

# SALCEF GROUP

Sector: Industrials

## OUTPERFORM

Price: Eu23.35 - Target: Eu27.50

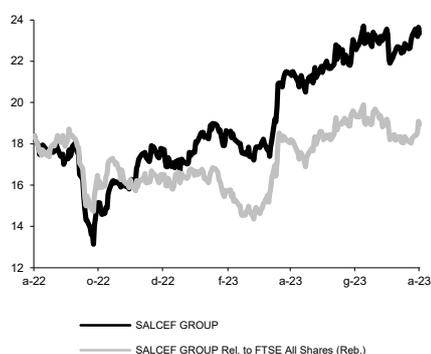
## Robust 2Q Prompts Upward Guidance Revision

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 25.80 to 27.50		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	1.4%	4.9%	5.9%

### SALCEF GROUP - 12M Performance



### Stock Data

Reuters code:	SCFG.MI		
Bloomberg code:	SCF IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-0.8%	8.9%	26.9%
Relative	-1.4%	2.6%	3.6%
12M (H/L)	23.70/13.14		
3M Average Volume (th):	41.27		

### Shareholder Data

No. of Ord shares (mn):	62
Total no. of shares (mn):	62
Mkt Cap Ord (Eu mn):	1,457
Total Mkt Cap (Eu mn):	1,457
Mkt Float - Ord (Eu mn):	521
Mkt Float (in %):	35.8%
Main Shareholder:	
FINHOLD SPA	64.3%

### Balance Sheet Data

Book Value (Eu mn):	473
BVPS (Eu):	7.63
P/BV:	3.1
Net Financial Position (Eu mn):	10
Enterprise Value (Eu mn):	1,447

- Astounding 63.9% revenue growth in 2Q:** the company's 2Q performance was impressive, comfortably beating our already-ambitious estimate of ~40% growth YoY. SCF was able to deliver even better results, with revenues coming to Eu201.3mn, up an astounding 63.9% thanks to ~44% organic growth coupled with the consolidation of FVCF and PSC, which contributed for the remaining 20%. By business, Heavy Civil Works was once again the fastest-growing division (from Eu6.7mn in 2Q22 to Eu25.8mn in 2Q23) mainly thanks to the peak of activity on the high-speed/high-capacity Verona-Padua line, but all businesses contributed to the significant top line expansion, with the core Track & Light Civil Works and Energy, Signalling & Telecommunications divisions posting revenue up 48% and 58% respectively.
- Margins held up at very healthy levels.** The quarterly EBITDA margin (20.3%) was slightly lower than the 20.5% posted in 1Q and our estimate, but thanks to the higher top line EBITDA came to Eu40.9mn, 17% above our estimate and much higher than the Eu24.5mn achieved last year, when margins came to 19.9%, undermined by rising input costs and the consolidation of lower-margin companies. The company maintained such healthy profitability thanks to the positive impact from governmental measures in a stable cost environment and despite FVCF not contributing at EBITDA level yet. As a result of the higher operating profit, the bottom line came in at Eu17.3mn, +35% YoY, only 5% above estimates due mainly to D&A and PPA, non-cash items. Finally, the NFP stood at Eu3.8mn (vs. Eu9.9mn expected), down QoQ from Eu35.2mn as at end-March due mainly to dividend payments for ~Eu31mn and CapEx in the period (~Eu15mn).
- Record order book.** As expected, the 2Q order intake was again very robust, with Eu321mn booked in the period (1.6x book-to-bill) leading to a record order backlog of Eu1,870mn, notably 2.7x LTM revenues, and therefore offering very good visibility on the upcoming years. Foreign markets were at 32% of the total backlog.
- Guidance raised, our estimates up as well:** in light of 1H results and the solidity of the backlog, management raised 2023 guidance, now forecasting 30% YoY revenue growth (15% organic, 15% M&A), up from the previous indication of 20% (10%/10%). Moreover, profitability is expected to remain in line with 1H. We are lifting our estimates in accordance with the new outlook, also taking into consideration the finalisation of the acquisition of Colmar, although this will only have a limited impact on 2023 numbers (Eu5mn revenues). We are lifting EBITDA by ~6% on average in the 3Y period. We are also increasing our D&A estimate (non-cash) and lowering the tax rate (in line with the company's 26/27% target), leading to an EPS increase of 4% on average.
- OUTPERFORM confirmed; target €27.5 (from €25.8):** we confirm our positive view on the stock, as we believe the short-term earnings momentum will remain solid, bearing in mind that guidance still leaves some room for positive surprises in our view, as the 2H organic growth implied in the guidance is basically nil, a prudent approach to take the very strong performance in the second part of last year into account. We are lifting our DCF-based TP from Eu25.8 to Eu27.5 to reflect the upgrade to estimates implemented in this report.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	440	565	735	831	917
EBITDA Adj (Eu mn)	97	114	150	175	197
Net Profit Adj (Eu mn)	52	57	75	90	101
EPS New Adj (Eu)	0.909	0.905	1.207	1.444	1.624
EPS Old Adj (Eu)	0.909	0.905	1.191	1.377	1.533
DPS (Eu)	0.460	0.500	0.543	0.650	0.731
EV/EBITDA Adj	9.1	10.0	9.6	8.1	7.0
EV/EBIT Adj	12.9	14.6	14.2	11.5	9.9
P/E Adj	25.7	25.8	19.3	16.2	14.4
Div. Yield	2.0%	2.1%	2.3%	2.8%	3.1%
Net Debt/EBITDA Adj	-1.2	-0.2	-0.1	-0.2	-0.4

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