

THE ITALIAN SEA GROUP

BUY

Sector: Consumers

Price: Eu7.43 - Target: Eu11.50

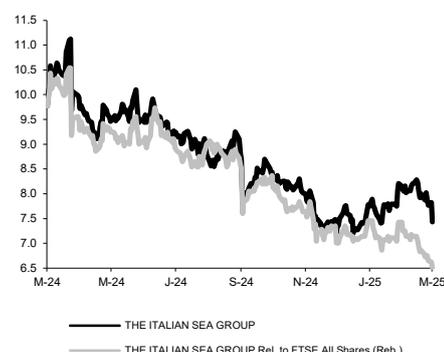
FY24 Results out on 14 March

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 12.50 to 11.50		
	2024E	2025E	2026E
Chg in Adj EPS	-18.3%	-8.9%	-11.0%

Next Event
 Results Out: Mar-14

THE ITALIAN SEA GROUP - 12M Performance



Stock Data			
Reuters code:	TISGR.MI		
Bloomberg code:	TISG IM		
Performance	1M	3M	12M
Absolute	-8.0%	0.3%	-24.0%
Relative	-10.6%	-9.9%	-38.0%
12M (H/L)	11.12/7.16		
3M Average Volume (th):	73.00		

Shareholder Data	
No. of Ord shares (mn):	53
Total no. of shares (mn):	53
Mkt Cap Ord (Eu mn):	394
Total Mkt Cap (Eu mn):	394
Mkt Float - Ord (Eu mn):	118
Mkt Float (in %):	30.0%
Main Shareholder:	
GC Holding S.p.A.	53.6%

Balance Sheet Data	
Book Value (Eu mn):	173
BVPS (Eu):	3.27
P/BV:	2.3
Net Financial Position (Eu mn):	55
Enterprise Value (Eu mn):	338

- Results out on 14 March.** The Italian Sea Group will release FY24 results early in the afternoon of 14 March; it usually holds a conference call at 4pm (details not yet available). Following positive 3Q24 results we believe underlying business is proceeding nicely, although the main focus was on the finalisation of new orders, which under normal seasonality usually occurs in the final months of the year/early in the following year. At that time management commented that approximately ten negotiations were at the final stages with a good chance of orders being sealed. We acknowledge that given the nature of TISG's business, negotiations are anything but standard, as the very specific customer segment and consequent project dimensions result in extended timings for design and contract structuring.
- Caution awaiting updates, estimates trimmed.** We leave room for positive newsflow which might arise any time now, while taking a slightly more conservative stance on numbers in the meantime. Our current estimates include outperformance of existing company guidance, which might prove overly optimistic in light of some of the delays we are witnessing in the order intake. We are therefore trimming our top line assumptions, with a consequent cut in margins, bringing estimates into line with the low end of the indications provided. We would underline that this stance, especially on FY25 and subsequent years, could be rendered obsolete in the event of a strong 1H25 order intake. The signing of a few big contracts, especially the renowned 100mt Admiral under negotiation and other strong prospects for large yachts, could overturn our assumptions, but we cannot completely rule out a cloudier scenario.
- Our estimates point to another solid set of annual results.** We now expect FY24 revenues at Eu411mn, up +12.7% YoY, with EBITDA at c.Eu70mn, a 17.2% margin on sales, similar to what was achieved last year (+20bp YoY). This implies 4Q24E at Eu115.2mn, up 12.7% YoY, accelerating from +11.4% in 9M24, with 4Q24E EBITDA at Eu20.4mn. We expect net income of Eu36.5mn, reflecting additional D&A and financial charges compared to previous estimates. Positive NFP at Eu13.4mn expected at the end of the year, lower than previously forecast in light of the lack of any advance payments for new orders so far (our previous estimate was a positive Eu39.4mn). Net backlog expected at Eu429mn, with an order backlog of Eu1.16bn.
- BUY confirmed; target Eu11.5 (from Eu12.5).** Thanks to its positioning among the leading players at the very top end of the yachting industry, its unique, all-round business and facilities, as well as the high visibility on prospects and cash generation confirmed in company targets, TISG looks very well placed to exploit the full potential of a steadily-growing industry. The clear prospect of exploiting further opportunities through the Perini Navi and Picchiotti brands, as well as new semi-custom projects, add further upside to the story. We reiterate our recommendation with a new TP at Eu11.5 following changes to our estimates, with upside of c.50%. We continue to believe the recent stock de-rating offers a clear buying opportunity.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	295	364	411	430	460
EBITDA Adj (Eu mn)	47	62	71	76	85
Net Profit Adj (Eu mn)	24	37	37	48	55
EPS New Adj (Eu)	0.454	0.696	0.690	0.910	1.040
EPS Old Adj (Eu)	0.454	0.696	0.898	1.093	1.169
DPS (Eu)	0.154	0.272	0.370	0.345	0.455
EV/EBITDA Adj	6.4	6.4	6.6	4.4	3.6
EV/EBIT Adj	8.1	7.9	7.7	5.1	4.0
P/E Adj	16.4	10.7	10.8	8.2	7.1
Div. Yield	2.1%	3.7%	5.0%	4.6%	6.1%
Net Debt/EBITDA Adj	0.2	0.0	-0.1	-0.7	-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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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