

THE ITALIAN SEA GROUP

BUY

Sector: Consumers

Price: Eu7.15 - Target: Eu11.00

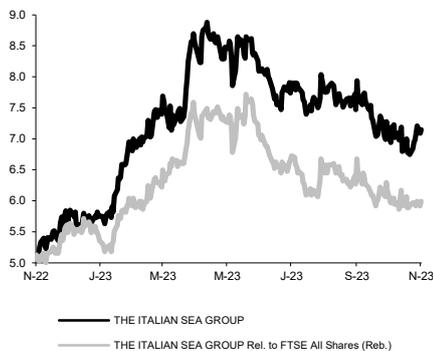
9M23 Well On Track to Meet FY targets. Outlook Confirmed

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 11.50 to 11.00		
	2023E	2024E	2025E
Chg in Adj EPS	5.4%	0.4%	-0.7%

THE ITALIAN SEA GROUP - 12M Performance



Stock Data

Reuters code:	TISGR.MI		
Bloomberg code:	TISG IM		
Performance	1M	3M	12M
Absolute	-0.7%	-8.0%	39.4%
Relative	-2.8%	-7.0%	20.4%
12M (H/L)	8.88/5.11		
3M Average Volume (th):	48.19		

Shareholder Data

No. of Ord shares (mn):	53
Total no. of shares (mn):	53
Mkt Cap Ord (Eu mn):	379
Total Mkt Cap (Eu mn):	379
Mkt Float - Ord (Eu mn):	80
Mkt Float (in %):	21.0%
Main Shareholder:	
GC Holding S.p.A.	62.6%

Balance Sheet Data

Book Value (Eu mn):	128
BVPS (Eu):	2.41
P/BV:	3.0
Net Financial Position (Eu mn):	2
Enterprise Value (Eu mn):	377

- 9M23 results slightly ahead of expectations:** yesterday The Italian Sea Group reported key financial indicators for 9M23 that were slightly ahead of our expectations. Revenues in the period amounted to Eu262.2mn (+2% vs. our estimate) up +25% YoY thanks to the sound performance of both Shipbuilding at Eu226.7mn (+22% YoY) and Refit at Eu32.9mn (+23.5%). The very solid backlog now exceeds Eu1.3bn, or c.4x LTM sales.
- Margins on track to meet FY guidance.** Group EBITDA came in at Eu43.2mn, up +31% YoY with a 16.5% margin, bang in line with the confirmed FY23 target. This implies 4Q23 results in line with 9M trends, a feasible aim (if not easy to achieve) in light of the usual seasonality of the higher-than-average margin refit business, which is more concentrated in the final months of the year.
- NFP increasing due to working capital trends, neutral by year-end.** 9M23 NFP ended at Eu31mn (Eu19.2mn in 1H22) mainly due to the dividend payment (Eu14.4mn), CapEx and NWC absorption that were higher than EBITDA generation, implying a negative balance for the two items of Eu-7.1mn. This is mainly due to the mismatch between Work In Progress projects inflating Inventories and receivables, not yet offset by the payment of the associated instalments. According to the company, these payments were already received in October, bringing NFP back to normal levels; it is projected to be neutral by year-end.
- Solid outlook: guidance and FY24 targets confirmed.** On the back of results and backlog, management confidently reiterated its FY23 targets (revenues Eu365mn, EBITDA margin at 16.5%) and also the FY24 outlook, targeting sales of Eu400-420mn and an EBITDA margin between 17% and 17.5%. During the conference call the CEO also confirmed growing client interest in the Group's brands and the strong impact of the project line-up presented at the Monaco Yacht Show.
- Estimate update.** In light of the visibility provided by actual numbers, we align our estimates to the latest indications, lifting our FY23 revenues and EBITDA forecasts.
- BUY; target Eu11 (from Eu11.5).** 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 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 6.3x/5x EV/EBITDA for 2023/24, back to a material discount to Sanlorenzo at 2024 (-30%) which in our view definitely does not fully recognise TISG's value in light of the increasing visibility on results and prospects. As for the rest of our coverage we are updating the risk-free rate in our DCF model to 4.5% from 4%, which along with the change in estimates, results in a target price of Eu11 from Eu11.5 previously.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	186	295	366	425	453
EBITDA Adj (Eu mn)	28	47	60	74	87
Net Profit Adj (Eu mn)	16	27	35	45	55
EPS New Adj (Eu)	0.308	0.515	0.655	0.844	1.033
EPS Old Adj (Eu)	0.308	0.515	0.622	0.840	1.040
DPS (Eu)	0.000	0.154	0.272	0.328	0.422
EV/EBITDA Adj	10.4	6.4	6.2	4.6	3.4
EV/EBIT Adj	13.4	7.5	7.5	5.3	3.8
P/E Adj	23.2	13.9	10.9	8.5	6.9
Div. Yield	0.0%	2.2%	3.8%	4.6%	5.9%
Net Debt/EBITDA Adj	-1.5	0.2	0.0	-0.5	-0.9