

SOMECE

Sector: Industrials

BUY

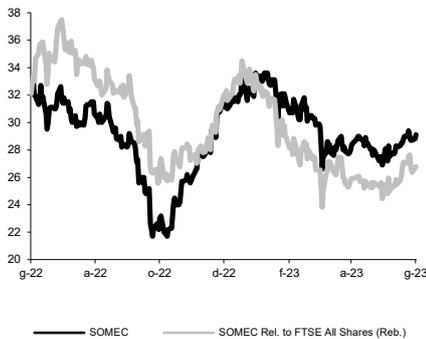
Price: Eu29.10 - Target: Eu33.90

A Deeper Look at the Story: Nicely Placed to Deliver

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.8%	0.7%	2.8%

Next Event

 1H23 Results Out September 25th
SOMECE - 12M Performance


Stock Data			
Reuters code:	SOME.MI		
Bloomberg code:	SOM IM		
Performance	1M	3M	12M
Absolute	8.2%	-2.7%	-9.3%
Relative	9.4%	0.9%	-18.0%
12M (H/L)	33.60/21.70		
3M Average Volume (th):	1.73		

Shareholder Data	
No. of Ord shares (mn):	7
Total no. of shares (mn):	7
Mkt Cap Ord (Eu mn):	201
Total Mkt Cap (Eu mn):	201
Mkt Float - Ord (Eu mn):	50
Mkt Float (in %):	24.8%
Main Shareholder:	
Venezia SpA	74.9%

Balance Sheet Data	
Book Value (Eu mn):	18
BVPS (Eu):	2.64
P/BV:	11.0
Net Financial Position (Eu mn):	-64
Enterprise Value (Eu mn):	274

- A story of delivery and credibility.** Since its IPO in 2018, the company has consistently managed to deliver on promises and hit targets, going from €113mn revenues in 2017 to almost €330mn in 2022. It employed 298 people as at end-2017, which rose to 927 in 2022. Key success factors have been: focus on maintaining leadership in the Cruise market; ability to pin-point the right market opportunities and people; synergy generation among (apparently) diverse businesses; continuously striving to improve and innovate.
- Naval Architecture and Building Façades, backbone of the group.** Forecasts for the Cruise sector point to a recovery in passenger volumes that could lead to a potential gap in supply of and demand for vessels from 2026. The global fleet should expand from the current 400 to more than 500 ships by 2027, implying that more than 100 will be drydocked each year (refitting business worth \$3.7bn a year). In building façades, Somec remains well placed to ride long-term structural trends such as the shift towards more efficient solutions, also supported by public incentives and newer regulation.
- Mestieri: bespoke interiors; high growth and profitability.** Somec has created a unique manufacturing group, made up of companies that are the epitome of top-quality Italian artisanship and know-how, able to create complete, prestigious, custom-made interiors, a feature unmatched elsewhere in the world. Key competitive advantages for Somec are: 1) the broad range of in-house capabilities, including manufacturing; 2) technical, managerial, legal know-how to manage complex projects worldwide; 3) greater financial strength and reliability than smaller peers; 4) an extensive and synergic network of connections and contacts to generate commercial opportunities. The company is well positioned to exploit opportunities in several end markets such as high-end retail and luxury hotel chains, but also luxury apartments and private villas.
- Professional Kitchen: the next target for growth.** Following several acquisitions, the group is able to offer a vast set of products for different markets and clients: 1) restaurants and restaurant chains; 2) hotel chains; 3) all the world's cruise shipyards; 4) the world's major shipowners. Following the consolidation of the Mestieri project, we believe that this segment is next in line and the group will continue to expand, including through M&A.
- Estimates.** We expect revenues to grow at a CAGR of 9% in 2022-2025, with EBITDA reaching almost €50mn by 2025 (28% CAGR). Backlog of €934mn provides high visibility; we expect cash generation to remain strong (€86mn cumulative op.CF in 2023-25), enabling more M&A or leverage reduction (from the current 3.5x to 0.4x).
- BUY reiterated.** We believe the group is well positioned to exploit growth opportunities across several markets and to benefit from the synergic integration of the different businesses it has collected over the years under its umbrella. Strong delivery track record and proven management team, the mix of leadership in core business and diversification in growth segments, full control of the value chain and high cash generation are the key investment points of the story.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	258	329	371	397	426
EBITDA Adj (Eu mn)	23	23	33	42	48
Net Profit Adj (Eu mn)	8	2	10	16	21
EPS New Adj (Eu)	1.224	0.232	1.518	2.371	3.077
EPS Old Adj (Eu)	1.224	0.232	1.506	2.355	2.993
DPS (Eu)	0.800	0.000	0.759	1.186	1.539
EV/EBITDA Adj	11.0	12.9	8.3	6.0	4.7
EV/EBIT Adj	35.6	nm	16.3	10.2	7.3
P/E Adj	23.8	nm	19.2	12.3	9.5
Div. Yield	2.7%	0.0%	2.6%	4.1%	5.3%
Net Debt/EBITDA Adj	2.1	3.5	1.9	1.0	0.4