

SALCEF GROUP

Sector: Industrials

OUTPERFORM

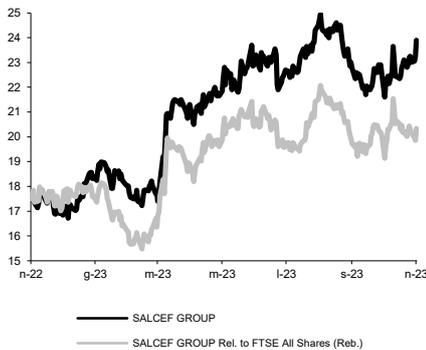
Price: Eu23.90 - Target: Eu29.00

Solid Order Intake Paves the Way for Further Solid Growth

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 27.50 to 29.00		
	2023E	2024E	2025E
Chg in Adj EPS	3.6%	3.5%	3.2%

SALCEF GROUP - 12M Performance



Stock Data			
Reuters code:	SCFG.MI		
Bloomberg code:	SCF IM		
Performance	1M	3M	12M
Absolute	5.8%	-2.4%	36.6%
Relative	1.1%	-5.6%	19.0%
12M (H/L)	24.95/16.72		
3M Average Volume (th):	25.38		

Shareholder Data	
No. of Ord shares (mn):	62
Total no. of shares (mn):	62
Mkt Cap Ord (Eu mn):	1,491
Total Mkt Cap (Eu mn):	1,491
Mkt Float - Ord (Eu mn):	533
Mkt Float (in %):	35.8%
Main Shareholder:	
FINHOLD SPA	64.3%

Balance Sheet Data	
Book Value (Eu mn):	468
BVPS (Eu):	7.54
P/BV:	3.2
Net Financial Position (Eu mn):	6
Enterprise Value (Eu mn):	1,486

■ 3Q above estimates on all metrics. SCF has reported 3Q results that were better than our estimates on all metrics, while also confirming the excellent order momentum. Turnover came to Eu206.2mn (+32.8% YoY), higher than our Eu176.5mn estimate thanks to organic growth of ~24%, well above our 3.2% estimate, which was based on the expectation for a normalisation of growth trends in light of the tougher comparison base. By business, Heavy Civil Works was once again the fastest-growing division (from Eu12.2mn in 3Q22 to Eu31.4mn in 3Q23) mainly thanks to the peak of activity on the high-speed/high-capacity Verona-Padua line, but also the core Track & Light Civil Works business contributed significantly, posting revenue up 35%. As far as profitability is concerned, EBITDA was Eu41.7mn vs. our estimate of Eu36mn, with the margin remaining above the 20.0% threshold (20.2% in 3Q) despite the inflationary trend. Down the line, higher D&A and financial charges YoY took the adjusted net profit figure to Eu20.4mn, above our estimate of Eu18.0mn and Eu4mn higher than last year. Finally, the NFP as at the end of September was positive by Eu7.1mn, in line with our estimate.

■ Order intake remains robust. The highlight of the quarter was again the order book, which grew further to a record Eu2.02bn (from Eu1.87bn as at end June), above our Eu1.95bn estimate thanks to order intake of Eu356mn in the period (book-to-bill 1.7x in 3Q), confirming coverage of nearly 3 years of turnover. The orders awarded in 3Q came prevalently from Italy, taking the country's proportion of total backlog to 70.8%.

■ Guidance lifted; our estimates are slightly above the upper end. Along with results, management upgraded its previous guidance, and is now targeting turnover growth of between 30% and 35% (vs. +30% previously), while margins are expected to be in line with the 9M figure (20.3% in 9M23). In our view, the updated guidance is still cautious on some points, as the high part of the range would imply flat organic growth, while in the first 9 months of the year organic growth came to 32%. Our updated estimates are slightly above the upper end of guidance, implying an 11.4% expansion YoY in 4Q, of which ~2% organic. Our '24/'25 EBITDA estimates go up by 3% on average due to the higher starting point.

■ OUTPERFORM confirmed; target €29.0 (from €27.5). 3Q results confirm that the impact of massive public infrastructure investment plans is materialising in SCF's numbers, with even more to come, as SCF is well placed in Italy (exposure to the centre-south where the bulk of rail infrastructure projects are concentrated) and may benefit from further support in the US in the coming years. 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. We are lifting our DCF-based TP from Eu27.5 to Eu29.0 on the back of higher estimates, while the increase of the risk-free rate (from 4.0% to 4.5%) is compensated by rolling over the valuation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	440	565	767	868	957
EBITDA Adj (Eu mn)	97	114	155	180	202
Net Profit Adj (Eu mn)	52	57	78	93	105
EPS New Adj (Eu)	0.909	0.905	1.251	1.494	1.676
EPS Old Adj (Eu)	0.909	0.905	1.207	1.444	1.624
DPS (Eu)	0.460	0.500	0.563	0.672	0.754
EV/EBITDA Adj	9.1	10.0	9.6	8.1	7.0
EV/EBIT Adj	12.9	14.6	13.9	11.3	9.8
P/E Adj	26.3	26.4	19.1	16.0	14.3
Div. Yield	1.9%	2.1%	2.4%	2.8%	3.2%
Net Debt/EBITDA Adj	-1.2	-0.2	0.0	-0.2	-0.4