

THE ITALIAN SEA GROUP

BUY

Sector: Consumers

Price: Eu6.37 - Target: Eu11.00

Another Set of Strong Results Coupled to Bright Prospects

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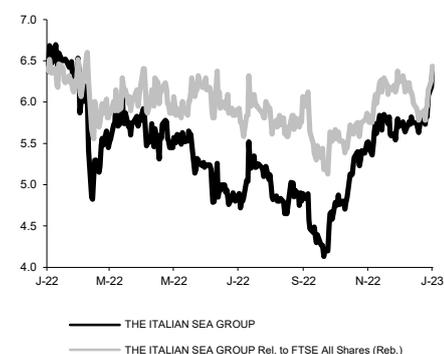
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 8.50 to 11.00		
	2022E	2023E	2024E
Chg in Adj EPS	4.1%	2.1%	0.6%

Next Event

 FY Results Out on March 21st

THE ITALIAN SEA GROUP - 12M Performance



Stock Data

Reuters code:	TISGR.MI		
Bloomberg code:	TISG IM		
Performance	1M	3M	12M
Absolute	11.8%	33.1%	-0.5%
Relative	3.3%	15.5%	0.3%
12M (H/L)	6.70/4.13		
3M Average Volume (th):	29.31		

Shareholder Data

No. of Ord shares (mn):	53
Total no. of shares (mn):	53
Mkt Cap Ord (Eu mn):	338
Total Mkt Cap (Eu mn):	338
Mkt Float - Ord (Eu mn):	71
Mkt Float (in %):	21.0%
Main Shareholder:	
GC Holding S.p.A.	62.6%

Balance Sheet Data

Book Value (Eu mn):	129
BVPS (Eu):	2.43
P/BV:	2.6
Net Financial Position (Eu mn):	1
Enterprise Value (Eu mn):	337

- FY22 above expectations.** Yesterday TISG held its first CMD, which provided a comprehensive overview of the results achieved so far, preliminary FY22 key figures, and the strategic and financial targets to 2024. FY22 revenues came in at the very top end of guidance (Eu280-295m) at Eu295m, up 59% YoY, while profitability was even above targets, with EBITDA at Eu47m, and the margin on sales at 15.9% compared to 15.5% expected. The company also beat expectations on net debt, which came in at Eu11m vs. Intermonte at Eu22m and consensus at Eu14m, and vs. a net cash position of Eu41m as of December '21.
- '23-'24 targets are robust and definitely within reach.** Targets provided for the next two years are robust and ahead of current consensus at the top end of the ranges, confirming the company is proceeding with its developments, and the validity of the strategic goals set at the IPO in 2021. TISG is expecting to reach revenues of Eu350-365m in 2023 (+21% YoY mid-range) and Eu400-420m in 2024 (c.+15% mid-range) with an EBITDA margin between 16% and 16.5% in 2023 and 17% and 17.5% in 2024. The company dividend policy targets a yearly payout ratio of 40-60% of net profit. NFP is seen almost neutral, or below 1.5x of LTM EBITDA at the lowest in the event of temporary impacts from potential M&A transactions that might arise.
- Our take: track record has been proven and is set to continue.** We believe the company and management have so far shown their reliability and ability to deliver results. Since 2018, TISG has grown at a CAGR of 45% for revenues and 66% for EBITDA with profitability expansion of 680bps in the period. Debt is definitely under control and cash flow generation is even providing the flexibility to perform a major Eu80m acquisition (Perini Navi) without stressing the financial structure. Targets provided are reasonable and feasible in our opinion on the back of continuing buoyant super and gigayacht market demand and the net backlog already covering a large portion of next years' sales and profitability (the CEO commented that 85% of 2023 sales are covered as of today). Dividend policy and the prospect of an ever more liquid stock profile (management is targeting the STAR segment) as well as the potential upsides on provided targets confirm our positive stance on the name.
- Estimates updated.** Our estimates, which were slightly above consensus, are almost aligned to the targets provided. We are merely fine-tuning our model to reflect the latest indications, mainly on net debt and CF generation.
- BUY confirmed, target to Eu11 (from Eu8.5).** 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 high visibility on prospects and cash generation confirmed by the targets provided, 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 DCF model now yields an equity value with a target price of Eu13.2 (Eu11.2 before), to which we add an execution risk discount now lowered to 15% (25% before) pending further visibility on the evolution of the business and the Perini deliveries. The stock is still trading at a depressed 5.8x/4.2x EV/EBITDA '23/'24, a notable discount to Sanlorenzo (-30%/-45%) which in our view definitely does not recognise TISG's value in full in light of the increasing visibility on results and prospects.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	116	186	295	355	423
EBITDA Adj (Eu mn)	15	28	47	58	74
Net Profit Adj (Eu mn)	6	16	27	35	47
EPS New Adj (Eu)		0.308	0.515	0.662	0.880
EPS Old Adj (Eu)		0.308	0.495	0.648	0.875
DPS (Eu)	0.000	0.000	0.154	0.258	0.331
EV/EBITDA Adj		10.4	6.4	5.8	4.0
EV/EBIT Adj		13.4	7.5	6.6	4.5
P/E Adj		20.7	12.4	9.6	7.2
Div. Yield	0.0%	0.0%	2.4%	4.0%	5.2%
Net Debt/EBITDA Adj	0.6	-1.5	0.2	0.0	-0.5