

SOMEK

Sector: Industrials

BUY

Price: Eu15.65 - Target: Eu19.50

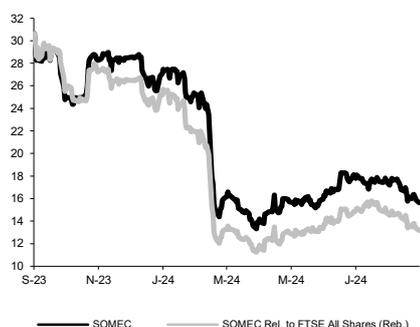
1H24: Quality Over Quantity Helps Profitability Developments

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 21.60 to 19.50		
	2024E	2025E	2026E
Chg in Adj EPS	-49.3%	-21.5%	-13.5%

SOMEK - 12M Performance



Stock Data

Reuters code:	SOME.MI		
Bloomberg code:	SOM IM		
Performance	1M	3M	12M
Absolute	-10.6%	-1.3%	-48.5%
Relative	-10.5%	-2.1%	-66.1%
12M (H/L)	30.70/13.35		
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):	108
Total Mkt Cap (Eu mn):	108
Mkt Float - Ord (Eu mn):	27
Mkt Float (in %):	24.8%
Main Shareholder:	
Venezia SpA	74.9%

Balance Sheet Data

Book Value (Eu mn):	22
BVPS (Eu):	3.15
P/BV:	5.0
Net Financial Position (Eu mn):	-81
Enterprise Value (Eu mn):	192

- Robust set of results despite shifts, driven by Horizon.** SOMEK Group released results for 1H24 which came in pretty much aligned to our estimates on the top line and ahead of profitability at EBITDA level thanks to positive developments in the cost base and synergies across business lines. Revenues for the group stood at Eu185.6m, a slight decrease compared to last year (-3.1% YoY), mainly due to a shift in the timescale of the deployment of some projects at the Talenta and Mestieri division, offset by a good performance at the Horizon division, which benefited from an increase in refitting volumes in the naval sector and US market.
- EBITDA margin up by 200bps YoY.** Adj. EBITDA came in at Eu13.2m, up +34.7% with a margin of 7.1% on revenues (5.1% in 1H23), driven again by the Horizon division, which saw a stabilization of input costs as well as the development of new projects in the refitting market. Depreciation increased to Eu10.3m vs. Eu8.6m last year, mainly as a consequence of **write-downs related to the recording of the impairment loss in professional Cooking Equipment** penalizing EBIT at Eu2.5m (1.3% on sales vs. 0.6% last year) which was still double compared to last year. Net income at Eu-1.2m, reducing the loss vs. last year (Eu-1.8m in 1H23). NFP ex-IFRS 16 as at 30 June 2024 at Eu57.7m, improving from Eu60.1m as at 31 December 2023 and Eu70.4m as at 30 June 2023.
- No specific indications but constructive outlook.** The group provided very constructive outlook on the sector, specifically for naval new build, which should reach c. +35 new units in the next 5 to 8 years. During the conference call, management indicated positive developments and normalization of contract timings in 2H24, with FY revenues growing YoY (single digit) and the EBITDA margin in the range of c.7% of sales.
- Change in estimates.** We adjust our estimates for 2024 and following years taking into consideration revenues and profitability phasing seen in 1H. In particular, we shift forward c.8m of revenues and c.Eu2m at EBITDA level. **This results in -6.4%/-5.4%/-4.4% changes in EBITDA for FY24/25/26.** On the bottom line, we include the write down of Talenta indicated by management which, together with lower EBITDA, leads to net income positive but lower by c.49% compared to previous estimates.
- BUY confirmed, target to Eu19.5 (from Eu21.6).** 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 brought under its umbrella over the years. Contingent headwinds due mainly to the company's transformational phase and the lower value and reliability of old contracts dented 2023 performance, but 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 addition of the Mestieri CEO. New estimates on a DCF model blended with an SOP valuation take our target price to Eu19.5 from Eu21.6m previously. We continue to apply the same discretionary liquidity discount. Upside potential offers a material opportunity that should become more visible as the company develops from 2H this year.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	329	371	378	400	422
EBITDA Adj (Eu mn)	23	18	27	30	34
Net Profit Adj (Eu mn)	2	-12	1	5	7
EPS New Adj (Eu)	0.232	-1.696	0.206	0.694	1.082
EPS Old Adj (Eu)	0.232	-0.388	0.762	1.570	
DPS (Eu)	5.291	0.000	0.000	0.000	0.347
EV/EBITDA Adj	12.7	16.0	7.2	5.6	4.4
EV/EBIT Adj	nm	nm	24.7	15.0	9.9
P/E Adj	67.5	nm	75.8	22.5	14.5
Div. Yield	33.8%	0.0%	0.0%	0.0%	2.2%
Net Debt/EBITDA Adj	3.5	4.6	3.0	2.0	1.1

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