

# THE ITALIAN SEA GROUP

**BUY**

Sector: Consumers

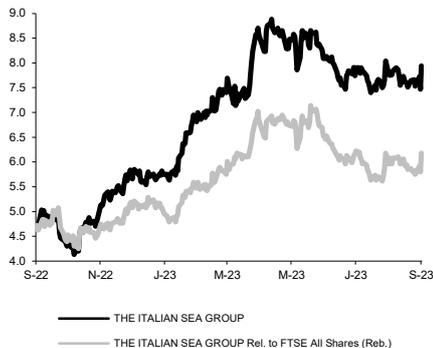
Price: Eu7.94 - Target: Eu11.50

## Momentum Stays Strong, Upper End of Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-6.0%	-4.5%	-2.5%

### THE ITALIAN SEA GROUP - 12M Performance



Stock Data			
Reuters code:	TISGR.MI		
Bloomberg code:	TISG IM		
Performance	1M	3M	12M
Absolute	2.2%	-2.0%	68.2%
Relative	3.5%	-5.3%	39.6%
12M (H/L)	8.88/4.13		
3M Average Volume (th):	50.03		

Shareholder Data	
No. of Ord shares (mn):	53
Total no. of shares (mn):	53
Mkt Cap Ord (Eu mn):	421
Total Mkt Cap (Eu mn):	421
Mkt Float - Ord (Eu mn):	88
Mkt Float (in %):	21.0%
Main Shareholder:	
GC Holding S.p.A.	62.6%

Balance Sheet Data	
Book Value (Eu mn):	126
BVPS (Eu):	2.39
P/BV:	3.3
Net Financial Position (Eu mn):	2
Enterprise Value (Eu mn):	419

- Strong start to year continued to 1H23.** Yesterday The Italian Sea Group reported 1H23 results that were slightly ahead of our top line and profitability forecasts, confirming positive underlying trends and business developments. 1H23 revenues came in at Eu165.9mn up +24% YoY (+2% vs. our estimates) driven by the strong performance of the core super and gigayacht brands: Admiral was up +24.4% YoY and Perini almost tripled compared to last year to Eu39.5mn.
- Profitability improving QoQ, net income c.+80% YoY.** EBITDA came in at Eu27.2mn, with robust +39% YoY growth, outpacing revenues to deliver a 16.4% margin, +150bp YoY. 2Q23 saw a margin of 16.6%, +155bp YoY. Margin growth was mainly driven by higher operating leverage and production efficiencies as well as operational efficiencies. Net Income came in at Eu13.6mn. The company also reported a negative NFP at Eu19.2mn from Eu11.3mn as at the end of December 2022 after the payment of dividends (Eu14.4mn) and Eu6.1mn of investments relating to completion of the TISG 4.0, 4.1 and 4.2 investment projects, as well as some consolidation effects from the acquisition of Celi. Cash flow from operating activities was positive at c.Eu4mn in 1H23.
- Order book growing:** as at 30<sup>th</sup> June 2023 the order book (Shipbuilding and Refit) had reached Eu1,242mn, +24% vs. Dec.22. Net backlog for the same period stood at Eu664mn, +7% vs. Dec.22. Currently, TISG has 35 orders in progress: 22 mega and gigayachts and 13 Tecnomar for Lamborghini 63, with deliveries scheduled until 2027.
- Positive indications and developments.** Management confirmed FY23 guidance, now forecasting results in the highest part of the ranges provided: Eu365mn in revenues with a 16.5% EBITDA margin. The CEO also reiterated 2024 targets, affirming that as things stand 90% of 2024 results are already guaranteed by the current order book. Also, in terms of net debt the company still foresees a neutral PFN at year-end. Several presentations will be made in the coming weeks on new products that will be presented during the Monaco Boat Show, while Mr. Costantino added that at least four further contracts for Perini vessels are in the closing stages awaiting finalisation.
- Change in estimates:** we are leaving our estimates broadly unchanged, except for recognition of higher D&A deriving from a CapEx level that now factors in the Celi acquisition, new office building and the finalisation of investment projects. This results in a slightly lower bottom line, but does not affect the current valuation.
- BUY; target Eu11.5 confirmed.** 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 further broadening its capacity and exploiting the sailing yachts opportunity through the Perini Navi brand as well as the new semi-custom projects add further upside to the story. The stock is trading at a 7.2x/5.7x EV/EBITDA for 2023/24, still at a discount to Sanlorenzo on 2024 (-10%) which in our view definitely does not fully recognise TISG's value in light of the increasing visibility on results and prospects.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	186	295	355	423	441
EBITDA Adj (Eu mn)	28	47	58	74	88
Net Profit Adj (Eu mn)	16	27	33	45	55
EPS New Adj (Eu)	0.308	0.515	0.622	0.840	1.040
EPS Old Adj (Eu)	0.308	0.515	0.662	0.880	1.066
DPS (Eu)	0.000	0.154	0.258	0.311	0.420
EV/EBITDA Adj	10.4	6.4	7.2	5.1	3.9
EV/EBIT Adj	13.4	7.5	8.7	5.9	4.3
P/E Adj	25.8	15.4	12.8	9.4	7.6
Div. Yield	0.0%	1.9%	3.2%	3.9%	5.3%
Net Debt/EBITDA Adj	-1.5	0.2	0.0	-0.5	-0.9