Intermonte

Milan, 11 September 2024

Italian Equity Research – 1H24 Results

THE ITALIAN SEA GROUP

BUY

Sector: Consumers

Price: Eu8.03 - **Target: Eu12.50**

1H24 Results Slightly Ahead. FY24-25 Guidance Confirmed

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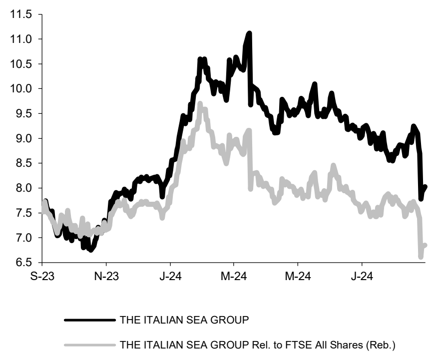
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	0.0%	0.0%

THE ITALIAN SEA GROUP - 12M Performance



Stock Data			
Reuters code:			TISGR.MI
Bloomberg code:			TISG IM
Performance	**1M**	**3M**	**12M**
Absolute	-6.1%	-15.5%	4.4%
Relative	-11.4%	-12.2%	-13.7%
12M (H/L)			11.12/6.75
3M Average Volume (th):			68.73

Shareholder Data	
No. of Ord shares (mn):	53
Total no. of shares (mn):	53
Mkt Cap Ord (Eu mn):	426
Total Mkt Cap (Eu mn):	426
Mkt Float - Ord (Eu mn):	128
Mkt Float (in %):	30.0%
Main Shareholder:	
GC Holding S.p.A.	53.6%

Balance Sheet Data	
Book Value (Eu mn):	154
BVPS (Eu):	2.91
P/BV:	2.8
Net Financial Position (Eu mn):	30
Enterprise Value (Eu mn):	396

- **1H24 results confirmed resilience and positive prospects.** Yesterday afternoon TISG released 1H results that were a touch ahead of expectations, both on the top line and profitability, showing solid progress with the company well on track to hit FY24 targets. More importantly, after some recent concerns, the company confirmed its FY24 guidance (*revenues Eu400-Eu420mn; EBITDA margin 17%-17.5%*) and its strategic outlook for 2025 (*revenues Eu430-Eu450mn; EBITDA margin 18%-18.5%, neutral NFP*).
- **Sales +14% YoY, EBITDA +19% YoY.** Sales came in at Eu189.4mn, up +14.2% YoY with EBITDA up 19% YoY to Eu32.4mn, a 17.1% margin on sales, +50bp YoY. On the bottom line, net income came in at Eu29mn, more than double last year's figure partly thanks to the cash-in from the Viareggio shipyard sale. Net debt, after investments of c.Eu5mn during the period and the distribution of Eu19.6mn in dividends, stood at Eu33.6mn vs. Eu1.5mn at the end of last year (Eu19.3mn net debt at 1H23). Management indicated that as things stand the NFP has already improved thanks to the timing of installment receipts (after the end of the half-year), and confirmed the projection for a cash positive position at year-end.
- **Order book at Eu1.3bn.** The order book as at the end of June stood at Eu1.323mn (c.+Eu50mn vs. Dec.'23) with a net backlog of Eu611mn, flat vs. Eu609mn at YE23 as a consequence of deliveries and advances on current shipbuilding. 78% of the backlog is represented by the Admiral brand, 10% Refit, 9% Perini and 3% Tecnomar by Lamborghini.
- **Positive comments on market demand and future visibility on orders.** During the conference call, management was positive on recent market concerns over the resilience of demand, highlighting that TISG is exposed to the most solid part of the market (higher lengths and UHNWIs) which continues to see growth. Some normalisation could be seen in smaller dimensions going forward. The CEO also remarked that new order intake has a specific seasonality, with historical evidence of contracts being signed in the very early and late stages of the year (following big yacht events and fairs). Ongoing negotiations confirm this trend, with the signing of new contracts expected in the coming months. The Monaco Yacht Show (end of September), represents a big catalyst in this respect. All this evidence and these considerations provide robust visibility on future prospects, with the company reiterating FY24 guidance and the FY25 strategic outlook.
- **Estimates unchanged.** Results enhance visibility on our assumptions and estimates, so we are leaving our forecasts unchanged.
- **BUY; target Eu12.5 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 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 and TP, in the belief that the recent de-rating of the stock offers a clear buying opportunity.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	295	364	425	453	468
EBITDA Adj (Eu mn)	47	62	74	85	89
Net Profit Adj (Eu mn)	24	37	48	58	62
EPS New Adj (Eu)	0.454	0.696	0.898	1.093	1.169
EPS Old Adj (Eu)	0.454	0.696	0.898	1.093	1.169
DPS (Eu)	0.154	0.272	0.370	0.449	0.547
EV/EBITDA Adj	6.4	6.4	5.3	4.2	3.5
EV/EBIT Adj	8.1	7.9	6.3	4.7	3.9
P/E Adj	17.7	11.5	8.9	7.3	6.9
Div. Yield	1.9%	3.4%	4.6%	5.6%	6.8%
Net Debt/EBITDA Adj	0.2	0.0	-0.4	-0.9	-1.2

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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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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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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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