

SOMECE

Sector: Industrials

BUY

Price: Eu28.80 - Target: Eu33.30

9M Results Boost Visibility on FY Guidance, Estimates Revised

Francesco Brilli +39-02-77115.439
 francesco.brilli@intermonte.it

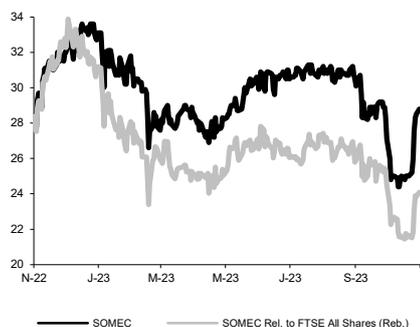
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 33.90 to 33.30		
	2023E	2024E	2025E
Chg in Adj EPS	-74.2%	-47.7%	-26.9%

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	6.3%	-6.5%	4.0%
Relative	-1.8%	-12.4%	-14.1%
12M (H/L)	33.60/24.40		
3M Average Volume (th):	1.44		

Shareholder Data

No. of Ord shares (mn):	7
Total no. of shares (mn):	7
Mkt Cap Ord (Eu mn):	199
Total Mkt Cap (Eu mn):	199
Mkt Float - Ord (Eu mn):	49
Mkt Float (in %):	24.8%
Main Shareholder:	
Venezia SpA	74.9%

Balance Sheet Data

Book Value (Eu mn):	10
BVPS (Eu):	1.51
P/BV:	19.0
Net Financial Position (Eu mn):	-151
Enterprise Value (Eu mn):	359

- 9M revenues up +23% YoY.** On Tuesday, the company released its 9M23 trading update with figures bang in line with FY forecasts at Eu280mn, up +23% YoY, mainly from organic growth (+16.3% YoY). CEO Oscar Marchetto commented positively on results thanks to the business unit dedicated to naval architecture and building facades, which showed positive developments thanks to contracts in progress and the acceleration at Mestieri. Significant new orders are foreseen in 2024, both for new vessels and refitting, and positive signs at Mestieri were confirmed.
- Mestieri accelerating significantly.** Specifically, sales in the Engineering Systems business, incorporating naval architecture and building facades, generated revenues of Eu160mn (+21.8%) thanks to an increase in refitting and the facades segment in the USA; Talenta (professional kitchen systems and products) generated Eu45.8mn, slightly down (-3.2% YoY), and Mestieri reached Eu74.2mn, a +50.2% YoY increase driven by scope expansion from acquisitions (Eu14.7mn of additional revenues, +29.7% YoY) and a sequential acceleration in organic growth, at +20.5% YoY in 9M23 vs. +3.7% YoY in the first half of the year.
- Higher visibility on FY23 guidance.** At the 1H23 results presentation, the company provided updated guidance indicating FY23 revenues well above Eu360mn, EBITDA ranging between Eu26mn and Eu29mn and a pre-IFRS16 NFP between Eu40mn and Eu50mn. Based on current 9M23 results, visibility on 4Q23 revenues is now higher and targets seem easily within reach, inspiring us with confidence to increase our FY23 revenue estimate by c.Eu15mn.
- Revised estimates.** After the 9M release and in light of the guidance review, we are taking this opportunity to revise our assumptions on the company's financials and our valuation approach, especially for Mestieri which, according to our market multiple approach, could be worth in the region of Eu100mn. We expect revenues to grow at an 8% 2022-2025 CAGR - almost unchanged compared to previous forecasts - while in light of the latest indications we are reshaping the profitability profile and growth trajectory for individual divisions, with group EBITDA reaching almost €42mn by 2025 (22% CAGR). The €845mn backlog (as at 1H23) provides high visibility; we expect cash generation to remain strong (€70mn cumulative op.CF in 2023-25), enabling more M&A or a reduction in leverage (from 3.5x at the end of FY22 to 0.9x in FY25; 0.3x excluding IFRS16 impact).
- BUY reiterated; target to Eu33.3 (from Eu33.9).** We believe the group is well placed to exploit growth opportunities across several markets and benefit from the synergistic integration of the different businesses it has collected under its umbrella over the years. The strong track record on delivery - despite contingent headwinds due mainly to the company's transformational phase - 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 in this story. New estimates and a thoroughly-revised valuation, with the DCF model now including a 4.5% risk-free rate (from 4% previously, as per Intermonte assumptions) coupled with an SOP that now includes a wider and more compelling (in our view) peer group (rolled 1Y forward), brings our TP to Eu33.3, with double-digit upside potential that should become more visible as the company develops from next year. We applied a discretionary liquidity discount of 10%.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	258	329	377	430	468
EBITDA Adj (Eu mn)	23	23	26	34	42
Net Profit Adj (Eu mn)	8	2	3	8	15
EPS New Adj (Eu)	1.224	0.232	0.388	1.232	2.187
EPS Old Adj (Eu)	1.224	0.232	1.506	2.355	2.993
DPS (Eu)	0.800	0.000	0.194	0.616	1.094
EV/EBITDA Adj	12.6	16.3	13.6	10.0	7.6
EV/EBIT Adj	nm	nm	38.4	20.0	12.9
P/E Adj	23.5	nm	74.2	23.4	13.2
Div. Yield	2.8%	0.0%	0.7%	2.1%	3.8%
Net Debt/EBITDA Adj	3.7	7.0	5.7	4.0	2.7

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization. Please see important disclaimer on the last page of this report