

PUBLICATIONS

30 April 2019

SERVIZI ITALIA

Net Results 2018 (-)

(Company press release)

A complicated year-end

Servizi Italia published its annual results last night, generally below our expectations. Sales reached €250.9m (vs. expected €249.7m), down 0.5% as reported but up 2.2% at constant exchange rates.

The Wash-hire business declined by nearly 4% over the year, with Q4 down 1.4%, probably still impacted by the decline in volumes in Italy. Brazil is evolving in line with our expectations with a turnover of €29.2m, down by more than 9% but up 7% at constant exchange rates. The same is true for the activities in Turkey, which reach €6.6 million in turnover, in line with our expectations.

The linen sterilization business grew by more than 5% to €21.6 million, resulting in a sharp 16% decline in the last quarter.

The surgical instrument sterilization business grew by more than 12% to €46.6 million, with the last quarter still dynamic at +8%.

However, the EBIT landed below our expectations at €14.4M (vs. €17.5M expected), i.e. a 100 bps deterioration in the EBIT margin. The deterioration of the EBIT in Q4 with an EBIT margin of 2.1% vs. 7% over the first 9 months is surprising but is not explained in the press release.

The Net result reached €11.6M, benefiting from a very low tax rate (4.4%), the rest of the elements evolving in line with our expectations. The group will pay a dividend of €0.16 per share.

This publication is therefore disappointing overall with a particularly deteriorated Q4. The group says to be confident that it will post growth in 2019 without giving more details. We are adopting a more cautious scenario for 2019, leading us to reduce our EPS by 8% in 2019.

Our target price is thus adjusted to 5.9€ (vs 6.3€) and our recommendation to Buy is maintained.

Buy, TP of €5.9 (vs €6.3) - Florent Thy-Tine : + 33 1 55 35 69 48

Market Data

Industry	Business Services
Share Price (€)	3,8
Market Cap (€M)	121,2
Market Segment	STAR (Italy)
Bloomberg	SRI IM

Ownership structure

Aurum	59,4%
Kabouter Management	9,8%
Steris UK Holding	5,9%
Padana Emmedue	4,6%
Free float	20,3%

€M (31/12)	2017	2018e	2019e	2020e
Sales	252,1	250,9	260,4	263,6
Growth	6,1%	-0,5%	3,8%	1,2%
EBIT	16,9	14,4	15,7	17,7
Marge	6,7%	5,7%	6,0%	6,7%
Net income	13,8	11,6	12,2	13,9
EPS €	0,43	0,36	0,38	0,44
EPS growth	29,1%	-15,8%	5,1%	13,9%
Dividend	0,17	0,16	0,17	0,19
Yield (%)	4,5%	4,2%	4,5%	5,1%
FCF	18,3	4,3	10,6	16,9
ROCE	5,9%	5,8%	5,1%	5,6%
EV/Sales (x)			0,8	0,7
EV/EBIT (x)			13,2	11,0
PE (x)			9,9	8,7
Net Debt	83,6	90,2	85,1	73,4
Gearing	59%	65%	58%	47%

Midcap Partners estimates

Upcoming event : Q1 - 30 May 2019

TOP Peers	Market Cap (M)	EV/EBIT 2019	EV/EBIT 2020	PE 2019	PE 2020
Elis SA	3 466	15,8	14,4	13,9	12,5
Johnson Service Group PLC	563	13,4	12,6	15,5	14,8
Cintas Corporation	22 678	21,9	19,4	29,0	26,0

Source: FACTSET