

THE ITALIAN SEA GROUP

BUY

Sector: Consumers

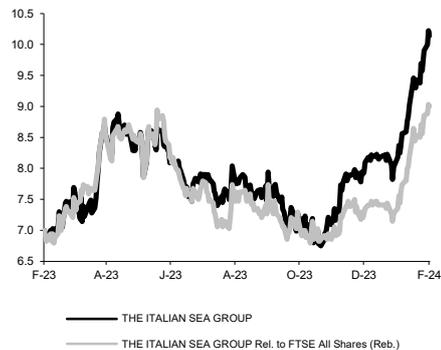
Price: Eu10.14 - Target: Eu12.00

All Targets Delivered. Setting New Objectives

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 11.00 to 12.00		
	2023E	2024E	2025E
Chg in Adj EPS	1.0%	0.0%	-3.3%

THE ITALIAN SEA GROUP - 12M Performance



Stock Data			
Reuters code:	TISGR.MI		
Bloomberg code:	TISG IM		
Performance	1M	3M	12M
Absolute	25.8%	41.8%	44.9%
Relative	23.9%	32.4%	32.1%
12M (H/L)	10.22/6.75		
3M Average Volume (th):	88.66		

Shareholder Data	
No. of Ord shares (mn):	53
Total no. of shares (mn):	53
Mkt Cap Ord (Eu mn):	537
Total Mkt Cap (Eu mn):	537
Mkt Float - Ord (Eu mn):	113
Mkt Float (in %):	21.0%
Main Shareholder:	
GC Holding S.p.A.	62.6%

Balance Sheet Data	
Book Value (Eu mn):	155
BVPS (Eu):	2.93
P/BV:	3.5
Net Financial Position (Eu mn):	39
Enterprise Value (Eu mn):	498

FY23 preliminary figures released. TISG has released preliminary results that met or exceeded company guidance and market expectations (full results on 21 March). Revenues came in at Eu363mn, up +23.3% YoY (guidance Eu350-365mn), EBITDA margin 16.8% or c.30bp above indications (range 16-16.5%) and NFP positive at Eu2mn (guidance: “neutral”) vs. net debt of Eu11mn last year and more importantly, net debt of Eu31mn at 9M23. The latter demonstrates the high visibility and control management has on cash flow and the exact timing of flows. The order book at the end of the year stood at Eu1,265mn, slightly below 9M23 (Eu1,306mn) mainly due to deliveries in the last period of the year. The net backlog was Eu609mn (vs. Eu647mn at 9M23) with 1.7x coverage on sales. The company stated that the current backlog already covers c.80% of targeted revenues (shipbuilding) for 2024 and c.60% for 2025.

CMD update: solid and clear targets highlight reliable prospects. The company held a Capital Markets Day yesterday at the iconic Armani Silos venue in Milan, updating the market on the full range of ongoing initiatives and future prospects. Management outlined the targets for 2024 and 2025 which we believe are definitely achievable and leave some room for potential upside. In 2024, TISG is aiming for revenues of Eu400-420mn (confirming previous indications) with an EBITDA margin at 17-17.5%; 2025 revenues are expected at Eu430-450mn with an EBITDA margin at 18-18.5%; financial leverage confirmed at a neutral level throughout the period. The dividend payout is confirmed yearly at 40-60%, in line with the past.

Our quick take. TISG has so far achieved impressive revenues growth (2009-23 CAGR 21.6%; 2020-23 CAGR +45.6%) establishing itself among key global super/megayacht manufacturers (the third biggest shipyard in the world for yachts >50mt at the time of writing). More importantly, the company has proved reliable and delivered all the targets and projects announced (even the most challenging and visionary ones) and we believe this track record will last. All the facilities needed for the next phase of growth are completed and up-and-running, leaving management’s full focus on delivery and growth which should help exceed the Eu500mm revenue milestone by 2027 (potentially earlier).

Estimates broadly unchanged. We are fine-tuning our estimates, which were already broadly aligned with current projections. We are slightly trimming 2025 profitability applying a more gradual margin expansion, more in line with targets (we still see some upside on 2025 margins).

BUY; target Eu12 (from Eu11). 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 opportunity of exploiting further opportunities through the Perini Navi and Picchiotti brands, as well as new semi-custom projects, add further upside to the story. In line with the rest of our coverage, we are updating the risk-free rate in our DCF model to 4% from 4.5%, which along with the change in estimates and the execution risk attached to the Perini Acquisition now at 5% (down from 10%), results in a target price of Eu12, up from Eu11 previously.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	186	295	363	425	453
EBITDA Adj (Eu mn)	28	47	61	74	85
Net Profit Adj (Eu mn)	16	27	35	45	53
EPS New Adj (Eu)	0.308	0.515	0.662	0.844	0.999
EPS Old Adj (Eu)	0.308	0.515	0.655	0.844	1.033
DPS (Eu)	0.000	0.154	0.272	0.331	0.422
EV/EBITDA Adj	10.4	6.4	6.5	6.7	5.4
EV/EBIT Adj	13.4	7.5	7.8	7.7	6.0
P/E Adj	32.9	19.7	15.3	12.0	10.1
Div. Yield	0.0%	1.5%	2.7%	3.3%	4.2%
Net Debt/EBITDA Adj	-1.5	0.2	0.0	-0.5	-0.9