



1H22 results reflect difficult market conditions

Sector: Finance

Healthy growth in core business (+24% YoY) not enough to offset the lack of performance fees caused by a negative trend in financial markets. The recent turmoil in financial markets caused by an inflationary scenario and the increase in interest rates by central banks as a response, negatively affected SCM's 1H22. Fee income came in at Euro 2.6 m, down from Euro 3.1 m in 1H21 (-17% YoY) with the difference being explained by the lack of performance fees which in 1H21 contributed with c. Euro 1.0 m. All other revenue lines showed positive results and recorded a +24% YoY growth on an aggregated basis (insurance +44%, asset management +12%, +5% recurring advisory and +62% generic advisory). Brokerage Margin stood at Euro 1.5 m, -24% compared to the first half of 2021 (Euro 1.9 m). The Brokerage Margin on Fee income ratio was of 57.1%, down vs. 1H21 (62.5%) which benefitted from a favorable sales mix (higher weight of performance fees) but still good compared to previous years with similar sales mix as evidence of the effectiveness of the new pay-out policy implemented over the last 18 months. Opex of Euro 1.9 m remained in line with prior year. Net result was negative of Euro 0.6 m (Euro -0.1 m in 1H21). Finally, Equity stood at Euro 2.4 m (Euro 3.1 m in 1H21). Assets under control stood at Euro 835 m, down vs. Euro 958 at year-end 2021 following the expiry of some low-margin contracts, and a market related devaluation of the assets. The total number of consultants reported was 36. (41 at the end 2021).

Uncertain 2H due to international turmoil, soundness of strategic guidelines to confirm positive outlook in the mid-term. Management did not provide guidance for FY22 but expressed confidence about the second half of 2022 given the positive performance of fees from the core business and the pipeline of "one shot" advisory services, including the agreement with Banca Ubae for the purchase of tax credits for total value of Euro 20 m which saw SCM acting as arranger. Management further confirmed its commitment to a growth strategy based on actions aimed at increasing AuC and consolidate profitability, expansion and training of commercial network and digitalization across all corporate functions. In the first six months of 2022 the Company has announced 3 new partnerships (i) Value-Holdings Capital for advisory service dedicated to the new DAX benchmarked "In Germany" asset management line, (ii) PreviOn for a check-up service of social security position and (iii) Alkeon Capital Management LLC (American management company) for the exclusive distribution rights of the Alkeon Ucits Fund. Considering management's continuous efforts to grow the business and the Company's increased visibility from the dual listing on the "Open Market" segment of Frankfurt stock exchange at the beginning of June we confirm our positive stance on the stock in the mid-term. However, given the uncertain market conditions we adopted a prudential approach for 2H.

Estimate revision and new target price at Euro 6.52 p.s., providing for a potential upside of 81%. Given the above, we reviewed our expectations on FY22 Fee income to factor in the lower performance fees, now assuming Euro 6.5 m (Euro 7.7 m pr.) while leaving our growth rate for FY23 unchanged. We also adjusted profitability in FY22 to better reflect the new sales mix. Finally, we added FY22 to our explicit forecast. Overall, this translates in an average cut in Net Fees and Brokerage Margin by -16% and -19% respectively. We updated our DCF and multiple based target price to Euro 6.52 p.s. down from Euro 7.63 p.s. as of our previous report due to new estimates and a worsening interest rate scenario (WACC +50 bps), however still providing for an upside of 81%. At our target price the stock would be trading at 2022-2023 Equity Value/AuM multiples of 1.5x and 1.3x respectively, vs. peers' 2.2x and 2.3x and current stock price at 0.8x and 0.7%.

Target Price 6.52 (7.63 pr.)

Market Cap (€ m) **7.2**

EV (€ m) **7.7**

Market Price (€) **3.6**
As of October 3rd 2022

Share Data

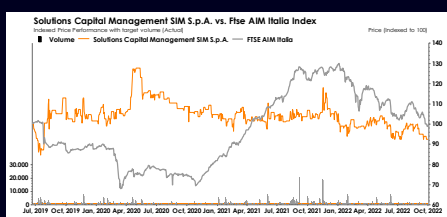
Market	Euronext Growth Milan
Reuters/Bloomberg	SCM IM/SCM.MI
ISIN	IT0005200248
N. of Shares	2,006,240
Free Float	18.90%
CEO	Antonello Sanna

Financials

	21A	22E	23E	24E
Fee Income	6.3	6.5	7.5	8.6
YoY %	+15%	3%	15%	15%
Net Fees	3.9	3.7	4.4	5.1
Brokerage M.	3.9	3.7	4.4	5.1
Brok. Mgn/Fee Income %	61%	57.0%	59.0%	59.0%
Cost/Income ratio %	98%	101%	93%	87%
Net Result	(0.3)	(0.6)	0.2	0.5
Equity	3.0	2.4	2.6	3.1

Performance

	1M	3M	1Y
Absolute %	-6%	-4%	-14%
Relative (FTSE Italia Growth)	-1%	-1%	+6%
52-week High/Low (Eu)	4.82	/	3.30



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