

# SG COMPANY

Sector: Media

**BUY**

Price: Eu0.27 - Target: Eu0.45

## L'Evoluzione Continua, con declinazione Tech: Knobs

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### Stock Rating

**Rating:** Unchanged

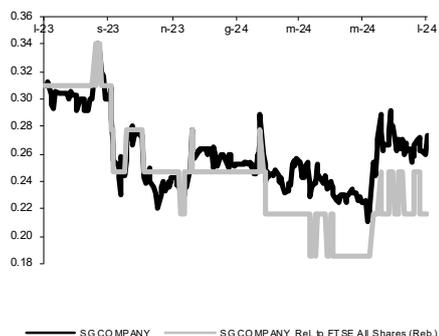
**Target Price (Eu):** from 0.42 to 0.45

	2024E	2025E	2026E
<b>Chg in Adj EPS</b>	0.4%	1.9%	1.9%

### Next Event

 1H24 Results Due on September 29<sup>th</sup>

### SG COMPANY - 12M Performance



### Stock Data

Reuters code: SGO.MI

Bloomberg code: SGC IM

Performance	1M	3M	12M
Absolute	0.7%	15.1%	-11.3%
Relative	1.4%	14.3%	-33.5%
12M (H/L)	0.34/0.21		
3M Average Volume (th):	280.21		

### Shareholder Data

No. of Ord shares (mn):	33
Total no. of shares (mn):	35
Mkt Cap Ord (Eu mn):	9
Total Mkt Cap (Eu mn):	9
Mkt Float - Ord (Eu mn):	5
Mkt Float (in %):	56.7%
Main Shareholder:	
DL srl	29.6%

### Balance Sheet Data

Book Value (Eu mn):	6
BVPS (Eu):	0.17
P/BV:	1.6
Net Financial Position (Eu mn):	-5
Enterprise Value (Eu mn):	14

- Acquisita la maggioranza del capitale di Knobs S.r.l.: un nuovo tassello nell'evoluzione dell'ecosistema di SG Company.** SG Company ha annunciato ieri di aver sottoscritto un accordo vincolante per l'acquisizione del 52.5% del capitale di Knobs S.r.l., PMI innovativa specializzata in soluzioni *web* e *blockchain* che le consentono di offrire servizi che spaziano dalla consulenza alla progettazione e realizzazione di soluzioni *software* complesse *end-to-end*. I termini dell'accordo prevedono che la partecipazione sia acquisita tramite (i) la sottoscrizione di un aumento di capitale riservato in Knobs (€0.50 milioni), (ii) l'acquisto della partecipazione detenuta da Smart Capital (€0.56 milioni) e (iii) l'acquisto di un ulteriore 1.5% del capitale dagli attuali soci fondatori. Ai termini concordati, la valutazione *post-money* riconosciuta a Knobs è stata pari a meno di 1x i ricavi e circa 6x l'*EBITDA* generati nel 2023, rispettivamente pari a €1.4 ed €0.2 milioni. Come parte integrante dell'accordo, i co-fondatori di Knobs assumeranno un impegno di almeno tre anni ed entreranno a far parte dell'*Advisory Board* della Società.
- Smart Capital entra nel capitale di SG Company.** L'accordo "trilaterale" sottoscritto prevede inoltre che Smart Capital faccia il proprio ingresso nel capitale di SG Company attraverso (i) la sottoscrizione di un aumento di capitale riservato da n.1.85 milioni di azioni e (ii) l'acquisto delle residue azioni proprie detenute dalla Società, pari a n. 271,500. Per ambo le transazioni, il prezzo per azione SG Company è stato concordato in €0.40. Così facendo, Smart Capital potrà acquisire una partecipazione superiore al 6% del capitale *post-money fully diluted*.
- Convocate le assemblee ordinaria e straordinaria.** In pari data, la Società ha inoltre convocato assemblea ordinaria e straordinaria, funzionali da un lato ad assolvere gli impegni contrattuali e, dall'altro, ad ampliare le deleghe conferite al *management*, funzionali ad avere maggior flessibilità e tempestività qualora ulteriori opportunità sul versante M&A si dovessero concretizzare. Contestualmente verrà prolungato a novembre 2028 il periodo di esercizio dei *warrant*, riducendone al tempo stesso il prezzo di esercizio dagli attuali €0.66 per azione a €0.60.
- Stime 2024-26 riviste leggermente al rialzo.** Ipotizzando il consolidamento di Knobs dal mese di agosto, le nostre stime 2024 sono state riviste solo marginalmente. Per converso, le stime di EPS 2025-26 sono state riviste al rialzo mediamente del 2%, pur non considerando per prudenza, allo stato, alcun effetto sinergico derivante dall'ulteriore integrazione del catalogo servizi offerti da SG Company.
- BUY confermato, target price rivisto a €0.45 per azione fully diluted (da €0.425):** Giudichiamo positivamente l'acquisizione di Knobs che crediamo possa ben integrare la gamma di servizi già oggi offerti dalla Società, ampliando il novero delle competenze tecnologiche a cui SG Company potrà fare direttamente ricorso. L'ingresso nel capitale della Società, e con una partecipazione rilevante oltre soglia, di un investitore istituzionale quale Smart Capital è ulteriore elemento di positività, fiduciosi che Smart Capital possa supportare il *management* nel percorso di creazione di valore intrapreso e che punta già oggi a valori prossimi a quelli indicati al 2026 nel recente piano industriale. BUY, target price rivisto a €0.45 per azione.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	17	30	38	43	45
EBITDA Adj (Eu mn)	0	2	2	2	3
Net Profit Adj (Eu mn)	0	1	1	2	2
EPS New Adj (Eu)	0.006	0.019	0.041	0.062	0.052
EPS Old Adj (Eu)	0.006	0.019	0.040	0.060	0.051
DPS (Eu)	0.000	0.000	0.000	0.000	0.015
EV/EBITDA Adj	26.4	5.6	8.5	5.4	3.8
EV/EBIT Adj	nm	6.3	10.7	6.6	4.7
P/E Adj	45.3	14.5	6.7	4.4	5.2
Div. Yield	0.0%	0.0%	0.0%	0.0%	5.5%
Net Debt/EBITDA Adj	7.0	2.2	2.9	1.7	0.7

**SG COMPANY – Key Figures**

<b>Profit &amp; Loss (Eu mn)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Sales	11	17	30	38	43	45
EBITDA	1	0	2	3	4	4
EBIT	-0	0	1	2	3	4
Financial Income (charges)	-0	-0	-0	-0	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	-0	0	1	2	3	4
Taxes	-0	-0	-0	-0	-0	-1
Tax rate		37.5%	38.5%	5.1%	3.3%	30.0%
Minorities & Discontinued Operations	0	-0	-0	-1	-1	-1
Net Profit	-0	0	0	1	2	2
EBITDA Adj	1	0	2	2	2	3
EBIT Adj	-0	0	2	1	2	2
Net Profit Adj	-0	0	1	1	2	2
<b>Per Share Data (Eu)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Total Shares Outstanding (mn) - Average	32	31	31	35	35	35
Total Shares Outstanding (mn) - Year End	32	32	32	34	34	34
EPS f.d	-0.005	0.006	0.011	0.041	0.062	0.052
EPS Adj f.d	-0.005	0.006	0.019	0.041	0.062	0.052
BVPS f.d	0.133	0.098	0.109	0.167	0.218	0.271
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.015
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	27.5%
<b>Cash Flow (Eu mn)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Gross Cash Flow	1	-0	2	2	3	4
Change in NWC	-2	-1	1	-2	-1	-0
Capital Expenditure	-1	-1	-4	-0	-1	-1
Other Cash Items	0	0	-0	1	0	0
Free Cash Flow (FCF)	-1	-1	3	0	2	3
Acquisitions, Divestments & Other Items	-0	-0	-1	-1	-0	0
Dividends	0	0	0	-0	-0	-1
Equity Financing/Buy-back	4	0	0	1	0	0
Change in Net Financial Position	3	-2	-2	0	0	2
<b>Balance Sheet (Eu mn)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Total Fixed Assets	3	4	10	12	13	13
Net Working Capital	3	3	1	2	4	3
Long term Liabilities	-2	-1	-1	-1	-1	-2
Net Capital Employed	4	6	9	13	15	15
Net Cash (Debt)	-1	-3	-5	-5	-4	-2
Group Equity	3	3	4	9	11	13
Minorities	0	0	1	3	3	3
Net Equity	3	3	3	6	8	10
<b>Enterprise Value (Eu mn)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Average Mkt Cap	9	9	9	9	9	9
Adjustments (Associate & Minorities)	0	0	1	0	0	0
Net Cash (Debt)	-1	-3	-5	-5	-4	-2
Enterprise Value	10	12	12	14	13	11
<b>Ratios (%)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EBITDA Adj Margin	9.2%	2.6%	9.7%	5.6%	7.7%	8.5%
EBIT Adj Margin	nm	1.1%	8.6%	4.4%	6.2%	7.0%
Gearing - Debt/Equity	25.8%	98.5%	113.4%	53.7%	37.2%	14.5%
Interest Cover on EBIT	nm	2.0	8.6	7.2	8.6	10.5
Net Debt/EBITDA Adj	0.7	7.0	2.2	2.9	1.7	0.7
ROACE*	-2.5%	3.8%	15.8%	20.0%	23.8%	25.8%
ROE*	-13.2%	6.3%	18.1%	30.2%	32.9%	21.4%
EV/CE	3.2	2.3	1.6	1.2	0.9	0.7
EV/Sales	0.8	0.7	0.5	0.5	0.4	0.3
EV/EBITDA Adj	9.1	26.4	5.6	8.5	5.4	3.8
EV/EBIT Adj	nm	nm	6.3	10.7	6.6	4.7
Free Cash Flow Yield	-11.9%	-12.4%	45.2%	4.1%	21.1%	39.1%
<b>Growth Rates (%)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Sales	13.6%	48.2%	75.0%	28.4%	12.4%	5.2%
EBITDA Adj	nm	-58.1%	407.6%	-28.3%	52.6%	16.2%
EBIT Adj	nm	nm	956.5%	-36.3%	56.4%	17.6%
Net Profit Adj	nm	nm	206.6%	129.6%	62.2%	-15.2%
EPS Adj	nm	nm	212.3%	115.0%	51.8%	-15.2%
DPS						nm

\*Excluding extraordinary items

Source: Intermonte SIM estimates

<b>DETAILS ON STOCKS RECOMMENDATION</b>			
<b>Stock NAME</b>	<b>SG COMPANY</b>		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	0.45	Previous Target (Eu):	0.42
Current Price (Eu):	0.27	Previous Price (Eu):	0.27
Date of report:	12/07/2024	Date of last report:	01/07/2024

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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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Explanation of our ratings system:

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:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

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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