

FRANCHI UMBERTO MARMI

BUY

Sector: Industrials

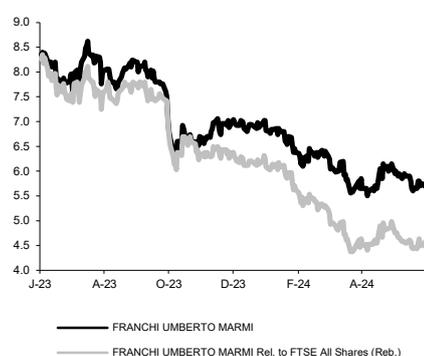
Price: Eu5.75 - Target: Eu9.00

Challenging Start to the Year but Prospects Intact

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 9.50 to 9.00		
	2024E	2025E	2026E
Chg in Adj EPS	-9.4%	-7.5%	-7.0%

FRANCHI UMBERTO MARMI - 12M Performance



Stock Data			
Reuters code:	FUMA.MI		
Bloomberg code:	FUM IM		
Performance	1M	3M	12M
Absolute	-6.5%	-8.7%	-26.5%
Relative	-8.3%	-12.9%	-51.5%
12M (H/L)	8.62/5.50		
3M Average Volume (th):	5.99		

Shareholder Data	
No. of Ord shares (mn):	33
Total no. of shares (mn):	33
Mkt Cap Ord (Eu mn):	188
Total Mkt Cap (Eu mn):	188
Mkt Float - Ord (Eu mn):	26
Mkt Float (in %):	13.6%
Main Shareholder:	
Holding Franchi SpA	62.7%

Balance Sheet Data	
Book Value (Eu mn):	125
BVPS (Eu):	3.82
P/BV:	1.5
Net Financial Position (Eu mn):	-19
Enterprise Value (Eu mn):	207

■ **Challenging start to the year but prospects remain intact.** We publish a brief update on Franchi Umberto Marmi, updating our estimates with the latest results and trends indicated by the company in the last releases. The start to this year has been challenging for the company, also in light of the carry-over from 2022, which saw significant growth compared to an even stronger 2021 (+17% YoY in '22; +28% YoY in '21). With revenues in 1Q24 at Eu19.7m, down c.13% YoY, the decline was mainly driven by the “wait-and-see mode” in the Italian market, while Asia and North America posted a significant contribution. In particular, revenues in EMEA, at Eu11.8m, dropped significantly (-28%) compared to the corresponding period in 2023, amounting to 60% of total revenues in the period. Revenues on the Italian market decreased 38% YoY to Eu7.7m, 39% of total revenues. Asia was substantially stable in 1Q24 (+4% YoY) at Eu4.3m, 22% of total revenues. A good performance from revenues in North Am., +86% to Eu3.0m, and Aus, +851% to Eu0.5mn. Despite the YoY reduction of sales in the EU in 1Q24, Europe and Asia remained FUM’s core markets.

■ **Positive prospects.** On release of FY23 results and during meetings with investors following that, management provided positive outlook albeit qualitative. Macroeconomic conditions and a potential rise in transport costs due to problems in the Suez Canal must be considered but for the moment no direct impacts have been seen. Despite this, management said that expectations for 2024 are for further top-line growth; the recent acquisition of Marmoles Man together with product and geographical synergies are having important effects from the first months of this year while the commercial development of the Group is expected to continue, in particular through 3 main lines: i) further penetration of the most important markets such as China, the US and Australia; ii) expansion into new geographical areas considered particularly interesting and growing such as Vietnam and the Gulf countries; and iii) development of new strategic partnerships based on what has already been done with Corsi & Nicolai in Australia and with Ciot NY in the US.

■ **Estimates revision.** Our model incorporates actuals and some adjustments in profitability for 2024 onward that are mainly driven by the sales mix, which now recognises the fast-growing Marmoles Man and Australian companies.

■ **Buy confirmed, target Eu9 (from Eu9.5).** Thanks to its positioning at the very top end of the marble sector, its comprehensive business model, advanced technological facilities and, most importantly, its privileged access to the highest quality marble, FUM looks very well placed to exploit the full potential of a steadily-growing industry. The clear opportunity to further expand its presence globally, coupled to the constantly increasing demand for high-end natural materials, provide a compelling investment case with material upside potential. As the only listed player in the marble sector with characteristics that are closer to pure luxury rather than construction material players, we value the company through a DCF model which, following our estimate revision, gives a target price of Eu9 from Eu9.5 before, still material upside compared to the current market price.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	76	75	78	83	89
EBITDA Adj (Eu mn)	31	25	25	27	29
Net Profit Adj (Eu mn)	17	13	13	15	16
EPS New Adj (Eu)	0.528	0.397	0.393	0.447	0.493
EPS Old Adj (Eu)	0.528	0.431	0.434	0.483	0.531
DPS (Eu)	0.290	0.160	0.196	0.224	0.000
EV/EBITDA Adj	10.5	11.7	8.3	7.2	6.2
EV/EBIT Adj	13.1	17.6	11.6	9.8	8.2
P/E Adj	10.9	14.5	14.6	12.9	11.7
Div. Yield	5.0%	2.8%	3.4%	3.9%	0.0%
Net Debt/EBITDA Adj	0.4	1.2	0.7	0.2	-0.2

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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