SALCEF GROUP

OUTPERFORM

Sector: Industrials

Price: Eu21.95 - **Target: Eu30.40**

Record Order Book Signals Continued Momentum

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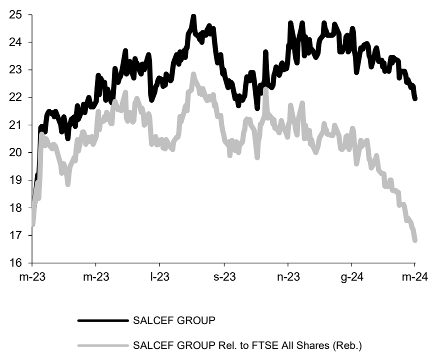
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 29.00 to 30.40
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-6.0%	-3.0%	

SALCEF GROUP - 12M Performance



Stock Data			
Reuters code:			SCFG.MI
Bloomberg code:			SCF IM
Performance	**1M**	**3M**	**12M**
Absolute	-4.4%	-8.9%	26.1%
Relative	-11.1%	-20.2%	-4.2%
12M (H/L)			24.95/17.84
3M Average Volume (th):			32.58

Shareholder Data	
No. of Ord shares (mn):	62
Total no. of shares (mn):	62
Mkt Cap Ord (Eu mn):	1,370
Total Mkt Cap (Eu mn):	1,370
Mkt Float - Ord (Eu mn):	490
Mkt Float (in %):	35.8%
Main Shareholder:	
FINHOLD SPA	64.3%

Balance Sheet Data	
Book Value (Eu mn):	496
BVPS (Eu):	8.00
P/BV:	2.7
Net Financial Position (Eu mn):	-4
Enterprise Value (Eu mn):	1,373

- **Above guidance 4Q:** Salcef reported 4Q turnover and EBITDA that beat our estimates and consensus, with the annual figure above the high end of the updated guidance range provided along with 3Q results. Below EBITDA, numbers are muddied by recognition of PPA for the latest acquisitions; without this, results would have been higher than our estimates. In detail, 4Q turnover came to Eu226.9mn (our estimate Eu199.1mn), up 26.9% YoY, leading the annual total at Eu794.7mn, up 40.8%, well above guidance for an increase between 30% and 35%. As for profitability, EBITDA stood at Eu45mn, 13% above our estimate of Eu39.8mn. The margin was 19.8%, 60bp below last year on dilution from acquisitions. Down the line, EBIT came to Eu23.4mn, below our estimates due to recognition of PPA for the latest acquisitions. Excluding this item, the figure would have been above our estimate of Eu29.3mn. As for cash generation, net debt as at year-end stood at Eu7mn, slightly below our estimate for a cash position of c.Eu6mn. Finally, the BoD will propose payment of a DPS of Eu0.55 (our estimate Eu0.56, in line).
- **Order intake remains solid**. Once again, the standout achievement of the quarter was the expansion of the order book, which reached a new high of Eu2.2bn, surpassing the previous figure of Eu2.02bn as at the end of September. This exceeded our estimate of Eu2.1bn due to an order intake of Eu422mn in 4Q, resulting in a book-to-bill ratio of 1.9x.
- **Turnover seen expanding by 20% in 2024, margin at 19%:** looking at 2024, management expects turnover to rise c.20% YoY (of which 15% organic), while the EBITDA margin is expected just over 19% due to the dilutive impact of acquisitions. In our opinion, margin guidance was the biggest concern arising from the release, as it indicated a margin falling from 20.2% in 2023 to 19% in 2024. During the call, management explained that this decline derives from the strong contribution expected from the two most recently-acquired companies (FVCF and Colmar), which in 2024 are expected to contribute to results with revenues of around Eu100mn and still limited margins of around 10%, which means that implicitly the rest of the Group will continue to have a margin of around 20%. Thanks to the efficiencies being implemented, management expects the margins of these 2 companies to reach the group average in 2025.
- **EBITDA estimates only lifted slightly:** we are aligning our estimates with management guidance, lifting revenues but lowering margins, resulting in just a slight increase in our EBITDA estimates. The EPS cut implemented in this report is entirely attributable to non-cash items (PPA and depreciation).
- **OUTPERFORM confirmed; target €30.40 (from €29.0).** We confirm our positive view on the company as 2024 should still feature strong growth, thanks not only to growth in Italy, but also to the acceleration recorded in the United States and the important projects that are set to start in Romania and Egypt. Order intake remains equally robust, and even in the first two months orders outpaced production, raising visibility on the possibility of a new record being set in 2024. Our valuation, the result of a DCF model, yields a target price of Eu30.4, up from Eu29.0 due to the lower risk-free rate adopted in our models (4.0% from 4.5%, as per Intermonte assumptions).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	565	795	955	1,043	1,125
EBITDA Adj (Eu mn)	114	161	182	204	225
Net Profit Adj (Eu mn)	57	64	88	101	113
EPS New Adj (Eu)	0.905	1.022	1.405	1.625	1.814
EPS Old Adj (Eu)	0.905	1.251	1.494	1.676	
DPS (Eu)	0.500	0.550	0.632	0.731	0.816
EV/EBITDA Adj	10.0	8.5	7.5	6.5	5.6
EV/EBIT Adj	14.6	13.6	11.2	9.4	7.9
P/E Adj	24.2	21.5	15.6	13.5	12.1
Div. Yield	2.3%	2.5%	2.9%	3.3%	3.7%
Net Debt/EBITDA Adj	-0.2	0.0	0.0	-0.2	-0.4

Intermonte

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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.
Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.
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:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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

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Emittente	%	Long/Short

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