

FRANCHI UMBERTO MARMI

Sector: Industrials

OUTPERFORM

Price: Eu6.58 - Target: Eu9.50

Naturally Sustainable Luxury

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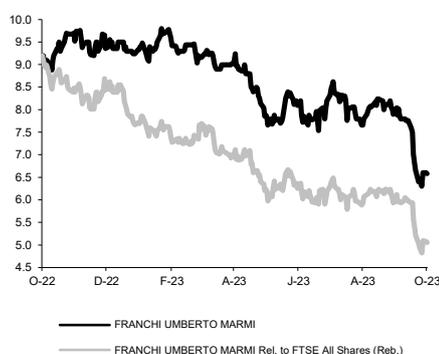
Stock Rating

Rating: BUY (New Coverage)
Target Price (Eu): 9.50 (New Coverage)

Next Event

 Results Out 30th October

FRANCHI UMBERTO MARMI - 12M Performance



Stock Data

Reuters code: FUMA.MI
Bloomberg code: FUM IM

Performance	1M	3M	12M
Absolute	-16.7%	-20.9%	-28.5%
Relative	-14.6%	-19.4%	-58.7%
12M (H/L)		9.80/6.30	
3M Average Volume (th):		1.74	

Shareholder Data

No. of Ord shares (mn):	33
Total no. of shares (mn):	33
Mkt Cap Ord (Eu mn):	215
Total Mkt Cap (Eu mn):	215
Mkt Float - Ord (Eu mn):	24
Mkt Float (in %):	10.9%
Main Shareholder:	
Holding Franchi SpA	62.7%

Balance Sheet Data

Book Value (Eu mn):	119
BVPS (Eu):	3.65
P/BV:	1.8
Net Financial Position (Eu mn):	-15
Enterprise Value (Eu mn):	230

- A global leader in Carrara marble distribution.** Founded in Carrara (Tuscany) in 1971, Franchi Umberto Marmi is among the undisputed leaders in the processing and marketing of blocks and slabs of Carrara marble, a natural expression of “Made in Italy” and luxury values. It is the largest Italian marble player and the only one to be listed. With more than 50 years of activity and a very lean organisation (44 employees), it boasts long-standing experience and expertise within the Carrara marble district.
- A comprehensive business model with high entry barriers.** FUM stands out for the care and attention paid to the selection of stone, with constant quality control on the product through rigorous monitoring of all phases of the working process, from raw material procurement to the marketing of blocks and slabs. This would not be possible without what we consider a genuine key competitive advantage, namely the ability to secure continuous, guaranteed access to the best materials available. Carrara marble supply is managed by a few specialist players and, as such, can basically be considered a natural oligopoly. Over the years, FUM has been able to secure privileged, long-standing access to marble supplies from more than 30 of the most prestigious quarries in the Carrara-Apuan district, either through direct investment or established supply agreements.
- A naturally sustainable company and product.** Natural stone is undoubtedly durable and globally recognised as an environmentally-friendly material. Besides the intrinsic characteristics of FUM’s raw material, we must also highlight FUM’s commitment to sustainability and curbing its environmental impact, now a strategic pillar and a factor that sets it apart from the competition. FUM has received a range of certification and implemented best practices in all processes, achieving a production cycle with almost zero waste, while lowering greenhouse gas emissions, photochemical smog and fossil fuel consumption.
- The financials of a luxury operator combined with impressive growth potential.** The company enjoys sound financials and solid growth prospects. In 2022 FUM achieved record sales, reaching Eu76.3mn (+16.8% YoY) with a gross margin of around 60% (in line with the average of the last five years), an adj.EBITDA margin of 40.5% and a net profit margin of 23%. Net debt stood at Eu13.5mn (inflated by the recent acquisition of IGFM) with a return to a positive cash position already projected by 2025/2026. We believe these financials are testament to the company’s high-end positioning and are driven by structural luxury market trends. More than 60% of FUM’s sales involve Calacatta and Statuario marble, the most expensive and prestigious varieties commanding a pricing 8x higher than average equivalents. For this reason, in addition to the world’s most celebrated design and architecture boutiques, the rising number of UHNWIs are definitely among FUM’s key customers, resulting in steadily-growing demand for high-end natural products. Underlying trends, along with FUM’s ongoing international expansion strategy, provide visible upside potential.
- Initiating coverage with BUY, target 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 with 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, resulting in a target price of Eu9.5, i.e. potential upside of more than 40% to the market price.

Key Figures & Ratios	2022A	2023E	2024E	2025E	2026E
Sales (Eu mn)	76	66	69	74	79
EBITDA Adj (Eu mn)	31	24	26	28	30
Net Profit Adj (Eu mn)	17	14	14	16	17
EPS New Adj (Eu)	0.528	0.431	0.434	0.483	0.531
EPS Old Adj (Eu)	0.528	0.463	0.469	0.522	0.573
DPS (Eu)	0.254	0.264	0.215	0.217	0.242
EV/EBITDA Adj	10.4	9.6	8.5	7.6	6.6
EV/EBIT Adj	13.1	12.5	11.0	9.5	8.2
P/E Adj	12.5	15.3	15.2	13.6	12.4
Div. Yield	3.9%	4.0%	3.3%	3.3%	3.7%
Net Debt/EBITDA Adj	0.4	0.6	0.2	-0.2	-0.6