NEI CONFRONTI DI SOGGETTI RILEVANTI. IL PRESENTE DOCUMENTO PUÒ ESSERE DISTRIBUITO IN ITALIA SOLTANTO AGLI INVESTITORI QUALIFICATI, AI SENSI DELL'ARTICOLO 2 DEL REGOLAMENTO PROSPETTI. PERTANTO IL PRESENTE DOCUMENTO NON PUÒ IN ALCUN MODO ESSERE DISTRIBUITO: (I) AL PUBBLICO INDISTINTO; (II) ATTRAVERSO CANALI DI DIVULGAZIONE, ATTRAVERSO I QUALI LE INFORMAZIONI SIANO O È PROBABILE CHE SIANO RESE PUBBLICHE, OSSIA CHE DIVENGANO ACCESSIBILI A UN GRAN NUMERO DI PERSONE; (III) A SOGGETTI NON RIENTRANTI NELLA SUDETTA DEFINIZIONE DI INVESTITORI QUALIFICATI. RICEVENDO IL PRESENTE DOCUMENTO, VI IMPEGNATE A RISPETTARE LE RESTRIZIONI IVI PREVISTE. IL PRESENTE DOCUMENTO È STATO PREDISPOSTO IN MODO AUTONOMO RISPETTO A SOLBIAN ENERGIE ALTERNATIVE S.R.L. (LA "SOCIETÀ"), AI SUOI AZIONISTI E ALLE SUE CONTROLLATE E LE PREVISIONI E VALUTAZIONI IVI CONTENUTE SONO ESPRESSE ESCLUSIVAMENTE DA VALUE TRACK S.R.L. NELL'AMBITO DELLA SUA NORMALE ATTIVITÀ DI RICERCA E NON SONO STATE AUTORIZZATE O APPROVATE DA TERZI SOGGETTI. VALUE TRACK S.R.L. NON È AUTORIZZATO A FORNIRE INFORMAZIONI O RILASCIARE DICHIARAZIONI O GARANZIE PER CONTO DELLA SOCIETÀ, DEI SUOI AZIONISTI O DELLE SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO. NONOSTANTE OPPORTUNE PRECAUZIONI SIANO STATE PRESE AFFINCHÉ TUTTI I FATTI RAPPRESENTATI NEL DOCUMENTO SIANO CORRETTI E LE PREVISIONI, OPINIONI E VALUTAZIONI IVI CONTENUTE SIANO RAGIONEVOLI, TUTTAVIA VALUE TRACK S.R.L. NON HA EFFETTUATO ALCUNA VERIFICA INDIPENDENTE RISPETTO ALLE INFORMAZIONI CONTENUTE NEL PRESENTE DOCUMENTO E PERTANTO NÈ VALUE TRACK S.R.L. NÈ LA SOCIETÀ NÈ I SUOI AZIONISTI O E SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO, NÈ I LORO RISPETTIVI AMMINISTRATORI, DIRIGENTI O IMPIEGATI SARANNO IN ALCUN MODO CONSIDERATI RESPONSABILI DEL CONTENUTO DEL PRESENTE DOCUMENTO E NESSUN AFFIDAMENTO DOVRÀ ESSERE FATTO IN MERITO ALLA PRECISIONE, COMPLETEZZA O CORRETTEZZA DELLE INFORMAZIONI CONTENUTE NEL PRESENTE DOCUMENTO. NESSUN SOGGETTO POTRÀ PERTANTO ESSERE RITENUTO RESPONSABILE DEI DANNI DERIVANTI DALL'UTILIZZO DEL PRESENTE DOCUMENTO O DAL SUO CONTENUTO OVVERO DEI DANNI COMUNQUE CONNESSI AL PRESENTE DOCUMENTO. VALUE TRACK S.R.L. (O I SUOI DIRIGENTI, AMMINISTRATORI O IMPIEGATI) POTREBBE, NEI LIMITI CONSENTITI DALLA LEGGE, TROVARSI A DETENERE STRUMENTI FINANZIARI DELLA (OVVERO OPZIONI, WARRANT O ALTRI DIRITTI RELATIVI ALLA, OVVERO UN INTERESSE NELLE AZIONI O ALTRI STRUMENTI FINANZIARI DELLA) SOCIETÀ E POTREBBE AGIRE SUL MERCATO O COME CONTROPARTE IN TRANSAZIONI RELATIVE A TALI STRUMENTI FINANZIARI.