



Back on track: FY22 sales +48%, strong recovery in profitability in 2H

Sector: Technology

2H22: double-digit top line growth (+19%) and EBITDA margin of 8%. SG Company Società Benefit released FY22 results posting healthy growth and recovery in profitability. Sales came in at Euro 16.8 m, +48% YoY (Euro 11.4 m in FY21) driven by a healthy order portfolio as the physical events market finally went back to normal in Q2. The result was however below our estimates and Management's guidance (both Euro 20.8 m) mainly due to lack of venues as demand boomed in 2H, with many clients deciding to move events to 1H23. EBITDA came in at Euro 0.7 m (4% on sales) below last year's of Euro 1.5 m, which however benefitted from Euro 2.0 m Covid related state-aid (Euro 0.2 m in FY22), but +39% above our estimates (Euro 0.5 m). The improvement was driven by a strong second half of the year with an EBITDA of Euro 0.8 m or 8% on sales thanks mainly to operational leverage (fixed costs spread on higher sales volumes). We highlight that for the full year, personnel expense remained largely in line with FY22 despite the significant increase in revenues (Euro 3.1 vs Euro 2.9 in FY21). The bottom line showed a Net Profit of Euro 0.2 m vs. a Net loss of Euro 0.1 m in FY21. We recall that the Group is still benefitting from a Covid-related suspension of D&As. Looking at the balance sheet, Net Debt stood at Euro 3.4 m, up from Euro 0.8 at the end of last year and above our estimates of Euro 0.3 m, after some NWC absorption following increased sales volumes, extraordinary layoff related expenses (Euro 0.3 m), M&A (total cash out Euro 0.7 m in FY22), and buyback of shares (Euro 0.4 m). Net Equity at the end of the period considered was of Euro 3.1 m (Euro 2.9 m in FY21).

Strong order backlog and M&A in support of short-term growth. Management did not update guidance but expressed confidence about the positive market trend and the possibility to reach the targets set up for FY23 in the Industrial Plan (FY23 sales of Euro 25.2 m and EBITDA of 1.1 m, Cash positive of Euro 1.9 m) on the back of a strong order backlog (Euro 10 m at the end of March) and recent commercial activity, further pinned by the full consideration of Louder as of Q223 after the increase of the Group's share to 51% (26% previously) at the end of March. Management confirmed a growth strategy focused on internationalization and widening of product portfolio in order to be able to provide a complete offering in terms of communication products and value-added services. Management also confirmed its commitment to continue its external growth path according to the investment plan announced in July 2022, and recently announced the agreement to invest up to Euro 3.0 m for a minority stake (12-13%) in Kampaay, a digital events platform with international presence and a complementary product portfolio. In our view, the strong market demand, coupled with the structural changes made over the last 24 months in terms of innovation, diversification and internal efficiencies should allow the Company to continue to grow revenues and margins also in the mid-term and we therefore confirm our positive stance of the stock.

Estimate upgrade and new TP. Based on FY22 results we updated our estimates to factor in the better-than-expected FY22 profitability and the consolidation of Louder which we expect to record revenues of c. Euro 7 m in FY23 with an EBITDA margin of 6%. Overall, this translates in an average increase in EPS of +62%. Based on our updated estimates we set a new TP of 0.82 p.s. (Euro 0.67 p.s. p.v) an increase by 22% vs. our last report despite a worsening interest rate scenario (WACC +87 bps). Our valuation, based on a DCF model provides for a potential upside of c. 163%.

Target Price 0.82 (0.67 pr.)

Market Cap (€ m) **9.9**

EV (€ m) **13**

Market Price (€) **0.31**

As of 4th April, 2023

Share Data

Market	Euronext Growth Milan
Bloomberg	SGC.IM
ISIN	IT0005337172
N. of Shares	31,862,070
Market	54.48%
Warrants Outstanding	17,968,265
Strike price war. (Eu)	0.66
Exerc. Period war.	Nov 23-27
CEO	Davide Verdesca

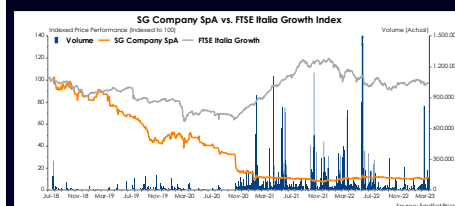
Financials

	2021A	2022A	2023E	2024E
Sales	11.4	16.9	32.2	37.0
YoY %	+14%	48%	91%	15%
EBITDA	1.5	0.7	1.9	3.7
EBITDA %	13%	4%	6%	10%
EBIT	(0.1)	0.4	1.6	2.9
EBIT %	n.m.	3%	5%	8%
Net Income	(0.1)	0.2	1.1	2.1
Net D/(C)	0.8	3.4	3.5	1.5
Net Equity	2.9	3.1	4.2	6.3

Performance

	1M	3M	6M
Absolute %	+19%	+15%	+8%
Relative (FTSE Italia Growth)	+20%	+15%	+3%

52-week High/Low (Eu)



PSustainability

Sustainability and impact reports available

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This Note is issued by arrangement with MIT SIM SpA, the Specialist engaged by the Company.