

SOMECE

Sector: Industrials

BUY

Price: Eu14.25 - Target: Eu19.00

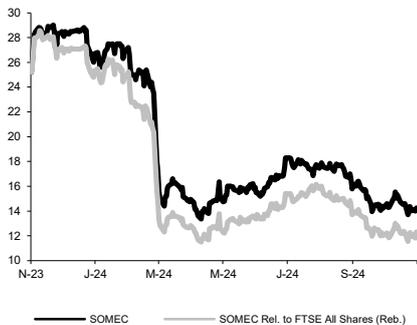
9M Revenues at Eu270m, Positive Trends at Horizon Division

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 19.50 to 19.00		
	2024E	2025E	2026E
Chg in Adj EPS	-35.2%	-12.3%	-10.6%

SOMECE - 12M Performance



Stock Data

Reuters code:	SOME.MI		
Bloomberg code:	SOM IM		
Performance	1M	3M	12M
Absolute	0.4%	-18.3%	-43.0%
Relative	2.3%	-23.3%	-60.5%
12M (H/L)	29.00/13.35		
3M Average Volume (th):	2.23		

Shareholder Data

No. of Ord shares (mn):	7
Total no. of shares (mn):	7
Mkt Cap Ord (Eu mn):	98
Total Mkt Cap (Eu mn):	98
Mkt Float - Ord (Eu mn):	24
Mkt Float (in %):	24.8%
Main Shareholder:	
Venezia SpA	74.9%

Balance Sheet Data

Book Value (Eu mn):	21
BVPS (Eu):	3.07
P/BV:	4.6
Net Financial Position (Eu mn):	-81
Enterprise Value (Eu mn):	182

- 9M Revenues slight declining YoY.** SOMECE Group released revenues data for the nine months which came in at Eu270m posting a low-single-digit decline compared to last year (-3.6%). The decline is most attributable to Talenta and Mestieri which continued the trends showed in 1H24 due to a shift in the timescale of the deployment of some projects not entirely offset by the Horizon division growth.
- Horizon showing resilient trends.** Horizon revenues stood at Eu171m (63% of the total group sales) up by 6.8% YoY compared to the same period last year mainly thanks to refitting activities in the naval sector which represent an increasingly significant contribution to the division's result.
- Talenta and Mestieri still impacted by shifting activities.** Talenta revenues came in at Eu40.8m (-10.9% YoY) suffering from the time shifting in the realization of certain orders in the professional kitchens for the marine sector but showing improvements in the quarter. Mestieri revenues at Eu58.3m down by -21.5%. The negative performance has been amplified by the presence of revenues in 2023 of the subsidiary Hysea (Eu4.5m) not operational in 2024. Without this, the decrease would have been -16.36%. The company added that revenues were also impacted by different project timing in the marine interiors and to certain construction site time shifting which led to a reduction in the projected progress in the civil sector.
- Constructive indications.** In the press release, CEO Marchetto stated that the company is confident on ending the year with improved results on the back of a strong order backlog at Eu783m at June-end and new contracts acquired worth over Eu100m. The focus will remain strong on the US area.
- Estimates revision.** Despite expecting a solid performance in the last quarter compared to previous ones in light of an easy comp base (4Q23 -9.6% YoY, the only negative quarter last year), the contingent shifts in the timescale of activities experienced in 2Q and still in 3Q put our implied +19.2% growth for the last period now at risk in our opinion. We are therefore trimming our revenue expectations slightly down pointing to a 4Q24 growth of +10.9% YoY which bring FY24 revenues at c.Eu371, flattish compared to last year. We leave other assumptions unchanged.
- BUY confirmed, target to Eu19 (from Eu19.5).** We believe the group is well placed to exploit growth opportunities across several markets and benefit from the synergistic integration of the different businesses. The proven management team, the mix of leadership in core businesses and diversification in growth segments, as well as cash generation are the key investment points of the story. Profitability is developing in the right direction now, also thanks to the normalization of the cost base, while from an organizational standpoint, the new management team should be complete, in particular with the recent addition of the Mestieri CEO. Order book is developing nicely as demonstrated by the several recent contract announcements. New estimates on a DCF model blended with an SOP valuation take our target price to Eu19 from Eu19.5m previously continuing to apply the same discretionary liquidity discount. Upside potential offers a material opportunity that should become more visible approaching FY results and early 2025.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	329	371	371	391	412
EBITDA Adj (Eu mn)	23	18	26	30	33
Net Profit Adj (Eu mn)	2	-12	1	4	7
EPS New Adj (Eu)	0.232	-1.696	0.134	0.609	0.967
EPS Old Adj (Eu)	0.232	-1.696	0.206	0.694	1.082
DPS (Eu)	5.291	0.000	0.000	0.000	0.304
EV/EBITDA Adj	12.7	16.0	7.0	5.4	4.2
EV/EBIT Adj	nm	nm	25.7	15.2	10.0
P/E Adj	61.5	nm	nm	23.4	14.7
Div. Yield	37.1%	0.0%	0.0%	0.0%	2.1%
Net Debt/EBITDA Adj	3.5	4.6	3.1	2.0	1.2

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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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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:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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