



Healthy growth in core business (+43%) not sufficient to offset lack of Performance fees. Fee income in line with FY21

Sector: Finance

FY22 results largely in line with expectations. In line with the first half of the year, H222 was heavily influenced by the macroeconomic situation with inflation and restrictive monetary policies by central banks penalizing equity and bond markets. In this challenging context the Company recorded fee income of Euro 6.2 m, -2% YoY and -4% vs. our estimates, driven by strong performance of from core business (+43% on an aggregate basis) almost entirely offsetting the lack of performance fees which in FY21 amounted to Euro 2.0 m. Particular good performance of the advisory and insurance lines growing by +64% and 70% respectively. Brokerage Margin came in at Euro 3.6 m, vs. Euro 3.9 m in FY21 and Euro 3.7 as of our estimates. Brokerage Margin on Fee income stood at 58%, down vs. FY21 (61%) as the latter benefitted from a favorable sales mix with higher weight of performance fees. The result was however above our expectations (57%) and FY20 (56%) which presented similar sales mix thanks mainly to the implementation of a new pay-out policy. On the cost side we saw an increase in Opex by 7% to Euro 4.0 m (Euro 3.8 m in FY21). This was the net result of a decrease in personnel cost (-6%) due to internal reshuffling and increased efficiency of commercial network and an increase (+19%) of G&As as the business went back to normal after the Covid years, and some costs related to the upgrade of IT infrastructure. Net result was negative of Euro 0.8 m (Euro 0.3 m in FY21). On the balance sheet we note a reduction of working capital which at the end of FY22 stood at Euro 1.9 m (Euro 2.4 in FY21) which was mainly related to the increase in payables to the commercial network partially offset by an increase in client's receivables (+36%) reflecting the billing of some "one shot advisory" services in the last quarter. Net Equity at the end of FY22 was of Euro 2.2m, down vs. FY21 after the net loss. Assets under control stood at Euro 848 m, down vs. Euro 959 at year-end 2021 mainly following the devaluation of assets and the closing of some inactive Mifid consultancy contracts, net of which net collection was of Euro +5m. The total number of consultants reported was 35 (41 at the end 2021).

New strategic plan focusing on growth and sustainability. Management did not provide guidance for FY23 but stressed that, even though the first months of FY23 have seen some recovery in financial markets, the continuous uncertain geopolitical situation makes it very difficult to make forecasts. However, despite the challenging environment Management confirmed its commitment to a strategy based on sustainability and growth and approved a new 2023-2025 industrial plan which outlines six strategic areas on which Management intends to focus: i) strengthening of the commercial network with the entry of new resources, ii) develop partnerships with insurance broker, iii) development of the corporate finance division, iv) sustainable growth of AuC, v) increase customer base, and vi) expand commercial offer. Regarding sustainability initiatives, we highlight the integration of sustainability criteria in investment processes, launch of green insurance and investment lines and the creation of a proprietary sustainable performance index.

Estimates slightly revised, new target price at Euro 6.42 p.s., potential upside of 93%. Given the above and considering the commercial initiatives with new partners concluded in FY22 (Value-Holdings Capital Partners, PreviOn, Alkeon Capital Management, Banca UBAE) we confirm our positive stance on the stock in the mid-term and only slightly revised our previous estimates. Whereas we maintain FY23 revenue expectations (Euro 7.4 m) we slightly increased expectations for FY24 (now Euro 8.9 m vs. Euro 8.6 m previously) whereas as we left our other assumptions largely unchanged, making only minor adjustments to reflect FY22 results. We updated our DCF and multiple based target price to Euro 6.42 p.s., (Euro 6.52 p.s.) providing for an upside of 93%. At our target price the stock would be trading at 2023-2024 Equity Value/AuM multiples of 1.5% and 1.5% respectively, vs. peers' average 2.7% and 2.5% and current stock price at 0.9% and 0.8%.

Target Price 6.42 (6.52 pr.)

Market Cap (€ m) **6.7**

EV (€ m) **7.2**

Market Price (€) **3.32**

As of March 24th, 2023

Share Data

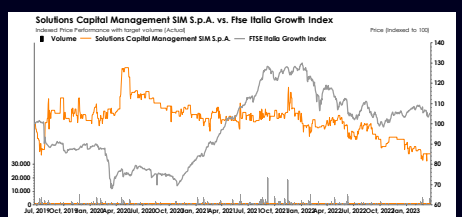
| | |
|-------------------|-----------------------|
| Market | Euronext Growth Milan |
| Reuters/Bloomberg | SCM IM/SCM.MI |
| ISIN | IT0005200248 |
| N. of Shares | 2,006,240 |
| Free Float | 18.90% |
| CEO | Antonello Sanna |

Financials

| | 21A | 22A | 23E | 24E |
|------------------------|-------|-------|------|------|
| Fee Income | 6.3 | 6.2 | 7.4 | 8.9 |
| YoY % | +15% | -2% | +19% | +20% |
| Net Fees | 3.9 | 3.7 | 4.3 | 5.2 |
| Brokerage M. | 3.9 | 3.6 | 4.3 | 5.2 |
| Brok. Mgn/Fee Income % | 61% | 58% | 58% | 58% |
| Cost/Income ratio % | 98% | 111% | 92% | 82% |
| Net Result | (0.3) | (0.8) | 0.1 | 0.5 |
| Equity | 3.0 | 2.2 | 2.3 | 2.8 |

Performance

| | 1M | 3M | 1Y |
|-------------------------------|------|------|-------|
| Absolute % | 1,2 | -7,8 | -12,6 |
| Relative (FTSE Italia Growth) | 3,8 | -8,9 | -2,4 |
| 52-week High/Low (Eu) | 4,38 | / | 2,98 |



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